Annual Report

BIOARCTIC

2020

BIOARCTIC

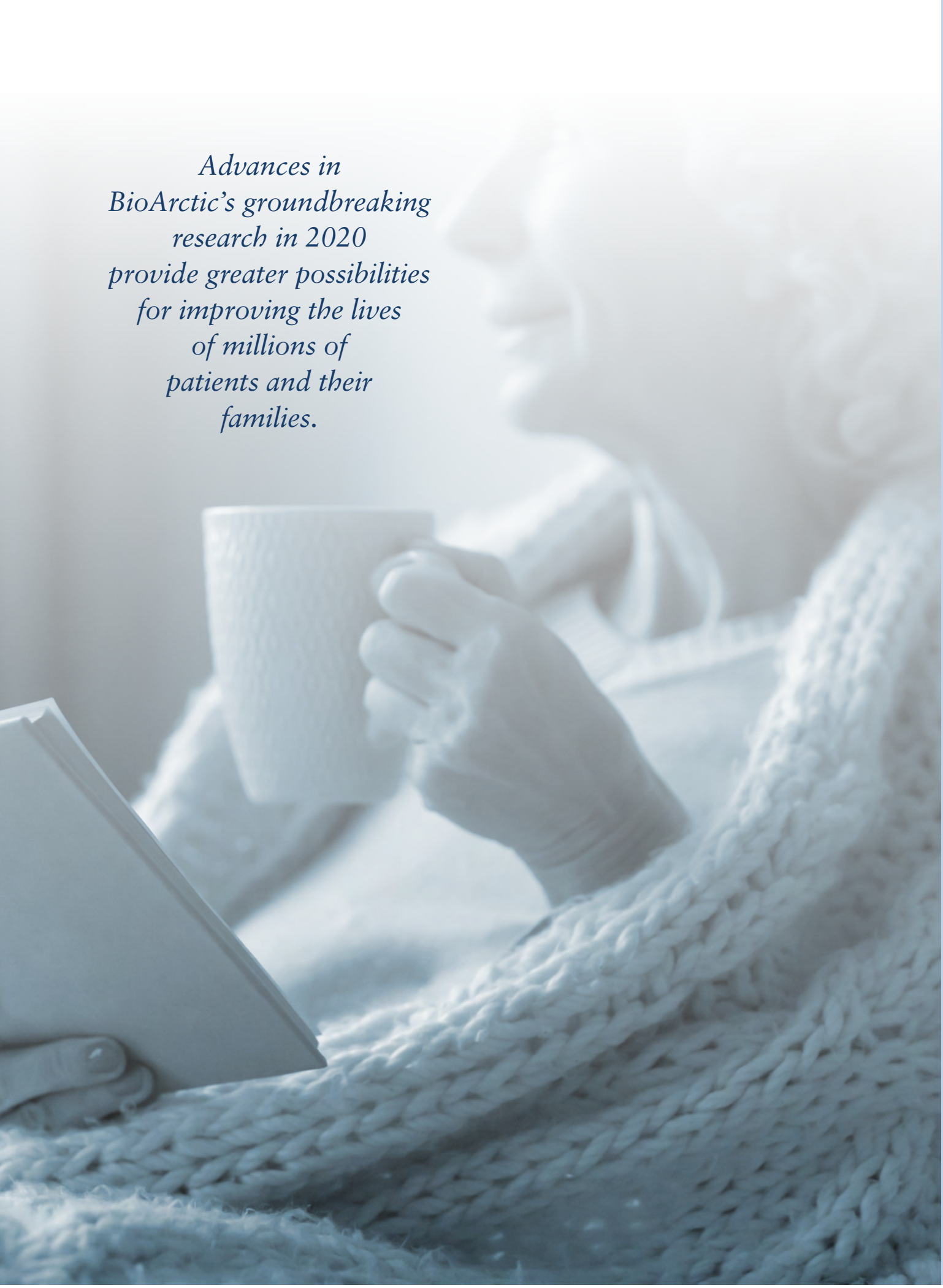
TABLE OF CONTENTS

DESCRIPTION OF OPERATIONS

ANNUAL REPORT

FINANCIAL STATEMENTS

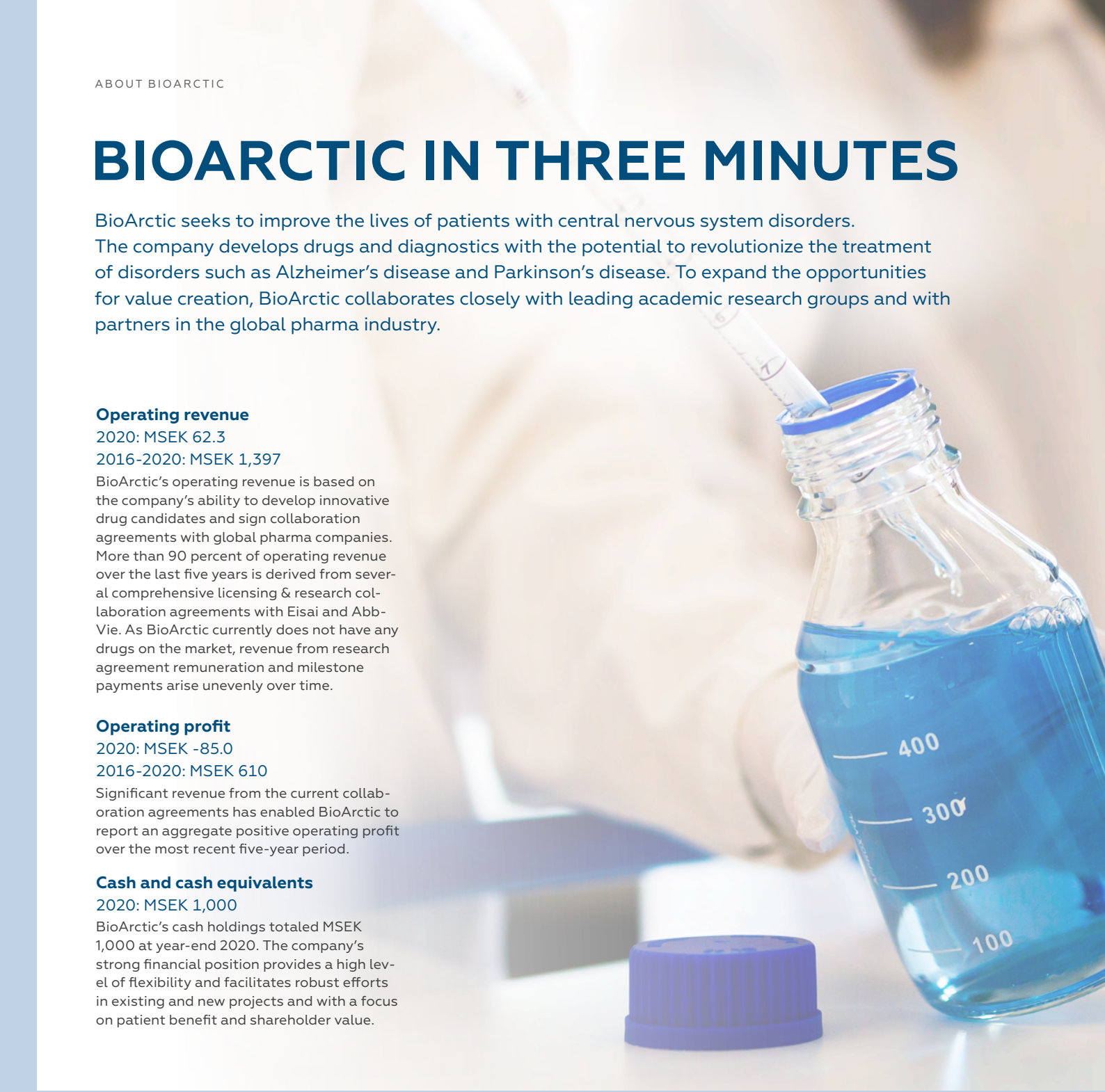
It is estimated that 30 million people worldwide suffer from Alzheimer's disease today and the number is expected triple in 30 years, according to the World Alzheimer Report 2015. The disease is caused by accumulation of the amyloid beta protein in the brain that clumps together in increasingly largers aggregations and eventually plaques (shown in the image on the cover). There is currently no cure or treatment that can stop the disease progression. BioArctic's goal is to develop new disease-modifying treatments that address the causes of Alzheimer's disease, affecting the underlying disease pathology and hopefully stopping or significantly delaying disease progression.



Advances in BioArctic's groundbreaking research in 2020 provide greater possibilities for improving the lives of millions of patients and their families.

BIOARCTIC IN THREE MINUTES

BioArctic seeks to improve the lives of patients with central nervous system disorders. The company develops drugs and diagnostics with the potential to revolutionize the treatment of disorders such as Alzheimer's disease and Parkinson's disease. To expand the opportunities for value creation, BioArctic collaborates closely with leading academic research groups and with partners in the global pharma industry.



Operating revenue

2020: MSEK 62.3

2016-2020: MSEK 1,397

BioArctic's operating revenue is based on the company's ability to develop innovative drug candidates and sign collaboration agreements with global pharma companies. More than 90 percent of operating revenue over the last five years is derived from several comprehensive licensing & research collaboration agreements with Eisai and AbbVie. As BioArctic currently does not have any drugs on the market, revenue from research agreement remuneration and milestone payments arise unevenly over time.

Operating profit

2020: MSEK -85.0

2016-2020: MSEK 610

Significant revenue from the current collaboration agreements has enabled BioArctic to report an aggregate positive operating profit over the most recent five-year period.

Cash and cash equivalents

2020: MSEK 1,000

BioArctic's cash holdings totaled MSEK 1,000 at year-end 2020. The company's strong financial position provides a high level of flexibility and facilitates robust efforts in existing and new projects and with a focus on patient benefit and shareholder value.

TIMELINE

1992
Professor Lars Lannfelt and his colleagues discover a mutation that leads to early development of Alzheimer's disease.

2000
Patent application for discovery of the Arctic mutation and a treatment strategy for Alzheimer's disease submitted in the US.

2001
The discovery of the Arctic mutation is published.

2003
BioArctic is founded by Lars Lannfelt and Pär Gellerfors.

2005
A research collaboration is inaugurated with the global pharma company Eisai concerning treatment of Alzheimer's disease.

2007
The first patent linked to Alzheimer's disease is approved in the US. Eisai inlicenses BAN2401 for treatment of Alzheimer's disease.

2010
Clinical development of BAN2401 for Alzheimer's disease is initiated.

2013
Eisai initiates a global Phase 2b study with BAN2401.

2015
BioArctic and Eisai enter into a new license and research agreement concerning Alzheimer's disease.

2016
BioArctic and AbbVie initiate a research collaboration concerning Parkinson's disease.

ALZHEIMER'S DISEASE

BioArctic's most advanced drug candidate against Alzheimer's disease, BAN2401 (lecanemab), and its backup compound, have been outlicensed to Eisai. The agreements with Eisai total approximately SEK 2.3 billion, and BioArctic additionally has the right to a sales-based royalty. Lecanemab is a potential disease-modifying antibody that has shown positive results in a major Phase 2b study and is now being evaluated in a broad Phase 3 study in patients with early Alzheimer's disease. An additional global Phase 3 study was initiated in 2020 to evaluate the effects of lecanemab in an even earlier stage of the disease: pre-clinical asymptomatic Alzheimer's disease. Moreover, BioArctic has a number of fully owned antibodies with various mechanisms of action that are currently in the preclinical research phase.

PARKINSON'S DISEASE

BioArctic has outlicensed its portfolio of potential disease-modifying antibodies against alpha-synuclein to AbbVie. The value of the agreements totals approximately SEK 6 billion, and BioArctic additionally has the right to a sales-based royalty. AbbVie is currently evaluating drug candidate ABBV-0805 in a clinical Phase 1 study and has initiated preparations for a Phase 2 study. Moreover, the antibodies in the Parkinson's program have potential in the treatment of Lewy body dementia and multiple system atrophy.

OTHER CNS DISORDERS

BioArctic is involved in improving the treatment of a number of disorders of the central nervous system. The antibody lecanemab is in the pre-clinical phase as a potential treatment of cognitive impairment and dementia in conjunction with Down's syndrome. In addition, the company is evaluating the possibility of developing both existing and new antibodies in other CNS-related diseases.

BLOOD-BRAIN BARRIER TECHNOLOGY

The blood-brain barrier protects the brain from pathogens, but at the same time makes it difficult for drugs to reach their targets in the brain. BioArctic and Uppsala University are collaborating on developing technology that facilitates the passage of antibodies across the blood-brain barrier.

DIAGNOSTICS

BioArctic is heavily engaged in the development of new methods that could improve the diagnosis and evaluation of treatments for Alzheimer's disease and Parkinson's disease. BioArctic is pursuing a number of projects in partnership with external commercial and academic partners, including studying biomarkers that could make it possible to diagnose Alzheimer's disease with a simple blood or spinal fluid sample and to monitor the results of the patients' treatment. In addition, the company is active in a project to improve brain imaging (positron emission tomography, or PET) of Alzheimer's patients.

2017
BioArctic is listed on Nasdaq Stockholm Mid Cap.

2018
AbbVie inlicenses BioArctic's antibodies against alpha-synuclein for the treatment of Parkinson's disease and other potential indications.

Positive results reported from the Phase 2b study of BAN2401 in patients with early Alzheimer's disease.
2018

2019
AbbVie begins a Phase 1 study of ABBV-0805, one of the antibodies in the Parkinson's program.

Eisai begins the confirmatory Phase 3 study (Clarity AD) of BAN2401 in patients with early Alzheimer's disease.
2019

BioArctic's own project portfolio expands by two projects.
2019

2020

- BioArctic's drug candidate BAN2401 is assigned the international nonproprietary name lecanemab.
- Alzheimer's patients globally and in Sweden are included in the confirmatory Phase 3 study with lecanemab.
- A new global Phase 3 program is initiated with lecanemab in preclinical asymptomatic Alzheimer's disease.
- Eisai presents promising new data from the open-label Phase 2b extension study with lecanemab.
- BioArctic and the University of Oslo sign research agreements for further study of Apolipoprotein E as a target protein in Alzheimer's disease.
- BioArctic receives the 2020 Allbright Prize for its equality initiatives.

BIOARCTIC'S BUSINESS MODEL AND PROJECT PORTFOLIO

Disorders of the central nervous system are the cause of great suffering around the world, and today's treatments often provide only mild relief of symptoms. There is thus an enormous need for new approaches that not only relieve the symptoms but also slow the progress of the disease. Moreover, better tools are needed in order to diagnose the disorders at an early stage and to monitor the effects of the treatment in individual patients. BioArctic's value creation is based on scientific development of new drug candidates and its ability to commercialize these through collaborations and licensing agreements with international biopharma companies.

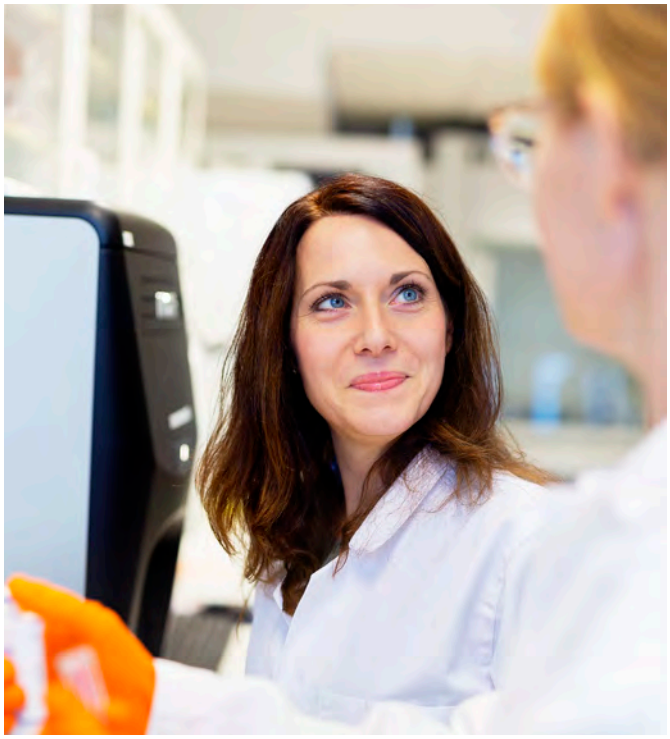
To create the best possible conditions for achieving its goals, BioArctic partners with external research groups and global pharma companies that can provide the expertise and resources in pre-clinical and clinical drug development, regulatory activities, production and marketing. Commercial collaboration agreements can also provide significant operating revenue long before any market introduction of a finished drug or diagnostic product takes place.

BioArctic's research portfolio consists of a large number of projects, from the early research stage through Phase 3, that are being developed to improve the treatment of Alzheimer's disease, Parkinson's disease and other disorders of the central nervous system. In addition, the company is pursuing two projects to improve diagnostics for CNS disorders and is developing a technology to facilitate improved uptake of drugs in the brain. Ideas for new projects are continually being identified, and the nearly 40 employees who are working on research and development at BioArctic's laboratory in Stockholm are working continually on enabling the next big scientific breakthrough.

VISION
Our research generates world-leading medicines that improve life for patients with disorders of the central nervous system.

MISSION
Together, we generate the medicines of the future for patients with disorders of the central nervous system.

BUSINESS CONCEPT
BioArctic is a Swedish biopharma company that develops new drugs based on groundbreaking research for patients with disorders of the central nervous system. For a global market, the aim is to generate transformative medicines that can stop or slow down the progression of diseases, principally Alzheimer's disease and Parkinson's disease.



BioArctic's business model creates value for patients, partners, shareholders and society at large

INPUT

SKILLED EMPLOYEES

PARTNERSHIPS WITH ACADEMIC GROUPS

1

BioArctic generates innovative drug candidates...

BIOARCTIC'S PROJECT PORTFOLIO

The company's project portfolio is a healthy balance of fully funded projects pursued in partnership with global pharma companies and innovative in-house projects with significant market and outlicensing potential.

	Project	Partner	Research	Preclinical	Phase 1	Phase 2	Phase 3
ALZHEIMER'S DISEASE	Lecanemab (BAN2401) Clarity AD	Eisai[1]	Early Alzheimer's disease[4]				
	Lecanemab (BAN2401) AHEAD 3-45	Eisai[1]	Preclinical (asymptomatic) Alzheimer's disease[5]				
	BAN2401 back-up	Eisai[1]					
	AD1801						
	AD1502						
	AD1503						
	AD2603						
PARKINSON'S DISEASE	ABBV-0805[2]	AbbVie					
	PD1601	AbbVie					
	PD1602	AbbVie					
OTHER CNS DISORDERS	Lecanemab (BAN2401)		- Down's syndrome[3] - Traumatic brain injury				
	ND3014						
BLOOD-BRAIN BARRIER TECHNOLOGY	BBB technology						
DIAGNOSTICS	Biomarkers and diagnostics—Alzheimer's disease						
	Biomarkers and diagnostics—Parkinson's disease	AbbVie					

1) Partnered with Eisai for lecanemab for treatment of Alzheimer's disease. Eisai entered partnership with Biogen regarding lecanemab in 2014
2) AbbVie inlicensed BAN0805 in late 2018 and develops the antibody with the designation ABBV-0805
3) Dementia and cognitive impairment associated with Down's syndrome and with traumatic brain injury
4) Mild cognitive impairment due to Alzheimer's disease and mild Alzheimer's disease
5) Normal cognitive function with intermediate or elevated levels of amyloid-beta in the brain

2

...that are further developed by resource-rich global pharma companies...

3

...to result in drugs that can improve millions of patients' lives.

OUTPUT

Licensing revenue and future sales revenue create value for the shareholders and provide opportunities for investments in new research.

- **Better health for patients**
- **Better lives for their families**
- **Reduced burden on the health care system**
- **Socioeconomic benefits**

THE YEAR IN BRIEF

The year was marked by continued advancement in the confirmatory Phase 3 study with lecanemab, a potentially groundbreaking treatment of early Alzheimer's disease. Moreover, an additional Phase 3 program was initiated to study the effect in patients that are not yet displaying clinical symptoms. The company's partner, AbbVie, commenced planning for a Phase 2 study with drug candidate ABBV-0805 in patients with Parkinson's disease.
BioArctic's early projects in the central nervous system and the blood-brain barrier have progressed well. All together, BioArctic's groundbreaking research could yield possibilities in the future for improving the lives of millions of patients and their families.

- The spread and negative effects of the coronavirus during the year had a serious impact on society, the economy and the lives of private individuals. During the year, BioArctic successfully progressed its own projects without noticeable disruptions despite the COVID-19 pandemic. The company's revenue and costs for the year were only marginally impacted by the pandemic.
- BioArctic's partner Eisai included Swedish clinics in the confirmatory Phase 3 study of the drug candidate lecanemab. Patients with early Alzheimer's disease have been recruited in the US, Canada, Europe, Japan, South Korea and China.
- BioArctic and the Department of Pharmacology at the University of Oslo signed a research collaboration agreement for further study of Apolipoprotein E (ApoE) as a potential target protein in Alzheimer's disease.
- BioArctic's partner in Alzheimer's disease, Eisai, initiated a new global Phase 3 program (AHEAD 3-45) with the drug candidate lecanemab in partnership with the Alzheimer's Clinical Trials Consortium (ACTC). The program will evaluate the effect of lecanemab on preclinical asymptomatic Alzheimer's disease in individuals with normal cognitive function who have intermediate or elevated levels of amyloid-beta in the brain. The AHEAD 3-45 program will be conducted in the US, Canada, Japan, Singapore and Europe.

BioArctic wins prestigious award for listed companies for its equality initiatives

BioArctic was named the winner of the 2020 Allbright Award for listed companies, with the following motivation: "This year's winner receives consistently high marks from employees regarding the company's work with gender equality. When the company's CEO took office, there were mainly men in leading positions. Through continuous work, the company has now reached an even gender distribution throughout the organization. As its recipe for success, the company lists clear processes for promotions and recruitments, based on knowledge and competence. Of course, the company has a gender equality policy in place, and continuously inquires as to whether discrimination or harassment has been experienced. The core values have been developed together with the employees and are kept alive throughout the organization. It is therefore not surprising that 100 percent of the employees would recommend others to take employment at the company."

- Eisai presented new data from the open-label extention of the Phase 2b study with drug candidate lecanemab in patients with early Alzheimer's disease. The preliminary findings in patients who previously received a placebo include a rapid and continual decrease in amyloid levels in the brain measured after three, six, and twelve months of treatment with lecanemab. The frequency of ARIA-E (a form of cerebral edema that occurs in patients treated with monoclonal antibodies targeted at amyloid-beta) in the ongoing open-label extension study remains low and is comparable with the core Phase 2b study (i.e. under 10 percent). The findings were presented at the 2020 Alzheimer's Association International Conference (AAIC®) and at the Clinical Trials on Alzheimer's Disease (CTAD) conference.

- BioArctic's partner AbbVie announced it was canceling the second part of the Phase 1 program with ABBV-0805 in patients with Parkinson's disease. AbbVie will instead work on producing a detailed plan to take the project into Phase 2.

- Eisai also announced at the CTAD conference that the first screening results from the AHEAD 3-45 study were in line with expectations. Additionally, it was reported that the baseline data for patients with early Alzheimer's disease in the ongoing Phase 3 study, Clarity AD, was in line with those from the Phase 2b study and was representative for a population with early Alzheimer's disease.

ALLBRIGHT

FINANCIAL OVERVIEW

	2020	2019
Net revenue, MSEK	62.3	281.8
Operating profit/loss, MSEK	-85.0	112.5
Profit/loss for the year, MSEK	-68.5	88.5
Cash flow from operating activities, MSEK	-92.3	327.2
Equity/asset ratio, %	86.4	82.4
Return on equity, %	-7.23	8.9
Earnings per share, SEK	-0.78	1.00
Equity per share, SEK	10.30	11.07
Cash flow from operating activities per share, SEK	-1.05	3.72
Share price at December 31, SEK	95.40	94.90
Cash and cash equivalents, net	999.9	1,112.8

NET REVENUE

MSEK 62

BioArctic's net revenue in 2020 is comprised of payments from research collaborations with AbbVie and Eisai.

OPERATING LOSS

MSEK -85

The operating result during the financial year was lower than in the preceding year, which is primarily due to the fact that no partnered projects advanced to the next clinical phase in 2020, and thus did not generate any milestone payments. These projects are progressing according to plan, and the ongoing projects have the potential to create major increases in value over the long term.

POTENTIAL FUTURE REMUNERATION APPROXIMATELY

SEK 7 billion

The remaining potential milestone payments in the collaboration projects with Eisai and AbbVie could total approximately SEK 7 billion. In addition, projects that reach the market could generate considerable sales-based royalty income.

COMMENTS FROM THE CEO

In 2020, we enjoyed continued success in the development of treatments that could improve the quality of life for patients with disorders of the central nervous system. The ambition is, together with our partners, to become one of the first companies in the world to develop disease-modifying treatments for Alzheimer's disease and Parkinson's disease.

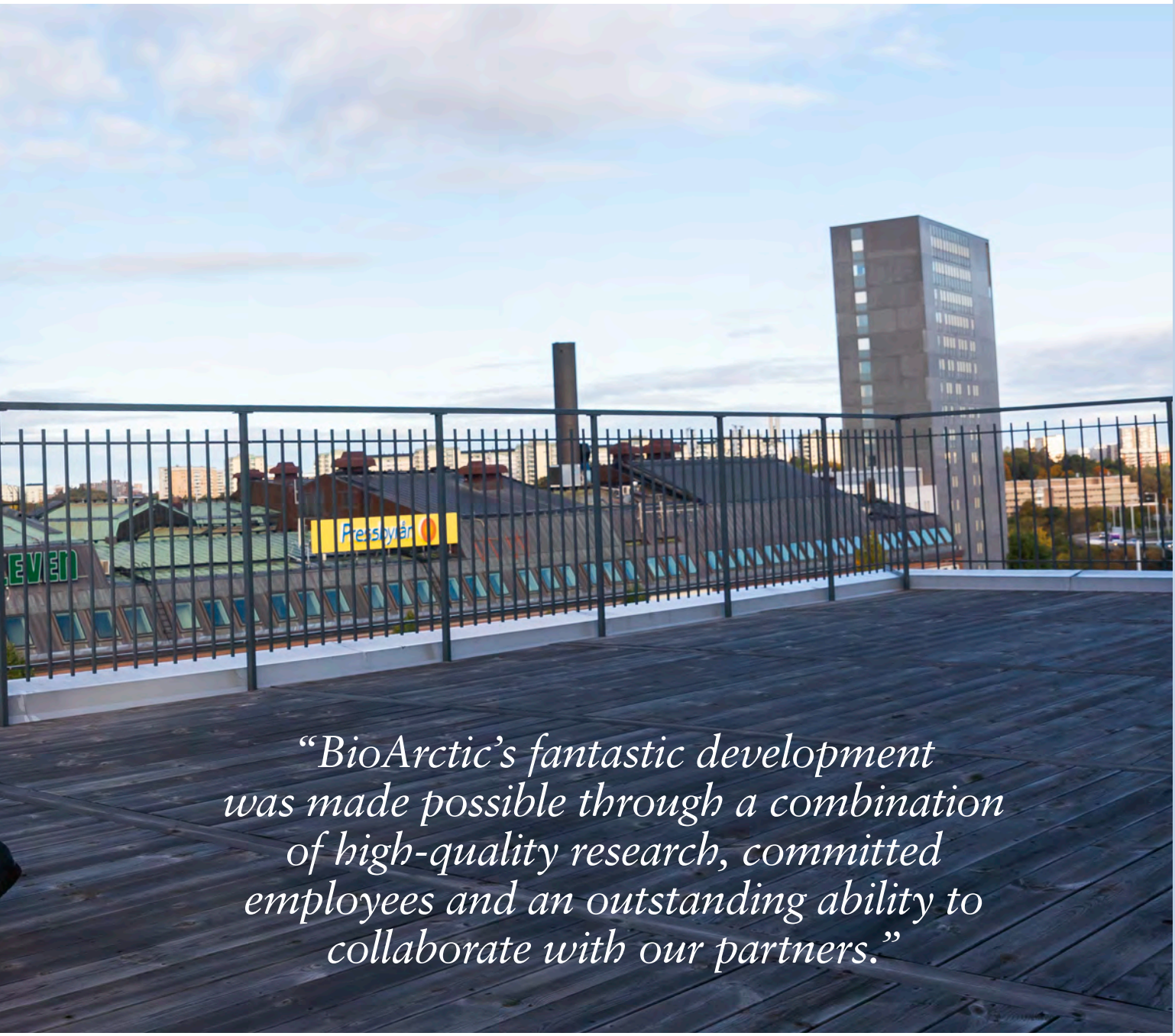
BioArctic can look back with pride over yet another year marked by significant advances in our efforts to fulfill our ambition: to improve the quality of life for patients with disorders of the central nervous system. At the same time, the COVID-19 pandemic has put our business environment through difficult times and we and our partners have transformed our procedures in order to continue pursuing the development of our projects according to plan. Eisai has announced that the overall results from the confirmatory Phase 3 study (Clarity AD) of lecanemab (BAN2401) in patients with early Alzheimer's disease will be available in September 2022. At the same time, AbbVie - our partner in the field of Parkinson's disease - is preparing a Phase 2 study with drug candidate ABBV-0805.

BioArctic's proprietary projects are also continuing to perform well. Our blood-brain barrier technology, which is intended to facilitate the passage of biological drugs into the brain, is yielding extremely promising preclinical results, and work is now under way to obtain additional patent protection. Initially, the technology will be used in the projects we are working on, but there is also a business opportunity in offering the technology to other pharma companies and for other antibodies.

In 2020, Eisai initiated an additional global Phase 3 program (AHEAD 3-45) with lecanemab. The purpose is to study the delaying effect or prevention of Alzheimer's disease through treatment with lecanemab at the very earliest stages of the disease. Provided that the results of the study turn out well, there is increasing hope of being able in the future to offer a disease-modifying treatment for even broader patient groups, which would mean drastically increased market potential for lecanemab.

The latest interim results from the open-label extension of the Phase 2b study with lecanemab provide further support for the drug candidate's promising effect and safety profile. A rapid and continual decrease in amyloid levels in the brain has been observed after three, six, and twelve months of treatment in patients who previously received a placebo. Another positive finding is that even though patients were treated with the highest dose of lecanemab right from the start, the side effect ARIA-E was at the same low frequency as in the Phase 2b study. This distinguishes lecanemab from other drug candidates in later clinical development that demonstrate higher frequencies of these side effects and thus need to be administered with caution, in gradually increasing doses.

All patients with Alzheimer's disease are unique, and in the future several different alternatives and combinations



"BioArctic's fantastic development was made possible through a combination of high-quality research, committed employees and an outstanding ability to collaborate with our partners."

of treatments for the disease will be needed in order to find the one that is best suited for each individual patient. That is why BioArctic has a broad range of research, including the development of antibodies that target a specific form of amyloid-beta: truncated amyloid-beta, which has a pronounced ability to aggregate into harmful formations that can cause Alzheimer's disease. Evidence of the level of our innovation is that the European Patent Office recently approved our patent application for these types of antibodies.

Since BioArctic's listing over three years ago, our drug projects in Alzheimer's disease and Parkinson's disease have made significant advances, new projects have been added and the company's market value has increased dramatically. This fantastic development was made possible through a combination of high-quality research, committed co-workers and an outstanding ability to collaborate with our partners. I am especially proud of the fact that our goal-oriented leadership and equality initiatives are yielding results; clear confirmation of this is that we were awarded the Allbright Award for 2020. We will now continue our important long-term efforts to develop disease-modifying drugs that can improve life for patients and their families.

Gunilla Osswald
CEO, BioArctic AB

CORE VALUES AND CO-WORKERS

BioArctic has established a distinct model for leadership and core values that are firmly rooted at all levels of the company. This promotes the strong, science-driven corporate culture that is the basis for the capacity to develop new and innovative drugs with the objective of improving the lives of patients with disorders of the central nervous system. The company has created a strong ability to attract, recruit, develop and retain skilled and creative employees. Moreover, the company has successfully established and continually optimized collaboration with external research groups and global pharma companies.

The unique feature of BioArctic's core value agenda is not the individual components but rooting the mindset throughout the organization in a way that makes a clear difference in daily work. A questionnaire survey conducted by the Allbright Foundation shows that all of BioArctic's employees would recommend the company as an employer.

A corporate culture based on clear values

BioArctic's core values - Respect, Engagement, Collaboration and Responsibility (which in Swedish forms the acronym RESA, or "journey" in English) - guide the company's employees in their daily work and promote a shared corporate culture. The keyword *respect* calls attention to the need for active listening and consideration, valuing everyone equally, acting selflessly and following the agreed-upon rules of the game. *Engagement* reflects the importance of drive and enthusiasm in ourselves and others, finding new ways to think and working creatively and flexibly. *Collaboration* requires open communication, generosity, humility, clear feedback and shared objectives. Focus on *responsibility* increases the possibilities of high-quality deliveries on time so that joint projects can be pursued in an optimal manner.

Value-driven leadership

The idea of value-driven leadership is firmly rooted at BioArctic. *Self-leadership* is used by all co-workers, both employees and consultants. It is marked by independently taking responsibility for clear communication and high-quality, punctual deliveries. *Individual-based leadership* is exercised by the company's managers and includes responsibility for allocating work and assigning the right competence to projects. In addition, there is a great deal of focus on creating conditions for developing employee competence and a positive work environment. Good *project leadership* requires open, honest and transparent communication based on constructive feedback, but also assumes the capacity for an overarching perspective as well as a goal- and solution-oriented approach.

Without strong partnerships, research stops

BioArctic's distinct core values and leadership principles are an important explanation for why the company can successfully establish and develop productive partnerships with external research groups and global pharma companies. The company's principles of collaboration are built on the belief in the importance of unifying around a vision and common goals, of creating and developing a joint work structure,

of cultivating and retaining mutual trust and always acting as one team. This optimizes the possibilities of a relationship in which everyone involved can get the best out of the partnership, described by the term "happy-happy" as inspired by the theories of Lars-Johan Åge. Over the past year, BioArctic's and AbbVie's positive and productive partnership attracted a great deal of attention, including in Drug Discovery Today through its publication "*How partnership should work to bring innovative medicines to patients*" and in "*Exemplary Alliance, Ordinary Practices*" (The Rhythm of Business).

Core values—all in a day's work

Active work with core values has provided the company with a shared viewpoint and language that makes it easy to discuss and develop our ways of working. This promotes more productive performance reviews and facilitates conducting co-worker surveys.

Daily life at most workplaces changed in 2020 as a consequence of the COVID-19 pandemic, and BioArctic was no exception. The challenges became easier to handle using the fundamental values and principles that permeate the company. Regular surveys were carried out to identify concerns over the spread of infection, which meant that management could quickly take proper action. Physical meetings became digital ones, and communication was maintained in many creative ways, including online coffee breaks and research days with opportunities for interaction via chat functions. Moreover, all employees were offered support from experts in ergonomics in order to best adapt their home offices during the periods of remote working that the pandemic brought in its wake.

From a co-worker's perspective

– four questions for Ken Honek

Ken Honek, PhD in Biotechnology, works on constructing the proteins that form the basis for BioArctic's future drug candidates.

What makes BioArctic stand out as a workplace?

"I have a background in academic research, and one major difference is that at BioArctic, we are more focused on a specific end product for our work: revolutionary drugs against neurodegenerative disorders. We are extremely humble in our efforts to solve scientific challenges, and it is easy for us to collaborate both internally and externally. The relationships with both university research groups and our partners in the global pharma industry are outstanding, which creates the conditions to be able to break new ground in an extremely complex scientific field."

What is the main reason you are happy about going to work in the mornings?

"Simply put, I want to make a difference for all the patients who currently do not have access to an optimal treatment for their disease. It's an enormously strong driver. Moreover, I'm highly inquisitive and curious—if I start an experiment that runs overnight, I want to hurry back to work the next morning to read off the results."

What's the best thing about BioArctic as an employer?

"It's a company on the absolute leading edge of research, with a strong focus on achieving concrete goals: creating new drugs that can help patients. For us, the sky is the limit, and our managers are always focused on seeing that we have the best conditions for pursuing our projects. One part of this is all the tangible efforts that go into ensuring that staff are doing well both physically and mentally."

What do BioArctic's core values mean to you in your daily work?

"The core values are easy to assimilate, since they fit well with my own core values as regards life in general. In certain contexts, we use them as a tangible tool for becoming just a little bit better—during our performance reviews, for example, which are built around the values of respect, engagement, collaboration and responsibility. We do not refer to our core values on a daily basis, though, perhaps because they're already in our bones.

STAFF FACTS[1)]

Gender distribution:
women / men

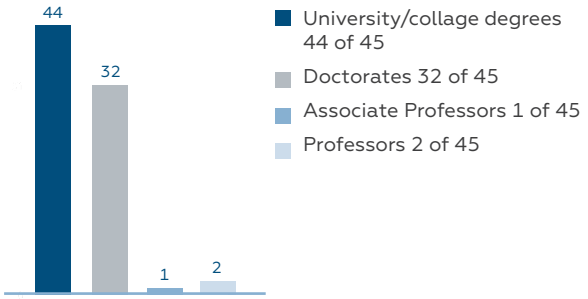
60/40 %

In the management group:
women / men

45/55 %

In manager positions:

Level of education:



The total number of employees at BioArctic was 45 (42) at year end. Of these, nearly 80 percent were employed in R&D.

1) All information is calculated on the total number of employees (45) at December 31, 2020. Consultants corresponding to 12 (11) full-time equivalents at year end are not included in the statistics above.

A CLEAR STRATEGY FOR SUSTAINABLE VALUE CREATION

BioArctic's clearest and most important contribution to a globally sustainable future lies in the development of safe and effective drugs against disorders of the central nervous system.

BioArctic works to improve the treatment and diagnosis of neurodegenerative disorders. This requires well-defined, responsible action in all of the company's activities. Company-wide initiatives were carried out in 2020 to develop an updated strategy for sustainable value creation. The updated strategy takes its start in the 17 UN Sustainable Development Goals concerning such subjects as health, equality, business operations, partnership and the environment. By identifying goals that are clearly linked to BioArctic's operations, the company has expanded on its three existing main areas for measurable and valuable initiatives: sustainable employeeship, sustainable use of resources and sustainable business.

Sustainable employeeship

For BioArctic, it is important that all of its employees are flourishing in and enjoying their professional roles. By building an organization that takes social values and awareness of quality into account, a sense of ownership is created among all employees. The company works actively to promote sustainable employeeship and leadership at all levels. The exercise of self-leadership by employees in all activities promotes an overall high level of quality in the company's daily operations, as well as pride in and a desire to work at BioArctic. The company encourages a healthy balance between work life and private life among all its employees, and promotes healthy living.

BioArctic was awarded the 2020 Allbright Award, proof that the company has come far in its social sustainability initiatives and that it is an attractive employer. For BioArctic, it is self-evident that heterogeneity promotes value creation by the company, which is why it actively conducts diversity initiatives. Equality in career opportunities for all employees, men and women, is affirmed by an equitable gender distribution in both management and among employees in general. BioArctic's progressive initiatives have attracted public attention—most recently by the Allbright Foundation—and reinforce the company's brand.

Sustainable use of resources

Drug development is a long process involving many complex procedures. All together, many years of research can result in a high degree of resource consumption, which is why BioArctic continually strives to optimize its use of resources in the company's operations to reduce its burden on the planet and the climate. When contracting suppliers for production of the drug candidates included in BioArctic's project portfolio, stringent requirements are placed on environmental responsibility. That is why the company only collaborates with carefully selected suppliers and partners. Even in conjunction with procurement of goods and services, environmental aspects are a vital part of the basis for decision. All procured production complies with the pharma industry's quality standards and Good Manufacturing Practice (GMP).

Sustainable business

BioArctic works in accordance with a business model that creates long-term stability, thus ensuring continual reinvestment in new research and development. Research and development operations are conducted in accordance with well-defined procedures for quality assurance, and the operations have regularly and successfully undergone thorough inspections from government authorities and partners. Preclinical and clinical studies are conducted in accordance with applicable standards, guidelines, laws and regulations, regardless of whether they are carried out in-house or by external partners.

By identifying partners with strengths that complement the internal capacity for developing unique drug candidates, a long-term perspective and sustainability are created in the company's business model. The successful partnerships with Eisai and AbbVie have aided in strengthening BioArctic's positive reputation among global pharma companies. This increases the possibilities for initiating more collaboration projects with the most prominent, resource-rich companies in the world.

From a sustainability perspective

– *five questions for Oskar Bosson*

Oskar Bosson, leading the sustainability initiatives at BioArctic

Why has BioArctic updated its sustainability strategy?

"As a modern pharma company, we realize that the concept of sustainability has broadened to impact many aspects of our operations. We are pleased that our expertise in the area continues to expand. The fact that we have clarified our efforts in the field of sustainability based on the UN Sustainable Development Goals can aid us in increasing understanding on how we can best influence this in our work."

How do you view the impact of drugs on nature?

"Compared with traditional chemical-based drugs, our drugs are fundamentally biological products and break down effectively in nature without leaving traces in sensitive ecosystems, which is clearly positive."

What is BioArctic's biggest contribution to the sustainable development of society?

"Every year, millions of people – and by extension their families – are afflicted by complex diseases of the central nervous system. The results are tremendous suffering and a major economic impact through a burden on the world's health and medical care systems. By developing efficient disease-modifying treatments for neurodegenerative disorders, we hope to counteract the suffering of patients and their families and reduce the cost to society."

How do you work with social sustainability?

"BioArctic works to ensure that all our employees feel included and experience a high degree of ownership over their work. Our prize-winning leadership model, in which self-leadership is a central part, lays the foundation for all employees to be able to have an effect on their work situation while ensuring their work is of high quality."

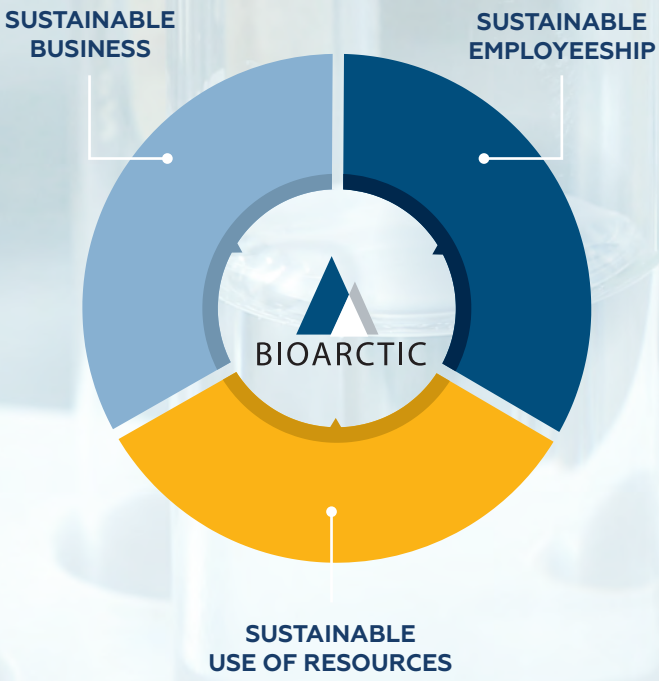
Are there any concrete examples of how the sustainability initiatives undertaken make a difference for your capacity to create value?

"One clear example is that all our employees feel they would recommend applying for a job at BioArctic to a friend or acquaintance. Being awarded the 2020 Allbright Prize is an external validation of our successful equality initiatives – an important component in our overall sustainability initiatives. The company's strong reputation makes it possible for us to recruit leading international expertise, which promotes the development of our drugs.

BioArctic's sustainability strategy

BioArctic's updated sustainability strategy is built to a greater extent than previously on the UN Sustainable Development Goals (SDGs). BioArctic's conducts its sustainability work in three main areas: sustainable employeeship, sustainable use of resources and sustainable business.

BioArctic's core operations consist of developing drugs to counteract and treat neurodegenerative disorders, with the goal of improving life for affected patients and their families. BioArctic can thus contribute to a sustainable society and sustainable health, which corresponds to the UN SDG "Good Health and Well-Being". This provides a strong starting point for the company's ambition of further developing its sustainability perspective in all areas of its operations.



BioArctic's biggest contribution to global sustainability

BioArctic's primary task is to provide treatments of neurodegenerative disorders through world-leading research and development, with the goal of improving life for afflicted patients and their families. By ensuring success in its core operations, the company has the possibility of promoting a sustainable society and sustainable health. The conditions for achieving this goal are optimized through the constant presence of the sustainability perspective in all parts of the operations.

SUSTAINABLE EMPLOYEESHIP

To create drugs that improve the lives of patients and their families, it is necessary that BioArctic's employees experience a long-term sense of wellness and involvement in operations. This way, combined efforts are mobilized to contribute to overall innovation strength.

BioArctic promotes sustainable employeeship by:

- Ensuring market-based conditions of employment
- Guaranteeing a healthy work environment, both physically and psychosocially
- Pursuing active leadership and core value initiatives
- Encouraging and promoting employee competence development
- Working for a healthy balance between work and private life
- Supporting and encouraging healthy living
- Promoting zero tolerance against all types of harassment and discrimination
- Actively working on issues of diversity and equality

SUSTAINABLE USE OF RESOURCES

To create the best long-term conditions for our operations, it is necessary to optimize the company's internal use of resources and to strive for similar sustainability in external partnerships.

BioArctic promotes sustainable use of resources by:

- Working with biological drugs that have less impact on the environment and nature in comparison to chemical drugs
- Ensuring good ethics and optimal use of resources in preclinical research
- Reducing waste and consumption of electricity, and ensuring recycling
- Being selective and prioritizing the meetings that require physical presence and thus travel, and in conjunction with travel, ensuring coordinated and sustainable travel management
- Encouraging suggestions for sustainable solutions from employees, and continually requesting such solutions
- Requesting supplier sustainability initiatives in conjunction with major procurements, in addition to the GMP requirements that a supplier must fulfill where appropriate

SUSTAINABLE BUSINESS

A sustainable business model is the foundation for continuing to create innovative projects that in the future can help patients with great medical needs.

BioArctic promotes sustainable business by:

- Fostering innovation with the goal of ensuring that BioArctic's products reach the market, and thereby, patients
- Retaining and developing strong, long-term collaborations with research groups and other pharma companies
- Working in accordance with a business model that creates long-term stability, thereby ensuring continual re-investment in research and development of new projects for future partnerships with pharma companies
- Working in accordance with good business ethics, transparency and government agency requirements, regardless of whether the work is performed in-house or with external partners
- Having well-defined procedures for quality assurance that comply with strictly regulated drug development

ALZHEIMER'S DISEASE

Today, 30 million patients with Alzheimer's disease are compelled to accept that they have been afflicted with a disease in which their brains will gradually and inexorably deteriorate. But with a disease-modifying effect, BioArctic's drug candidate lecanemab (BAN2401) has the potential to be one of the world's first drugs that not only alleviates the symptoms but also slows the development of the disease.

The breakdown of the brain's cells in Alzheimer's disease is marked. A healthy brain weighs approximately 1,400 grams after death; a brain affected by Alzheimer's disease may weigh only 800 grams. As the breakdown progresses, the sufferer's memory, language, orientation, recognition and learning capacity will gradually worsen. In addition, mental symptoms such as apathy, depression, paranoia and aggression also often appear. Since current treatments only alleviate symptoms, the disease means that the lives of both patients and their families are changed forever. In addition to the suffering of the patient and their loved ones, the extensive need for nursing care entails major costs for society. The need for new treatments that not only relieve, but also affect, the progress of the disease itself is thus significant. The difficulties in developing effective drugs has meant that it has been nearly 20 years since any new treatments for Alzheimer's disease were approved. But science has made important discoveries that form the foundation of BioArctic's drug candidates and open the door to a new era of treatments that have the potential to impact the very cause of the disease.

A disease in several phases

Alzheimer's disease often makes itself known through mild cognitive impairment, but since this can have entirely different causes, additional investigations are required to establish the diagnosis. This is done today through diagnostic imaging of the brain or measurements of various substances, called biomarkers, in the spinal fluid. Research has shown that the course of the disease begins long before the first symptoms are displayed and, as treatments have the best effect if they are administered early on, the need for identifying and classifying even the earliest preliminary stages of the disease has increased.

The US Food and Drug Administration (US FDA) describes the progress of the disease as a continuum, dividing the disease into six phases (see insert) in which the first three are regarded as preliminary stages of Alzheimer's disease and the three later phases progress from mild, to moderate, to severe illness. Even in the mild phase, memory problems can lead to marked disability, and the sufferer may have problems communicating and orienting themselves. In the moderate phase, the patient has greater difficulty managing themselves and personal hygiene. Hallucinations, delusions and bouts of depression are common. In the final, severe phase of the disease, a large part of the brain has been affected. Speech is drastically affected; the person becomes passive and difficult to contact, and has problems with movement. Even the ability to swallow can be impaired. In this final phase, other complications such as pneumonia and urinary tract infections can often emerge.

Over the last ten years, a number of treatment studies have focused on patients with symptoms ranging from mild cognitive impairment (MCI) to the mild phases of the disease (i.e. phases 3 and 4). Together, these phases are designated as early Alzheimer's disease. Several studies are now beginning also to evaluate treatments in phases 1 and 2 of the disease, which are jointly designated as preclinical asymptomatic Alzheimer's disease.

THE SIX PHASES OF ALZHEIMER'S DISEASE

Phase 1	**Initial phase.** The patients experience pathological changes in the brain that indicate Alzheimer's disease (for example an increase in amyloid-beta) but no clinical symptoms.
Phase 2	**Asymptomatic preclinical dementia.** The patients experience pathological changes and additionally show a mild deterioration in conjunction with neuropsychological examinations, but their general function remains unchanged.
Phase 3	**Mild cognitive impairment.** Mild functional impairment has emerged.
Phase 4	**Mild dementia.** Patients have been diagnosed with Alzheimer's disease, but the disease is regarded as mild.
Phase 5	**Moderate dementia.** The disease is regarded as moderate.
Phase 6	**Severe dementia.** The disease is regarded as severe.

BioArctic's drug candidates modify the progress of the disease

Since Alzheimer's disease gradually breaks down the nerve cells in the brain, administering treatments early is crucial. This is particularly important for the disease modifing drugs under development, since they aim at slowing and modifying the progress of the disease itself and not just alleviating the symptoms. The cause of Alzheimer's disease is believed to lie in the misfolding and clumping together of the amyloid-beta protein in increasingly larger aggregations. When amyloid-beta circulates in tissues, the blood and other bodily fluids as an individual molecule, or monomer, it is harmless. But in Alzheimer's disease, the monomers begin binding to each other and forming larger aggregations. These aggregations accumulate increasing numbers of molecules, finally forming fibrils that accumulate in brain tissue and form plaque. The results of the groundbreaking research at the heart of BioArctic's drug candidates against Alzheimer's disease show that the specific forms of amyloid-beta known as oligomers and protofibrils are the most harmful to nerve cells. These forms are soluble, and are possible to be targeted.

BioArctic has six different projects for treatment of Alzheimer's disease, of which the drug candidate lecanemab has come the farthest.

Lecanemab and BAN2401 backup

Lecanemab is an antibody that binds selectively to oligomers and protofibrils of amyloid-beta, which permits the body's immune system to identify them and eliminate them. They are thus cleared from nerve cells and the development of the disease is slowed. The high degree of selectivity against oligomers and protofibrils specifically – the forms that are most harmful – is unique to lecanemab. For example, the antibody binds 1,000 times more strongly to the harmful forms than to the harmless monomers. This points to its potential as an effective drug candidate with few side effects. Since 2007, lecanemab has been outlicensed to Eisai, the global Japanese pharma company, for Alzheimer's disease. Another licensing agreement includes the BAN2401 backup antibody that BioArctic has developed. BioArctic holds the rights to lecanemab and the BAN2401 backup for treatment of indications other than Alzheimer's disease.

In the spring of 2019, Eisai initiated a Phase 3 study with lecanemab for early Alzheimer's disease, with the goal of confirming the positive findings of the completed Phase 2b study. The Phase 3 study, named Clarity AD, is a global, placebo-controlled, double-blind, randomized parallel group study of approximately 1,760 patients with early Alzheimer's disease and confirmed amyloid pathology in the brain. The group receiving the active compound is dosed intravenously with 10 mg/kg of lecanemab every other week. The primary endpoint is the change from baseline in the Clinical Dementia Rating Sum of Boxes (CDR-SB) cognition and function scale after 18 months of treatment. Secondary endpoints include other changes in the ADCOMS and ADAS-cog clinical scales as well as in amyloid levels in the brain measured using amyloid PET scans. According to Eisai, the goal is to present the findings of the study in September 2022, and thereafter to submit an application for market approval. The Phase 3 study follows a Phase 2b study of 856 patients, the results of which were presented in 2018. The Phase 2b study showed that treatment with lecanemab was well tolerated, and resulted in a clinically significant slowing effect on Alzheimer's disease after 18 months of treatment. The results also showed a drastic reduction in aggregations of amyloid-beta in the brain. The effects were more pronounced the higher the dose administered and the longer the patients were treated, which indicates that the positive findings can be ascribed to lecanemab. The study also demonstrated the effects on biomarkers that reflect reduced breakdown in nerve cells.

A subgroup of the patients included in the Phase 2b study are also taking part in an open-label extension study with lecanemab. On four occasions (December 2019, July 2020, November 2020 and March 2021), Eisai presented analyses from the study that show that the decrease of amyloid

in the brain that occurred during treatment with lecanemab remained for a longer period after the treatment was concluded. The reduction in change in clinical impairment compared with the placebo group after the conclusion of treatment with the two highest doses of lecanemab also remained at these check-up points. After the conclusion of treatment, the patients then deteriorated at the same rate as the placebo, but from a better level. This indicates a disease-modifying effect of the treatment, and that treatment should continue. Patients who previously received placebo in the Phase 2b study showed a rapid and continual decrease of amyloid levels in the brain after three, six and twelve months of treatment with lecanemab. After twelve months, the observable effect was comparable with the results in patients treated with this dose level of lecanemab in the Phase 2b study. The open-label extension study also shows a continued low frequency of side effects in the form of ARIA-E. Eisai plans to base a future registration application on the findings from the completed Phase 2b study and the ongoing Phase 3 study.

In July 2020, Eisai initiated a further global clinical Phase 3 program (AHEAD 3-45) to evaluate the effect of lecanemab on individuals with preclinical asymptomatic Alzheimer's disease (i.e. who have not yet developed symptoms but have intermediate or elevated levels of amyloid in the brain). The program is conducted in partnership with the Alzheimer's Clinical Trials Consortium (ACTC), a network for clinical testing in the US that seeks to identify and treat Alzheimer's disease at an early stage. In total, AHEAD 3-45 encompasses approximately 1,400 people who, after joint screening, will be included in one of the program's two trials, A3 or A45, depending on amyloid levels in the brain. The program aims to prevent development of clear clinical indications of the disease, and thereby also dementia, in the very early stages.

AD1502, AD1503, AD2603 and AD1801

BioArctic has four additional projects against Alzheimer's disease in its project portfolio, all of which are in the early research phase. These antibodies have the potential, based on unique mechanisms of action, to be developed into disease-modifying treatments. AD1801 is an antibody whose mechanism of action is linked to a genetic variation, ApoE, which is the most common genetic risk factor for Alzheimer's disease. AD1503 is an antibody project against shorter, truncated forms of amyloid-beta, which has a pronounced ability to aggregate and create harmful forms that can cause Alzheimer's disease. The mechanisms of action for the other two projects have not yet been communicated. BioArctic fully owns the rights to all four projects.

The market for Alzheimer's disease

Over 50 million people around the globe suffer from some form of dementia. Approximately 60 percent of these cases are caused by Alzheimer's disease. If no treatment is developed that could slow or stop the progress of the disease, the number of people with dementia-related diseases could triple by 2050[1].

The prevalence of Alzheimer's disease will especially increase in middle-income countries, primarily in Asia. The care of Alzheimer's patients is extremely costly. In addition to drugs that relieve symptoms and medical treatments, there are major costs for nursing care, specially adapted housing and the like. Globally, the total cost of these diseases is estimated at USD 1 trillion a year[1]. New efficient and disease-modifying drugs for Alzheimer's disease would promote increased patient benefit and greater quality of life while entailing major savings. The estimates for the US population alone, for example, indicate that if there is a treatment by 2025 that slows the onset of Alzheimer's disease, the total cost of care would decrease drastically[2]. Even just five years later, in 2030, the cost could decrease by USD 83 billion a year. By 2050, the savings could be USD 367 billion a year compared with no disease-modifying treatment being available.

Disease-modifying treatments under development

The treatments available today only relieve symptoms and do not slow the underlying progression of the disease. There will be a major shift in the market when the first disease-modifying treatments are approved, even if they will likely be provided in combination with existing treatments for symptom relief. Given the high costs of caring for patients with Alzheimer's disease, the willingness to pay for treatments that delay and prevent development of the disease is expected to be high.

In addition to lecanemab, there are a further two disease-modifying drug candidates in the late development phase: aducanumab and gantenerumab, which like lecanemab are antibodies against amyloid-beta. In 2020, Biogen and Eisai applied for market approval of aducanumab in the US, Europe and Japan based on positive findings in one of two Phase 3 studies, both of which were terminated prematurely as a consequence of results from an interim analysis. The US Food and Drug Administration (FDA) has extended its review of the application for aducanumab, and a decision is expected before the summer of 2021. The European Medicines Agency (EMA) is also expected to evaluate the application for market approval of aducanumab in Europe during 2021.

ABOUT EISAI

BioArctic's partner for lecanemab is Eisai, a research-intensive global Japanese pharma company with operations in more than 40 countries. The company has approximately 10,000 employees, and neurology is one of its two prioritized focus areas. Eisai's discoveries and developments include Aricept (donepezil), the world's best-selling symptom relief treatment for mild and moderate Alzheimer's disease. Eisai and BioArctic collaborate under research agreements in addition to the licensing agreements concerning lecanemab and BAN2401 backup.

Total contract value, SEK bn

The total contract value with Eisai is approximately MEUR 222 (SEK 2.3 billion). To date, BioArctic has received MEUR 65 (approximately SEK 0.7 billion). In addition, the market potential for lecanemab indicates potentially substantial royalties for BioArctic.

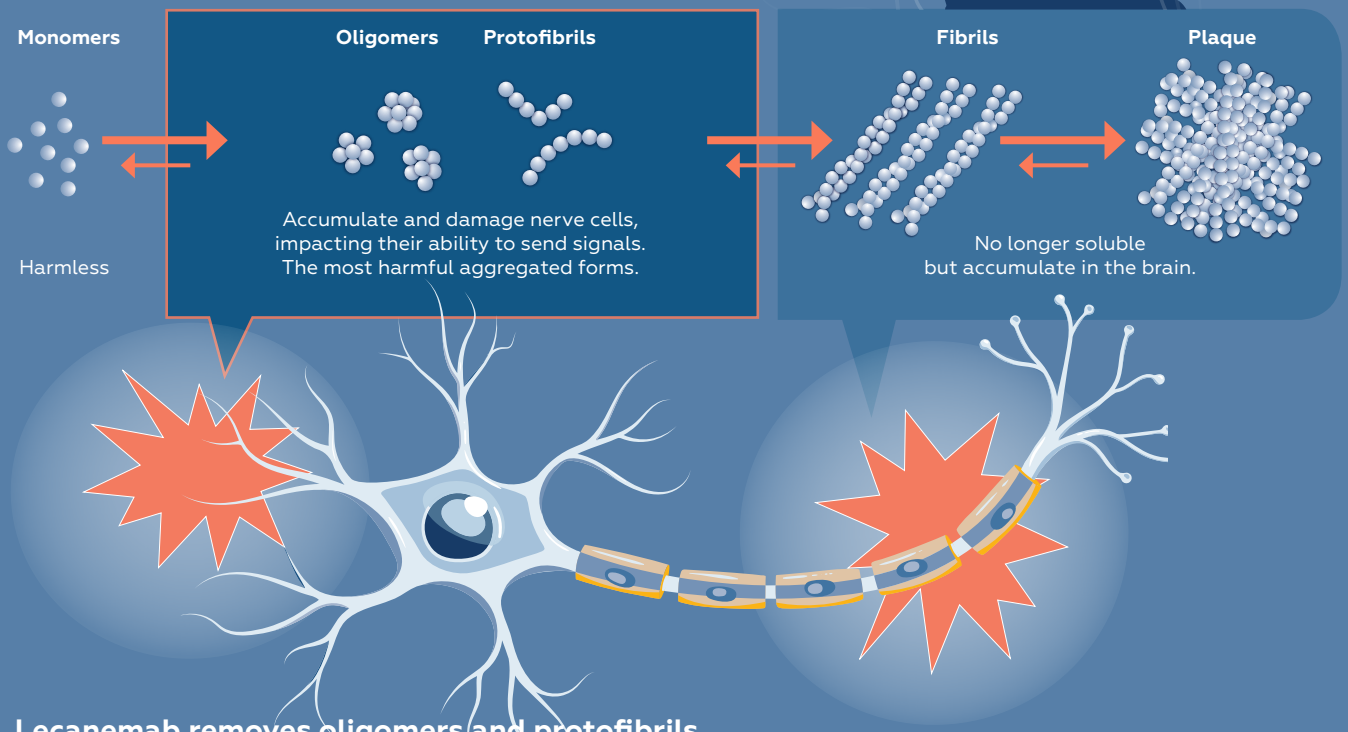
ALZHEIMER'S DISEASE

Nerve cells broken down

In Alzheimer's disease, the nerve cells in the brain are gradually broken down. Memory, speech, orientation, recognition and learning ability deteriorate and the patient has more difficulty caring for themselves.

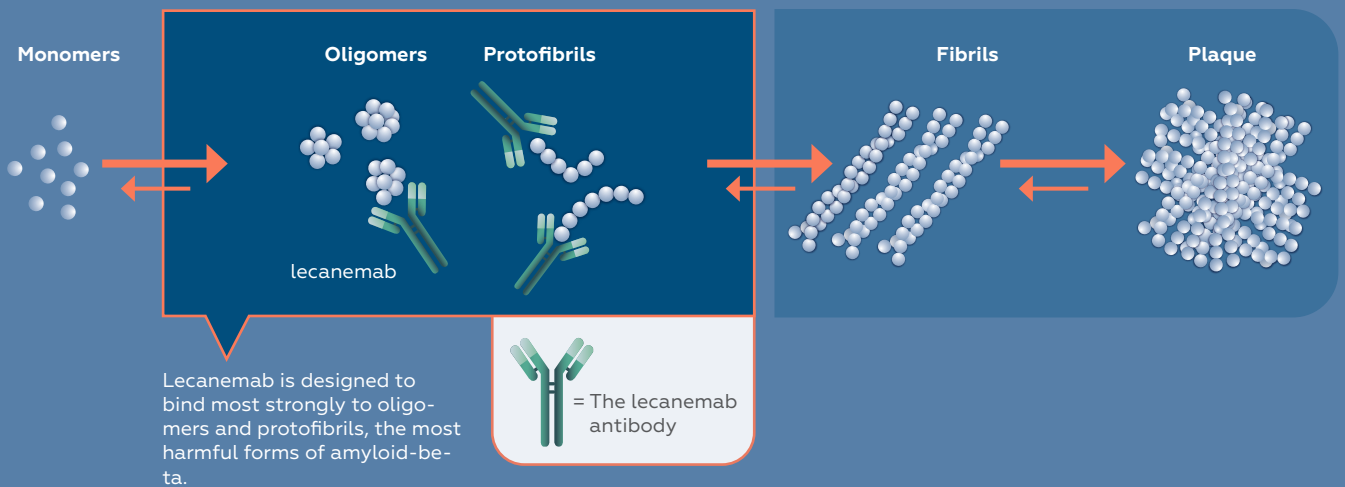
Accumulation of amyloid-beta damages cells

The progress of the disease is due to misfolded amyloid-beta protein, which begins to clump together and form increasingly larger aggregates: oligomers, protofibrils, fibrils and plaque.



Lecanemab removes oligomers and protofibrils, the harmful forms of amyloid-beta.

The antibody lecanemab binds to amyloid-beta, helping the immune system identify the harmful aggregated forms and remove them.



Lecanemab is designed to bind most strongly to oligomers and protofibrils, the most harmful forms of amyloid-beta.

Lecanemab differs from competing drug projects in that the antibody binds most strongly to the harmful oligomers and protofibrils, whereas other antibodies in clinical development bind equally or more strongly to monomers and/or fibrils. Fibrils are an insoluble aggregated form that is not as harmful in the progression of the disease. This could be an important explanation for the unique and promising results that lecanemab displayed in the large Phase 2b study.

Licensing agreements with Eisai can generate substantial continued revenue

In 2007, Eisai acquired the global rights to lecanemab for treatment of Alzheimer's disease. In turn, Eisai partners with Biogen on the development and future commercialization. BioArctic incurs no costs for the clinical development of lecanemab. The agreements grant the right to a maximum of approximately MEUR 222 (approximately SEK 2.3 billion) in milestone payments, of which to date approximately MEUR 65 (approximately MSEK 700) has been received. If the Phase 3 study confirms the results shown in the Phase 2b study, lecanemab could be one of the world's first disease-modifying drugs against Alzheimer's disease. The potential royalty payments alone for lecanemab that arise in addition to the milestone payments described could generate substantial revenue for BioArctic. BioArctic has retained rights to commercialize lecanemab for treatment of Alzheimer's disease in the Nordic countries.

1) World Alzheimer Report – Alzheimer's Disease International, 2015
2) Alzheimer's Association 2015: Changing the Trajectory of Alzheimer's Disease: How a Treatment by 2025 Saves Lives and Dollars

Activity in the Board's Research Committee – Three questions for Lars Lannfelt

Professor Lars Lannfelt is one of the founders of BioArctic, and the chairman of the Research Committee of the Board of Directors.

What do you do on the Research Committee?

"The Committee came about through an initiative of the Board two years ago. Given that we are a research-intensive company, it was logical for the Board to have a formalized procedure for evaluating both existing projects and proposals for new initiatives. Our most important, but most difficult, task is to find new targets for drugs. There is a lot that needs to be in place for a new project to develop into a successful drug. To make the right decisions, we read a great deal of scientific literature, and ahead of every decision we call in the correct expertise to thoroughly discuss the advantages and disadvantages of different potential targets for drugs."

What has characterized your activity over the last year?

"During the year, our activity resulted in BioArctic initiating a project in a new disease field, and it will be tremendously exciting to follow developments there. We are extremely scrupulous in our selections, and are careful about which projects we start. Starting a new project is easy, but it is much more difficult to finish it; it's the nature of the researcher. That is why, for example, we have not set any goal for how many projects are to be started. Our focus is only on starting projects we really believe in."

Drug development in the CNS field undulates between hope and doubt. Is there any event over the last year that has affected your priorities?

"No, not really. Our antibodies are unique in many ways, and we have every reason to continue believing that we will go all the way to the patient in both Alzheimer's disease and Parkinson's disease. We are monitoring the field and have a positive view of developments; there are great possibilities for developing effective new drugs throughout the field. BioArctic's core competence is handling the extremely difficult proteins that cause neurodegenerative disorders. With Alzheimer's disease, it is amyloid-beta and with Parkinson's disease, alpha-synuclein. For years, we have been developing methods that make it possible to analyze these types of aggregating proteins, understand which forms are the most harmful and target antibodies against these harmful forms."

Clinical trials patients hope

When the only treatment available is symptom relief, the possibility of contributing to research is a way of creating something meaningful for the patient. Anna Börjesson Hanson, senior physician at Karolinska University Hospital, sees a future with both better treatments and better diagnostics.

Which are the greatest challenges today in daily clinical work on the treatment of patients with Alzheimer's disease?

"At an overall level, there are great challenges in offering equitable care. Access to specialists today varies greatly across the country, and how well patients are diagnosed and treated depends in part on which social group they belong to. Simply put, it could be said that people who are well-educated and live close to a university have a greater chance of being correctly diagnosed early on.

Another major challenge is not having any treatment that can slow the disease down. The treatments we have today are only for relief of symptoms. Most of those who are diagnosed early benefit to some extent from existing treatments, but it is difficult to know what is an effect of the drugs and what is the result of other measures. Being diagnosed with Alzheimer's often leads to a crisis reaction with a great deal of sorrow and pain, but many experience a sense of relief when things settle down. For a time after the diagnosis, things get better with the right support and access to treatment for the relief of symptoms as well as various cognitive tools. This is primarily what we can offer today."

What will it mean for health care if completely new disease-modifying treatments come out?

"I am convinced that there are patients who are not seeking care today because they don't believe there is any help for them. But if they see that there are effective treatments, more of them will want an early, correct diagnosis and the pressure on health care will increase. This will put tremendous demands on the organization of health care. An early and certain diagnosis will become even more crucial for ensuring that the right patients receive the right treatment, and at the same time we must be even better at monitoring them. Since its is likely that the drug will be administered via infusion, health care will need an organization that can manage this. But this problem has been solved in other diagnoses such as cancer, MS and rheumatoid arthritis, so dementia care can learn from others here."

Swedish patients can now take part in the major Phase 3 study with lecanemab. What does it mean for health care in Sweden that clinical trials are being conducted here?

"First, it yields great added value for the patients who choose to participate. Many of them experience their Alzheimer's diagnosis as a almost a death sentence, and the offer to participate in a study could provide a little hope. Regardless of whether the findings are positive, many of them think that at least being part of contributing to research is valuable. Second, those of us in health care are learning a great deal about these drug candidates that, perhaps, eventually will become approved drugs. We are learning to handle them, we are learning what to expect, and we are gaining personal experience with the treatment. There are a great many people who want to be part of the study with lecanemab, and there is clearly an extra amount of engagement because it's a Swedish invention."

What do you hope for in Alzheimer's research over the next five years?

"I hope that we will have access to one or two disease-modifying treatments. There are currently a couple of drug candidates under way that affect amyloid-beta; further on, I hope we will see treatments that affect the tau protein as well. That would provide us with an arsenal of treatments that could be used in combinations and at different stages during the progress of the disease. I also hope that health care will have built the needed infrastructure with early diagnosis, treatment clinics and proper follow-up."

PARKINSON'S DISEASE

By building further on the technology of selective antibodies against harmful protein accumulations, BioArctic is developing drug candidates against Parkinson's disease. As with Alzheimer's disease, there are currently no drugs that attack the core of the disease and BioArctic's antibody has the potential to be one of the world's first disease-modifying drugs against Parkinson's disease.

It can begin with an impaired sense of smell or mild tremors in one hand, but stiffness, slowed movement and impaired mobility emerge as the spread of the disease and the tremors worsen. Normally it takes from 15 to 20 years for Parkinson's disease to develop, and symptoms such as difficulties sleeping, constipation, depression, cognitive impairment and hallucinations occur at various stages over the progress of the disease. In its later stages, living a normal, independent life becomes difficult. The lack of drugs that are effective over time means that most of the six million people[1] who are living with Parkinson's disease will sooner or later be living a very restricted life.

Parkinson's disease destroys the nerve cells that produce the neurotransmitter dopamine. Without dopamine, the nerve cells can no longer transmit the correct signals and mobility is impaired. Current treatments for Parkinson's disease merely alleviate the symptoms by increasing the levels of dopamine in the brain. The effects of these treatments are positive in the beginning, but troublesome side effects in the form of involuntary movements emerge after roughly five to seven years and the favorable effects of the treatment become more limited. Dopamine also breaks down in other cell types in the brain, such as those that produce the neurotransmitter acetylcholine. There is a great need for developing drugs that slow or stop the underlying progress of the disease.

Harmful accumulations of alpha-synuclein

As in Alzheimer's disease, Parkinson's disease is due to proteins in the cells beginning to accumulate in a way that damages the nerves. In Parkinson's disease, it is the protein alpha-synuclein that underlies the development of the disease. In a healthy brain, alpha-synuclein is found in the synapses of nerve cells, where it regulates which neurotransmitters are transferred between nerve cells. In a brain of a patient with Parkinson's disease, the alpha-synuclein begins to accumulate, forming increasingly larger aggregates, finally forming insoluble clumps—called Lewy bodies—in the nerve cells. When studying the brain of a patient with Parkinson's disease, Lewy bodies are the clearest finding but convincing research has shown that the soluble aggregations of alpha-synuclein, known as oligomers and protofibrils, are the most harmful to nerve cells. Moreover, oligomers and protofibrils can come loose from the nerve cells and move to neighboring cells, which could explain how the disease spreads in the brain.

BioArctic is developing selective antibodies that could slow the progress of the disease

In partnership with Uppsala University, BioArctic has developed antibodies that bind selectively to oligomers and protofibrils of alpha-synuclein. The antibodies make it easier for the immune system to detect and eliminate the harmful accumulations of alpha-synuclein and thus slow the progress of the disease.

Preclinical research in animal models for Parkinson's disease show that antibody treatment leads to decreased levels of oligomers, protofibrils and alpha-synuclein in the central nervous system, milder motor symptoms and a doubling of life expectancy after the treatment has been administered. In 2018, the global biopharma company AbbVie inlicensed the entire BioArctic portfolio of antibodies against alpha-synuclein, at the same time undertaking to pursue and finance its clinical development. The portfolio comprises three antibody projects: ABBV-0805, PD1601 and PD1602.

Of these, ABBV-0805 has come the farthest. The first clinical Phase 1 study, begun in 2019, is still ongoing. In 2020, AbbVie decided to stop recruitment for the second

1) Dorsey and Bloem, JAMA Neurology 2018;75:9-10

part of the Phase 1 study with ABBV-0805 in patients with Parkinson's disease. Instead, activities are now under way to take the project into Phase 2 in patients with Parkinson's disease. The goal is to produce a disease-modifying treatment for Parkinson's disease. During the year, BioArctic delivered the two preclinical projects, PD1601 and PD1602, to AbbVie. BioArctic is taking part in the continued development activities. Moreover, the collaboration regarding the development of biomarkers for alpha-synuclein is still in progress.

The world's second most common neurodegenerative disease

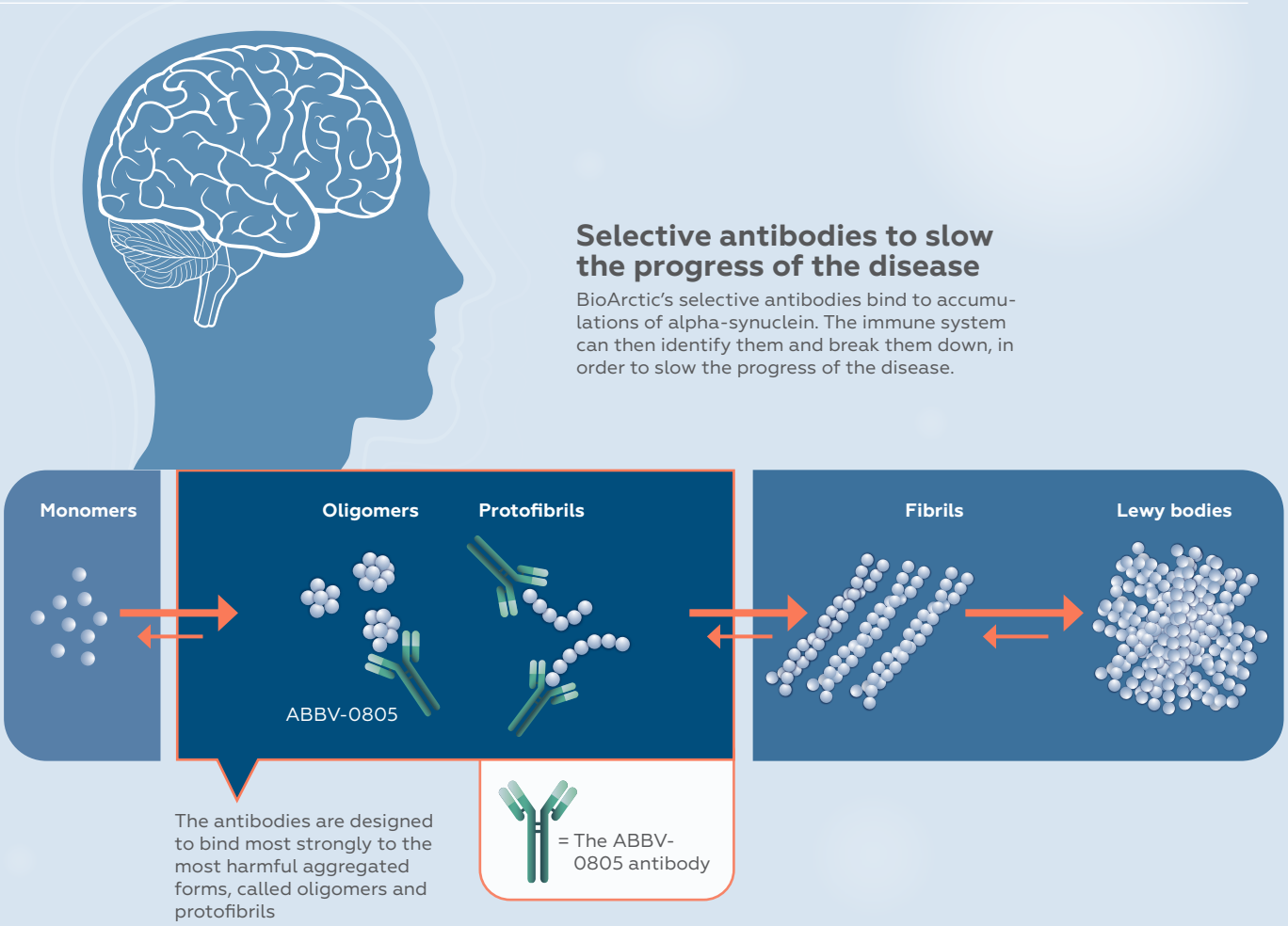
It is estimated that the number of patients with Parkinson's disease will increase from approximately 6 million today to nearly 13 million by 2040[1] and the disease is the second most common neurodegenerative disease after Alzheimer's disease. With a relatively young patient group in which most are still of working age when they fall ill, the costs to society are great. In addition to the direct costs for care, there is an indirect cost to society as a result of the patient's loss of productivity. According to an estimate that applies to the US market alone, the total costs are estimated at USD 52 billion a year. Of these, approximately half are direct costs for care and half indirect costs such as loss of work, early retirement and costs for family members caring for the patient[2].

Since current pharmaceuticals only relieve the symptoms, it would be an enormous advancement to provide a disease-modifying drug candidate that can slow the development of the disease in a meaningful way. ABBV-0805 has the potential to be one of the first disease-modifying drugs against Parkinson's disease.

There are other drug candidates in clinical development that, like ABBV-0805, eliminate alpha-synuclein, for example, prasinezumab from Prothena/Roche. If any of these drugs and/or ABBV-0805 reach the market, there will be a tremendous shift facing the care of Parkinson's disease. Future

1) Dorsey and Bloem, JAMA Neurology 2018;75:9-10
2) Economic Burden and Future Impact of Parkinson's Disease, The Lewin Group och Michael J. Fox Foundation

PARKINSON'S DISEASE



treatments will likely consist of combinations of various therapies, both disease-modifying and symptom-relieving.

The main advantage of BioArctic's antibodies is that they are extremely selective, and bind most strongly to the harmful oligomers and protofibrils of alpha-synuclein while binding very weakly to the normal form. These antibodies thus have potential to show a good effect with limited side effects.

Licensing agreement with AbbVie worth over SEK 6 billion

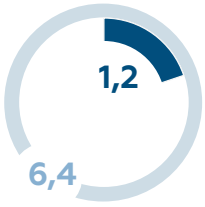
Since 2016, BioArctic and AbbVie have been pursuing a strategic research collaboration concerning the development of antibodies against alpha-synuclein. The agreement contained an option for AbbVie to inlicense the entire portfolio at a later date, which AbbVie exercised in 2018. AbbVie thereby took over the costs of clinical development while obtaining the global commercialization and marketing rights.

In total, revenue from the licensing agreement could total MUSD 755 (over SEK 6 billion) in remuneration, of which BioArctic has received MUSD 130 (approximately SEK 1.2 billion) to date. In addition, BioArctic has the right to royalties on future sales. There are also other diseases in which accumulations of alpha-synuclein are believed to be the cause, such as Lewy body dementia and multiple system atrophy. There is a similar potential here for antibodies against alpha-synuclein to slow the progress of disease. The agreement with AbbVie includes all potential diseases in which alpha-synuclein is involved.

ABOUT ABBVIE

AbbVie is a global biopharma company with approximately 30,000 employees, and is involved in research and development in such fields as immunology, neurology and oncology. AbbVie owns pharmaceuticals such as Humira, which has been approved for ten indications and is the world's top-selling drug (USD 10 billion in annual sales over the last few years). AbbVie also markets Duopa, a drug that alleviates the symptoms of severe Parkinson's disease.

Total contract value, SEK bn



The total contract value for the portfolio of antibodies against alpha-synuclein is MUSD 755 (just over SEK 6 billion), of which BioArctic has received MUSD 130 (approximately SEK 1.2 billion) to date. In addition, there are possibilities for substantial royalties.

Total contract value
Contract value received

BIOARCTIC A HIGHLY APPRECIATED PARTNER

The research program with antibodies against alpha-synuclein has been outlicensed to AbbVie. For AbbVie, BioArctic has become a highly appreciated partner that always delivers, letting the science govern. Anna Maroney, Head of Alliance Management at AbbVie, gives her views on this multi-year partnership.

The partnership between AbbVie and BioArctic has been described as exemplary. What distinguishes this partnership from others?

"We had eight months of intense communication before we decided, in November 2018, to exercise our option to inlicense the entire portfolio of antibodies that target alpha-synuclein, against Parkinson's disease. During that period, it became clear to us that BioArctic let the science govern their work. That is something we would like from all our partners, but it's not always the case. Ultimately, it is the science that determines whether or not we choose to inlicense a portfolio, and the collaboration with BioArctic has been exemplary as regards straightening out any scientific issues. We had scientific meetings at all levels during that period, and even though it's never possible to get answers to all the scientific questions, BioArctic always understood why we asked what we did and could make use of that understanding to respond with information that was as relevant as possible. We haven't actually done anything different in our partnership with BioArctic compared to our other partnerships; we always have a clear activity plan. The big difference is how well BioArctic met all the challenges."

AbbVie is a global biopharma company, and BioArctic is a relatively small Swedish company. What do you do to successfully collaborate despite these differences?

"It requires sensitivity on both sides. BioArctic works in accordance with an extraordinarily Swedish attitude—"happy-happy"—and I genuinely appreciate that. There will always be differing opinions in science, but that attitude means that everyone is always looking for what they have in common. Since the partnership has been working so smoothly, we could prepare our internal procedures in the best possible manner. When it was time for us at AbbVie to decide whether or not we would exercise our option to inlicense, everything had been so well prepared that it was the easiest licensing decision AbbVie had ever made."

Why do you feel that BioArctic is such a strong partner?

"It is due entirely to the leadership. They're transparent, capable, ethical and communicative. I cannot emphasize it enough: BioArctic really stands out in how it is managed."

The goal of the collaboration between AbbVie and BioArctic is the development of disease-modifying drugs against Parkinson's disease, something that has previously proven to be challenging. What makes you believe it's possible?

"We understand more and more about this disease, which is opening up new possibilities. On the one hand, BioArctic's theory is just one among many. On the other, there are enough parameters supporting the theory to justify further research, and there's not much more that can be done in science. We know that the antibodies from BioArctic are more selective toward the most harmful forms of alpha-synuclein compared with other antibodies, and there is good reason to believe that this selectivity is what is required to obtain a clear effect on patients.

OTHER CNS DISEASES, BLOOD-BRAIN BARRIER TECHNOLOGY AND DIAGNOSTICS

In addition to Alzheimer's and Parkinson's disease, there are a number of other neurodegenerative disorders caused by misfolded proteins, and BioArctic has several projects in its portfolio that could become future effective treatments. At the same time, BioArctic is focused on two challenges that are common to diseases of the central nervous system: establishing the correct diagnosis early on, and facilitating better passage of antibody-based drugs across the blood-brain barrier.

With millions of patients around the world who lack effective treatments, neurodegenerative disorders are one of the greatest challenges in health care. This group includes, in addition to Alzheimer's and Parkinson's disease, disorders such as Huntington's diseases, ALS, the various types of ataxia, motor neuron diseases, spinal muscular atrophy and prion diseases. What all these diseases have in common is that the nerve cells in the brain slowly break down and lose function, which has serious consequences for the patient. Current treatments are for the relief of symptoms, with limited effect, and there is a great need for new drugs that actively obstruct the progress of the disease.

BioArctic develops antibodies against various CNS diseases

Several neurodegenerative disorders are caused by proteins misfolding, aggregating and forming accumulations that damage the nerve cells. These diseases have their origins in misfolded proteins, but since the principle is similar, BioArctic's expertise in developing antibodies against misfolded proteins can be used against a number of different diseases. The company is pursuing a number of research projects in the early stages to evaluate the possibility of treating several CNS diseases.

The antibody lecanemab is being evaluated (in addition to the clinical development program against Alzheimer's disease) in the pre-clinical phase as a potential treatment of cognitive impairment and dementia in conjunction with Down's syndrome and of traumatic brain injuries. BioArctic owns the rights to lecanemab for indications other than Alzheimer's disease.

The area of application for drug candidate ABBV-0805 could be expanded to include diseases such as Lewy body dementia and multiple system atrophy. For ABBV-0805, AbbVie owns the rights to all indications and areas of application.

The ND3014 drug project is wholly owned by BioArctic. The project is in the early research stage and has the potential to be developed into a disease-modifying treatment for various neurodegenerative disorders.

Blood-brain barrier technology could increase the concentration of antibodies in the brain

The blood-brain barrier controls the exchange of substances between the bloodstream and the brain. It protects the brain from harmful pathogens such as bacteria and viruses, but it also makes reaching the brain difficult for drugs. Passing through the blood-brain barrier is especially challenging for large molecules such as antibodies. In pace with the development of promising antibodies against various neurodegenerative disorders, the need to faciliate the passage of antibodies across the blood-brain barrier is also increasing. BioArctic initiated a collaboration with Uppsala University to develop a blood-brain barrier technology and together have received a grant from Vinnova. BioArctic's goal is to increase the concentration of antibodies in the brain. Over the last several years, BioArctic has significantly expanded its research being conducted in this project.

BioArctic's blood-brain barrier technology makes use of naturally occurring receptors that the brain normally uses to transport needed substances. such as iron, into the brain. By modifying potential antibody drugs in such a way that they bind to already existing transport receptors, the antibodies can follow along with the controlled transport across the blood-brain barrier. The technology can be used in part to strengthen the effect of the antibodies that BioArctic is developing, but since the technology can be used by many different drug candidates, there is also a possibility of licensing the technology to other companies in the long term.

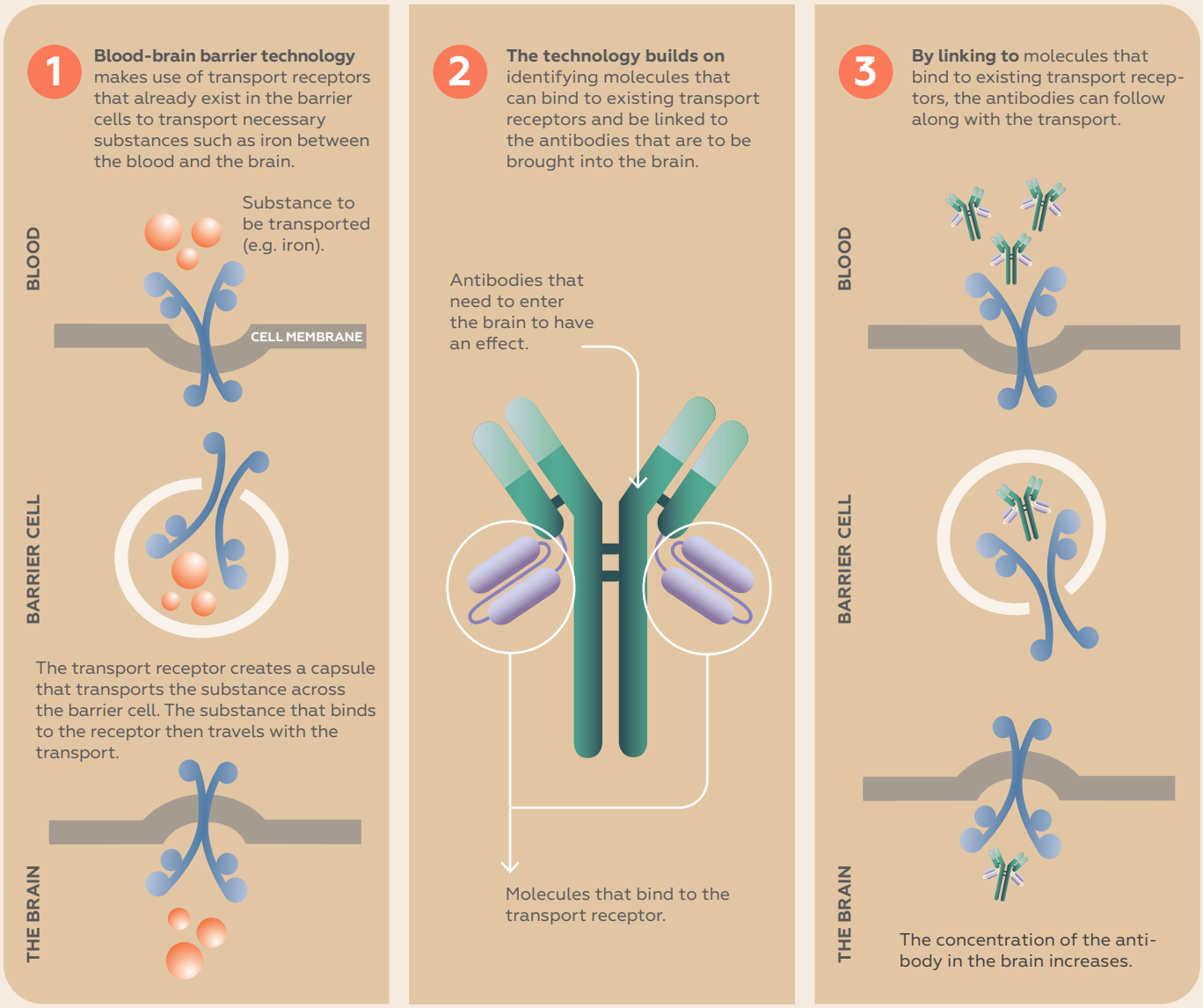
The research, which is in an early phase, has so far yielded highly positive results, and the goal is to evaluate the technology in patients. If the laboratory results can be replicated in patients, the potential will be significant for the treatment of several different diseases in the brain.

Diagnostics—a central part of continued development

One challenge in several neurodegenerative disorders is the work on the complicated, resource-intensive diagnosis of these disorders. The consequences are apparent in both health care and research. In health care, there is a great risk that not all patients will be correctly diagnosed, and thus that the

correct patients for the clinical trials will not be identified. There are challenges in clinical development such as finding patients that are particularly suited for participation in early clinical trials and finding measurement methods with specific sensitivity for the effects that the project is intended to achieve. Moreover, since the effect of new treatments appears to be stronger the earlier it is administered, the need for reliable diagnosis that correctly and efficiently detects the illness early on is also increasing. In pace with more new treatments being launched in the market, methods for measuring the effect of these will also be required. In partnership with both academic and commercial partners, BioArctic is developing methods that could improve diagnostics and monitoring, primarily in Alzheimer's disease and Parkinson's disease. This includes new measurement methods that are based on BioArctic's antibodies. Moreover, the company is conducting research into biomarkers that could make it possible to diagnose Alzheimer's disease with a simple blood or spinal fluid sample and to monitor the results of the patients' treatment. Furthermore, BioArctic is active in a project to improve positron emission tomography (PET) imaging of the brains of Alzheimer's patients. The diagnostics for Parkinson's disease are being developed in partnership with AbbVie, while BioArctic owns all rights to the Alzheimer's diagnostics that the company is developing.

BLOOD-BRAIN BARRIER TECHNOLOGY AS TRANSPORTER OF DRUGS TO THE BRAIN



STRONG PATENTS PROTECT SCIENTIFIC ADVANCES

An active patent strategy is a precondition for maximizing the commercial value of BioArctic's scientific advances. The company has successfully established strong intellectual property protection for the production and use of its drug candidates in all its major geographical markets including the US, the EU, Japan and China. The patent portfolio encompasses 12 patent families with more than 160 patents granted and over 70 patent applications pending as of December 31, 2020.

The patent protection for BioArctic's most advanced drug candidate, lecanemab (BAN2401), for the treatment of early Alzheimer's disease, runs through 2032, including patent term extension where available. The drug candidate ABBV-0805, which is being developed for the treatment of Parkinson's disease, is under patent protection until 2036, including patent term extension where available.

Alongside the patent protection for lecanemab and ABBV-0805, these drug candidates can obtain data and market exclusivity for 12 years in the US and for 10 to 11 years in Europe, provided that the compounds obtain market approval.

BioArctic has also submitted a number of patent applications to protect its proprietary technology with the potential to facilitate transport of drug compounds across the blood-brain barrier.

The company's most important published patent families as of December 31, 2020 are shown in the table below.

Patent family	Area	Status and market	Protection until
AD I	Alzheimer's disease – concept 1	**Granted:** USA, Canada, Japan, Australia	July 2021
AD II	Alzheimer's disease – concept 2	**Granted:** USA, Canada, Japan, Australia	June 2025
AD III	Alzheimer's disease – compound 1 Specific protection for lecanemab (BAN2401)	**Granted:** USA, Canada, Europe, Japan, China as well as other countries	March 2027/2032[1]
AD IV	Alzheimer's disease – compound 2	**Granted:** USA, Japan, China	July 2035/2040[1]
PD V	Parkinson's disease – concept	**Granted:** USA, Europe, Japan	July 2029
PD VII	Parkinson's disease – compound Specific protection for ABBV-0805 (BAN0805)	**Granted:** USA, Europe, Japan, China, Australia as well as other countries	March 2031/2036[1]

1) Assuming a five-year patent extension is granted where available.

BIOARCTIC AS AN INVESTMENT

Great need for disease-modifying treatments for Alzheimer's disease and Parkinson's disease

At present, there are no effective treatments that can stop or delay the progression of Alzheimer's or Parkinson's diseases; current drugs can only alleviate the symptoms in patients over the short term. Disease-modifying treatments would therefore create significant value for patients, their families, care providers and society as a whole. This means significant commercial opportunities for new and more effective drugs.

Drug development based on a groundbreaking scientific discovery

BioArctic was founded based on the discovery by Professor Lars Lannfelt and his colleagues that harmful accumulations of proteins play a key role in the development of neurodegenerative disorders. This comprises the platform for BioArctic's development of completely new treatments against such disorders as Alzheimer's disease and Parkinson's disease—work that is being carried out in close collaboration with leading academic research groups.

Attractive projects for global pharma companies

BioArctic's groundbreaking research, patented technology and capacity for developing disease-modifying drug candidates has facilitated broad collaboration with the global pharma companies Eisai and AbbVie. The total potential value of the existing collaboration agreements is nearly SEK 9 billion plus royalties, of which BioArctic has to date received SEK 1.9 billion.

Phase 3 study in progress with a drug candidate against early Alzheimer's disease

BioArctic's most advanced drug candidate for early Alzheimer's disease, lecanemab, has shown promising results in a large Phase 2b study. A confirmatory Phase 3 study (Clarity AD) is now in progress and the company's partner, Eisai, expects the results from the study to be available in September 2022. Provided that there is a positive outcome to the study, Eisai thereafter plans to apply for market approval.

Potential for the treatment of people with Alzheimer's disease before symptoms manifest

A further Phase 3 study was initiated in 2020 to ascertain the possibilities to use lecanemab to prevent the development of Alzheimer's disease among people who have not yet manifested any clinical symptoms but have intermediate or elevated levels of amyloid in the brain.

Preparations under way for Phase 2 study with a drug candidate for Parkinson's disease

AbbVie has inlicensed BioArctic's broad portfolio of alpha-synuclein antibodies with the potential to revolutionize the treatment of conditions such as Parkinson's disease. One of these antibodies is currently being evaluated in a Phase 1 study, and AbbVie has begun planning for a Phase 2 study.

A project portfolio standing on several pillars

BioArctic is pursuing several early projects against Alzheimer's disease and other diseases of the central nervous system. The company is also developing a unique technology to improve the uptake of biological drugs in the brain.

A strong financial position

Significant revenue from the current collaboration agreements brought BioArctic's cash balances to SEK 1,000 million at the end of 2020. The company's strong financial position creates a high degree of flexibility and facilitates robust efforts in existing and new projects.

Employees' specialist competence and the company's leadership development

BioArctic is a business driven by science, with extensive expertise and experience in brain diseases where the aim is to slow down or, in the future, stop disease progression. The company's skilled employees possess invaluable specialist expertise in research and drug development. BioArctic's focus on leadership development is also an important part of the company's success.

THE SHARE AND SHAREHOLDERS

BioArctic's performance on the stock market has been favorable since its listing, and its market value at year-end totaled SEK 8.4 billion. BioArctic's share price was unchanged during the year, and the number of shareholders decreased somewhat compared with the previous year.

Trading and market value

The BioArctic share is traded on Nasdaq Stockholm's Mid Cap list under the symbol BIOA B. During the year, approximately 26.7 million B shares were traded at an aggregate value of approximately SEK 2.3 billion. The average daily volume during the year totaled MSEK 9.0. The majority of volume in the share—approximately 65 percent—took place on Nasdaq Stockholm. In addition to trading on the Stockholm stock market, approximately 11 percent of trading took place on the Cboe CXE marketplace, 6 percent on Aquis and just under 3 percent on Cboe BXE. The market value at year-end was SEK 8.4 billion.

Share performance in 2020

The share price was unchanged during the year compared with the preceding year, closing at SEK 95.40. The highest price paid—SEK 123.10—was noted on November 4, 2020, and the lowest price paid—SEK 48.12—was noted on March 23, 2020.

Share capital

The share capital at year-end totaled SEK 1,761,200 spread over 88,059,985 shares, of which 14,399,996 are unlisted A shares and 73,659,989 are listed B shares. The A share has ten votes per share while the B share has one vote per share. The quotient value per share is SEK 0.02.

Ownership structure

At year-end, BioArctic had 8,589 shareholders (9,435). Shareholding in Sweden totaled 93.3 percent of the capital and 97.3 percent of the votes. Of the total foreign ownership of 5.1 percent of the capital, shareholders in the US represented 2.1 percent, shareholders in Norway 1.4 percent and shareholders in Luxembourg 0.6 percent. The Swedish ownership is dominated by private persons and companies with 71.4 percent of the capital. Funds, and insurance and pension companies, each owned 9.6 percent. BioArctic's ten largest shareholders owned shares corresponding to 80.4 percent of the capital and 92.1 percent of the votes. The Board members in the company owned a total of 52,435,594 A shares and B shares in BioArctic, while company management owned 219,341 B shares (excluding those owned by Lars Lannfelt, which are counted among Board member shares). In total, the holdings of the Board and management correspond to 59.8 percent of shares outstanding. BioArctic's A shares are owned by Demban AB and Ackelsta AB, which are in turn owned by the founders of BioArctic.

The ten largest shareholders as of December 31, 2020

Owner	Number of A shares (10 votes per share)	Number of B shares (1 vote per share)	Share of capital (%)	Share of votes (%)
Demban AB (Lars Lannfelt)	8,639,998	22,628,052	35.5	50.1
Ackelsta AB (Pär Gellerfors)	5,759,998	15,086,301	23.7	33.4
The Fourth Swedish National Pension Fund	–	4,300,000	4.9	2.0
The Third Swedish National Pension Fund	–	3,203,492	3.6	1.5
Gladiator	–	2,532,785	2.9	1.2
Unionen	–	2,391,835	2.7	1.1
Swedbank Robur Fonder	–	1,843,058	2.1	0.8
Handelsbanken Fonder	–	1,609,175	1.8	0.7
Investment AB Öresund	–	1,530,000	1.7	0.7
Wellington Management	–	1,314,848	1.5	0.6
Total	**14,399,996**	**56,439,546**	**80.4**	**92.1**

Dividends and dividend policy

BioArctic currently has no drugs being sold in the market, which means that the company's revenue and earnings are primarily based on revenue of a non-recurring character from the research and licensing agreements. BioArctic will continue to focus on further developing and expanding the company's project portfolio, which means that available funds and accrued earnings will primarily be reinvested in operations for future initiatives and expansion. It is the intent of the Board not to propose any dividend to shareholders until the company generates long-term sustainable profitability. Any future dividends and the size thereof will be established based on the company's long-term growth, earnings trends and capital requirements, taking into account current goals and strategies. To the extent a dividend is proposed, it will be judged carefully, taking into account the goals, scope and risks of the operations. For the 2021 AGM, the Board has proposed that no dividend be paid out for the 2020 financial year.

Share-based incentive programs

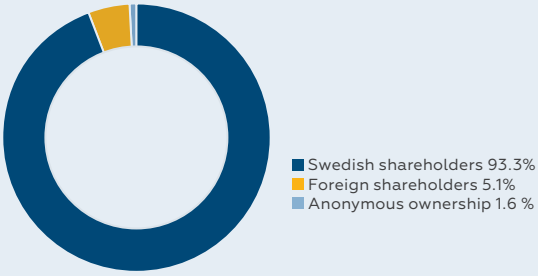
BioArctic has a long-term incentive program (the 2019/2028 program) in the form of an employee stock option program intended for the company's senior executives, researchers and other staff. The purpose of the incentive program is to encourage broad share ownership among BioArctic's employees, facilitate recruitment, retain skilled employees and increase employee motivation and fulfillment of targets. The program, which is intended for 44 employees in total, includes a total of 1,000,000 warrants. Of these, 540,000 warrants have been subscribed. If the maximum number (i.e. 1,000,000 warrants) are utilized, the dilution will total 1.1 percent of the share capital and 0.5 percent of the voting rights in the company.

In addition to the long-term incentive program described above, the previously communicated stock option program set up for twelve Board members and senior executives in the company from BioArctic's two primary owners, Demban AB and Ackelsta AB (independent of the company), has been concluded and the remaining stock options were utilized in their entirety during the year.

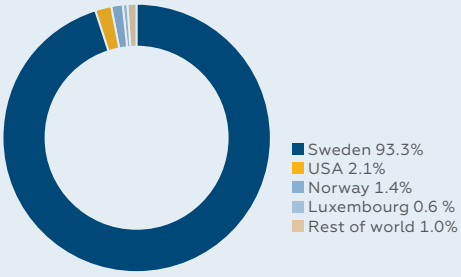
Financial calendar

Activity	Date
Interim Report January–March	April 21, 2021
2021 Annual General Meeting	May 6, 2021
Interim Report January–June	July 9, 2021
Interim Report January–September	October 21, 2021
Year-end Report January–December	February 3, 2022

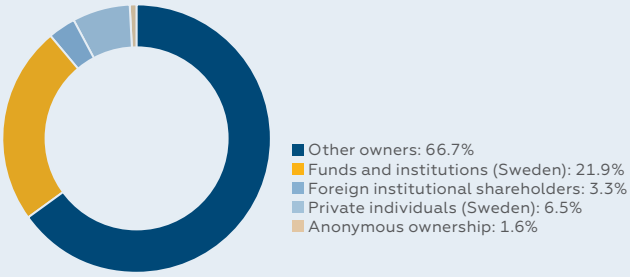
Distribution of Swedish and foreign shareholding at December 31, 2020



Distribution of capital by geography at December 31, 2020



Distribution of capital by ownership category at December 31, 2020

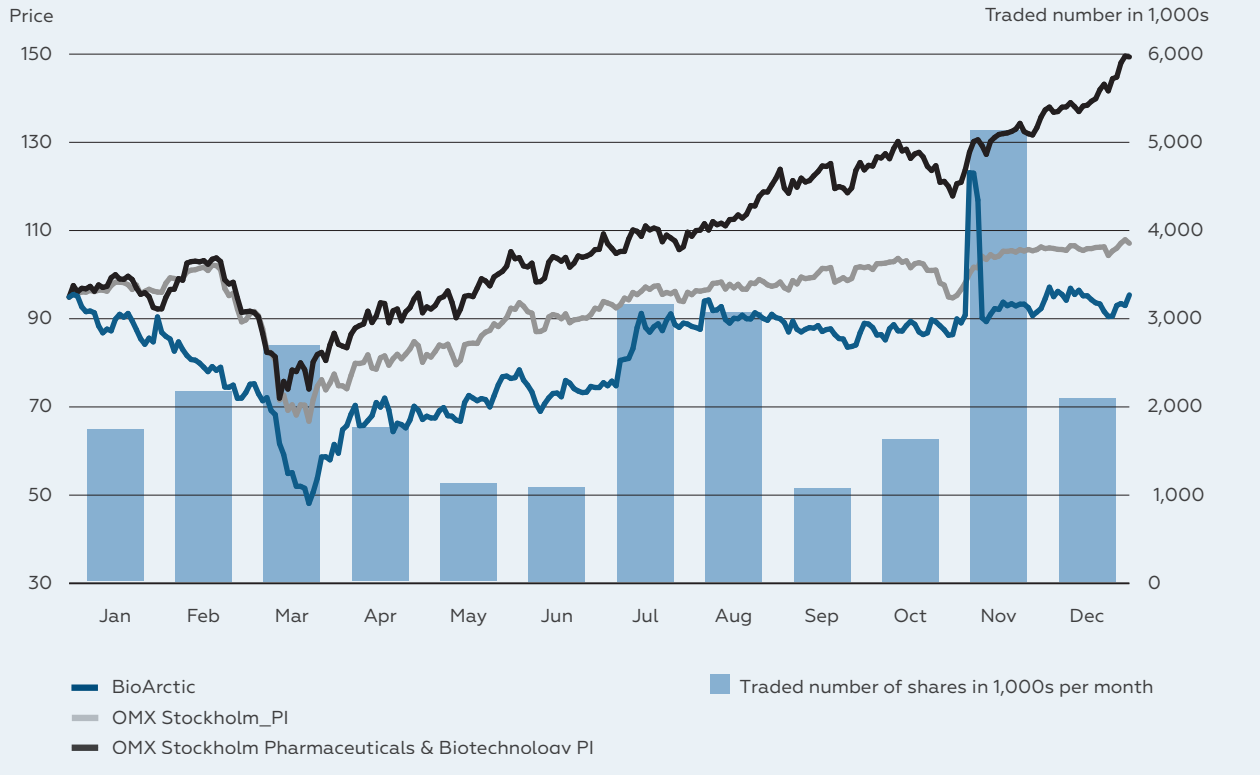


BioArctic share data	2020
Number of shares at year-end	88,059,985
Market value at year-end (SEK billion)	8.4
Price change since listing (%)	298
Number of shareholders	8,589
Share price at year-end (SEK)	95.40
Year high (SEK)	123.10
Year low (SEK)	48.12
Share of ownership, capital, 10 largest shareholders (%)	80.4

Share structure at December 31, 2020

Number of shares	Number of share-holders	A shares	B shares	Shares (%)
1–500	7,106	–	916,528	1.0
501–1,000	722	–	606,918	0.7
1,001–5,000	560	–	1,258,801	1.4
5,001–10,000	72	–	539,228	0.6
10,001–50,000	75	–	1,804,993	2.1
50,001–	54	14,399,996	67,113,844	92.6
Anonymous ownership	–	–	1,419,677	1.6
Total, December 31, 2020	**8,589**	**14,399,996**	**73,659,989**	**100.0**

Share price trends and volume, BioArctic 2020



Source: WebfinancialGroup

THE JOURNEY CONTINUES

ALZHEIMER'S DISEASE

Lecanemab for treatment of Alzheimer's disease (with Eisai)

1. Results from the confirmatory Phase 3 study (Clarity AD) of early Alzheimer's disease
2. Submission of registration applications
3. Potential market approval
4. Global launch
   Launch in Nordic region

Lecanemab as preventive treatment (with Eisai)

1. Results from the Phase 3 program, AHEAD 3-45, in individuals with preclinical asymptomatic Alzheimer's disease
2. Submission of registration applications
3. Potential market approval
4. Global launch
   Launch in Nordic region

AD1801, AD1502, AD1503 and AD2603

Continued development and potential new collaboration agreements

PARKINSON'S DISEASE

ABBV-0805 (with AbbVie)

1. Results from ongoing Phase 1 study
2. Conduct of Phase 2 program
3. Conduct of pivotal studies
4. Submission of registration applications
5. Potential market approval
6. Global launch

PD1601 and PD1602

Continued development in partnership with AbbVie

It is in the nature of innovative research and development that the likelihood of success and the time frame for future value-creating events are difficult to predict. The illustrations on these pages are intended to provide a schematic picture of BioArctic's future, but the development of pharmaceuticals and diagnostics rarely follows a straight line. Exactly what form the continued journey will take is difficult to foresee.

GOOD HEALTH AND WELLNESS

- **Improved health for millions of patients**
- **A better living situation for families and caregivers**
- **Reduced costs for health care and the rest of society**

Based on its cutting-edge expertise in neurodegenerative disorders, BioArctic has built a broad and well-diversified project portfolio with the potential to improve the health of patients. The portfolio has a good risk spread and a healthy balance between self-financed and partner-financed projects. The diversity of projects in various development phases provides a solid basis for creating value for patients, their families, and society as a whole. This makes BioArctic an attractive company to both partners and investors.

OTHER CNS DISORDERS

Down's syndrome with dementia and cognitive impairment

1. Continued preclinical development of lecanemab
2. Decision to initiate clinical development

Traumatic brain injury

1. Continued preclinical development of lecanemab
2. Decision to initiate clinical development

Other CNS disorders in which alpha-synuclein plays an important role

Potential development of ABBV-0805 in partnership with AbbVie

ND3014 and new projects

Development prior to establishment of partnerships with global pharma companies

BLOOD-BRAIN BARRIER TECHNOLOGY

1. Continued development of technology for improved passage of antibody drugs to the brain
2. Application of technology in own drug projects
3. Potential collaboration agreements with one or more pharma companies

DIAGNOSTICS

Alzheimer's disease

1. Continued development of improved diagnostics
2. Potential collaboration agreements with one or more global pharma companies

Parkinson's disease

Continued development of improved diagnostics with AbbVie

VALUE CREATION FOR BIOARCTIC'S SHAREHOLDERS

- **A rich flow of milestones that increase value**
- **Initial remunerations in connection with new collaboration agreements**
- **Revenue from collaboration agreements based on predefined milestones during development**
- **Royalties, licensing and sales revenue**

Board of Directors' report

The Board of Directors and the Chief Executive Officer of BioArctic AB (publ), corporate registration number 556601-2679, hereby submit the Annual Report and consolidated financial statements for the 2020 financial year.

OPERATIONS AND STRATEGY

BioArctic AB (publ), based in Stockholm, Sweden, is the Parent Company in the BioArctic Group, which also includes the dormant subsidiary LPB Sweden AB. BioArctic AB is a Swedish research-based biopharma company focusing on disease-modifying treatments, reliable biomarkers and diagnostics for neurodegenerative disorders such as Alzheimer's disease and Parkinson's disease. BioArctic focuses on innovative treatments in areas with high unmet medical needs. The company was founded in 2003 based on research from Uppsala University, Sweden. The project portfolio is a combination of fully funded projects pursued in partnership with global pharma companies and innovative in-house projects with significant market and outlicensing potential. BioArctic's B share has been listed on Nasdaq Stockholm Mid Cap (ticker: BIOA B) since the autumn of 2017.

BioArctic's vision is to generate innovative medicines that improve life for patients with disorders of the central nervous system. Its work is based on groundbreaking scientific discoveries, and the company's researchers collaborate with strategic partners such as researchers at universities and big pharma companies. BioArctic has a great deal of scientific competence and years of experience in developing drugs from idea to market. BioArctic's business model involves the company initially pursuing project development under own management and, once the project has reached a phase of development requiring more resources or competence, signing research collaborations and partnership agreements or outlicensing certain commercial rights to global pharma companies. In recent years, BioArctic has successfully delivered innovative drug projects that have resulted in attractive collaboration agreements.

Alzheimer's disease

In the field of treatments for Alzheimer's disease, BioArctic has been collaborating since 2005 with Eisai, who has signed a research partnership agreement and a licensing agreement regarding the antibodies lecanemab and BAN2401 backup. Eisai conducts and funds the clinical trials, which means BioArctic incurs no costs for them. The global confirmatory Phase 3 study (Clarity AD) with lecanemab for patients with early Alzheimer's disease, which is based on the results of the Phase 2b study, is currently in progress. Eisai expects results from the study in 2022. In addition to the ongoing Phase 3 study, there is an open-label Phase 2b extension study with lecanemab and a further Phase 3 study (AHEAD 3-45) in individuals who have not yet developed symptoms of Alzheimer's disease but have intermediate or elevated levels of amyloid in the brain.

Research is also ongoing to generate new antibodies intended for treatment of Alzheimer's disease with the goal of slowing or stopping disease progression with innovative molecules that have different mechanisms of action. BioArctic has four additional antibody projects against Alzheimer's disease in its project portfolio, all of which are in the research phase. One of the four antibody projects is AD1801, where the mechanism of action is linked to ApoE, which is the most common genetic risk factor for Alzheimer's disease. Another project is AD1503, an antibody project against shorter, truncated forms of amyloid-beta that appear early on in the course of the disease and have a pronounced ability to aggregate and create harmful forms that can cause Alzheimer's disease.

Parkinson's disease

BioArctic has been collaborating with AbbVie in the field of treatments for Parkinson's disease since 2016. In 2018, AbbVie acquired a license to develop and commercialize BioArctic's portfolio with antibodies against alpha-synuclein for Parkinson's disease and other potential indications.

In February 2019, the US Food and Drug Administration (FDA) approved the application to conduct a clinical trial with ABBV-0805. The Phase 1 study began in March 2019. In July 2020, AbbVie decided to develop a detailed plan to advance ABBV-0805 into a Phase 2 study in Parkinson's patients. AbbVie conducts and finances the clinical development of ABBV-0805.

Other CNS disorders

BioArctic's goal is to improve the treatment of a number of disorders of the central nervous system. The company is evaluating the potential to develop its existing and new antibodies for treatment of several disorders of the central nervous system.

The antibody lecanemab is in the pre-clinical phase as a potential treatment of cognitive impairment and dementia in conjunction with Down's syndrome and with traumatic brain injuries. The area of application for drug candidate ABBV-0805 could be expanded to include diseases such as Lewy body dementia and multiple system atrophy. Moreover, the ND3014 drug project will be a potential disease-modifying treatment for a further neurodegenerative disorder. The project is in an early research phase.

Blood-brain barrier technology

The blood-brain barrier controls the passage of substances between the blood stream and the brain. It protects the brain from harmful substances, but at the same time it can make

the delivery of drugs to the brain more difficult. BioArctic initiated a collaboration with Uppsala University to develop a technology that facilitates the passage of antibodies across the blood-brain barrier. BioArctic and Uppsala University have together received a research grant from Vinnova for continued research in the blood-brain barrier project. The research, which is at an early stage, has shown very good results and the technology has significant potential for the treatment of several different disorders of the brain. Over the last several years, BioArctic has significantly expanded its research being conducted in this project.

Diagnostics

BioArctic is engaged in the development of new methods that could improve diagnostics and the evaluation of treatments for Alzheimer's disease and Parkinson's disease. BioArctic is pursuing a number of projects in partnership with commercial and academic partners, including development of biomarkers that could make it possible to diagnose Alzheimer's disease with a simple blood or spinal fluid sample and to monitor the results of the patients' treatment. Furthermore, the company is active in a project to improve positron emission tomography (PET) imaging of the brains of Alzheimer's patients.

PROJECT PORTFOLIO

BioArctic has a well-balanced, competitive portfolio consisting of unique product candidates, technology platforms and diagnostics. All projects in the portfolio are focused on disorders of the central nervous system. The company's projects are a combination of fully funded projects run in partnership with global pharma companies and innovative in-house projects with significant market and outlicensing potential. During the year, BioArctic's partner Eisai began another global clinical Phase 3 study (AHEAD 3-45) in addition to the confirmatory Phase 3 study (Clarity AD) currently in progress.

BioArctic's project portfolio is in various stages—from the early research phase to the late clinical phase. As of December 31, 2020, the portfolio comprised:

- Two drug candidates in the clinical phase: lecanemab (BAN2401) for early Alzheimer's disease (Phase 3) and in patients who have not yet developed Alzheimer's disease but have intermediate or elevated amyloid levels in the brain (Phase 3), and ABBV-0805 for Parkinson's disease (Phase 1)
- Three projects in the preclinical phase: lecanemab (BAN2401) for indications such as Down's syndrome dementia, BAN2401 backup for Alzheimer's disease, and biomarkers and diagnostics for Alzheimer's disease
- Eight projects in the research phase: four projects for Alzheimer's disease (AD1801, AD1502, AD1503, AD3503); two projects for Parkinson's disease (PD1601, PD1602); one project for a further CNS disorder (ND3014), biomarkers and diagnostics for Parkinson's disease; and a blood-brain barrier technology for increased uptake of antibodies and other biological drugs in the brain

PARTNERSHIPS, COLLABORATIONS AND MAJOR AGREEMENTS

An important part of BioArctic's strategy is partnership and licensing agreements with leading pharma and biopharma companies. In addition to financial compensation, BioArctic benefits from the companies' competence in developing, manufacturing and commercializing drugs. BioArctic has signed several agreements with the global Japanese pharma company Eisai and the global US biopharma company AbbVie. These strategic partnerships with leading global companies are confirmation of the high degree of quality in BioArctic's research. In the future, BioArctic may sign additional agreements that could contribute further funding, as well as competence in research and development for product candidates in the preclinical and clinical phase, competence in manufacturing and marketing, geographical reach and other resources.

Collaborations with universities are of great importance to BioArctic as well. The company currently collaborates with leading external researchers at a number of universities.

Eisai

In 2005, BioArctic initiated a research collaboration with Eisai. BioArctic has granted the use of a global and exclusive license to Eisai for research, development and commercialization of drugs that use the antibodies lecanemab (BAN2401) and BAN2401 backup for the treatment of Alzheimer's disease. Eisai is responsible for the clinical development, applications for market approval and commercialization of the future products. BioArctic holds the rights to commercialize the licensed antibodies in the Nordic region and the rights to treatment of indications other than Alzheimer's disease.

The company has signed a number of agreements totalling a potential value of MEUR 222 plus royalties. To date, approximately MEUR 65 has been received and recognized as revenue. In 2020, MSEK 28.5 was recognized as revenue.

AbbVie

In September 2016, BioArctic and AbbVie signed a licensing and research agreement to develop and commercialize BioArctic's portfolio of antibodies that target alpha-synuclein for the treatment of Parkinson's disease and other potential indications, as well as the associated diagnostics.

At the end of 2018, AbbVie exercised its option for the license to further develop and commercialize products containing BioArctic's antibody BAN0805 (now ABBV-0805) and other antibodies discovered or developed as part of the research collaboration. BioArctic has primary responsibility for the preclinical development work and AbbVie is responsible for the clinical development. The total value of the agreement could amount to MUSD 755 in addition to royalties. To date, MUSD 130 has been received. In 2020, MSEK 33.8 was recognized as revenue.

Research grants

At the end of 2018, BioArctic and Uppsala University together received a grant from the EU's Horizon 2020 program for participation in a European research consortium that is working on better diagnostic tools and biomarkers for Parkinson's disease. The project has received grants from the EU Horizon 2020 research and innovation program as part of the Marie Sklodowska-Curie Actions (Grant Agreement No. 813528). In 2020, MSEK 1.1 from the Horizon 2020 grant was recognized as revenue.

The now-concluded Phase 1/2 study related to the SC0806 spinal cord project received financing from the EU Horizon 2020 research and development program (Grant Agreement No. 643853). In the 2020 financial year, BioArctic drew up a final account statement and received the last payment under the grant the company received from Horizon 2020.

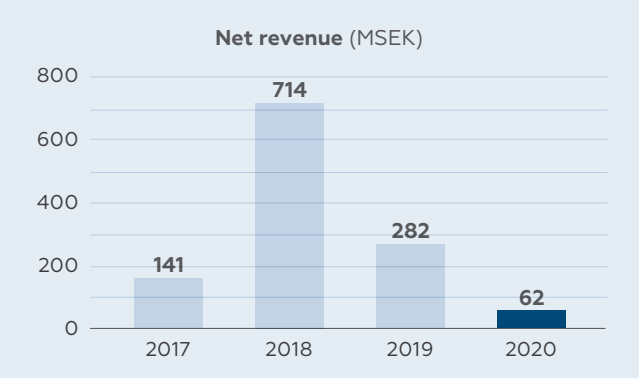
In 2019, BioArctic received research grants totalling MSEK 5 from Vinnova for continued research in the blood-brain barrier technology project in collaboration with Uppsala University. In 2020, MSEK 1.8 from the Vinnova grant was recognized as revenue.

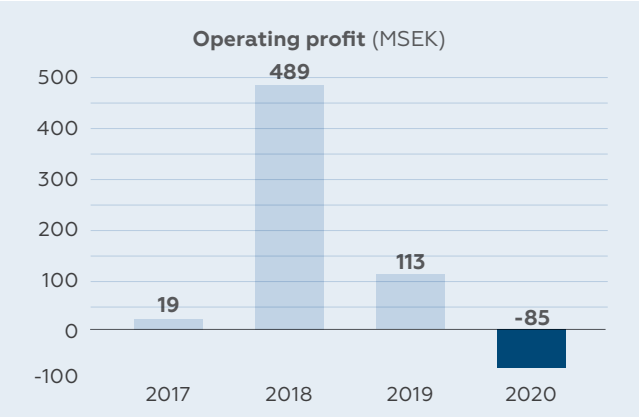
REVENUE AND OPERATING PROFIT

Currently, BioArctic does not have any products that are commercialized and sold, which means that the company's revenue streams could be uneven over the financial years and between quarters. The company's income consists of milestone payments, remuneration from research agreements and research grants. Owing to the character of the operations, major fluctuations may arise in revenue between different periods, since income from milestone payments are recognized at certain points in time when performance obligations have been fulfilled.

Net revenue for the 2020 financial year totaled MSEK 62.3 (281.8). The decrease in revenues year-on-year is attributable to the milestone payment of MSEK 162.0 ,MEUR 15, received from Eisai in the second quarter of 2019 and from decreased income in the Parkinson's program in accordance with plans. Other operating income pertaining to research grants and operational currency exchange gains totalled MSEK 3.6 (14.8). The decrease is attributable primarily to exchange rate gains. Total revenue during the financial year was thus MSEK 65.9 (296.6).

Total operating costs were MSEK 151.0 (184.1), a decrease of MSEK 33.1. External project costs totalled MSEK 50.2 (72.4), which was a decrease of MSEK 22.2 year-on-year. The net decrease is attributable to a lower level of activity in the Parkinson's program, as planned. Costs attributable to own projects increased, however. Other external costs decreased during the year to MSEK 23.4 (31.2) as a result of reduced consultant and travel expenses. Personnel costs increased to MSEK 63.0 (59.7) as a result of an increase in the number of employees. Depreciation of assets totalled MSEK 11.0 (9.2). Other operating costs totalled MSEK 3.4 (11.6) and consisted of realized operational exchange rate losses. Operating loss during the year totalled MSEK -85.0 (profit: 112.5). As described above, the decrease is primarily attributable to the milestone payment of MSEK 162.0 that was received from Eisai the preceding year as well as to lower planned revenue from the Parkinson's program.





FINANCIAL COSTS, TAX, PROFIT FOR THE YEAR AND EARNINGS PER SHARE

The Group's net financial items for 2020 totalled MSEK -1.7 (0.4). Financial income consisted of financial exchange rate

gains, and financial costs consisted primarily of interest on lease liabilities under IFRS 16 Leases. Profit before tax was MSEK -86.7 (113.0).

Tax for the year totalled MSEK 18.2 (-24.4), which corresponds to an effective tax rate of 21.0 percent (21.7). The reversal of untaxed reserves in the Parent Company in 2020 resulted in a decrease in deferred tax liability in the Group, and the change was recognized in profit or loss.

Loss for the year totalled MSEK -68.5 (profit: 88.5), corresponding to SEK -0.78 per share (1.00) before and after dilution in 2020.

IMPACT OF COVID-19 ON THE GROUP

BioArctic experienced no noticeable disruptions to its operations in 2020 as a consequence of the COVID-19 pandemic. The company experienced only a marginal impact on revenue and expenses during the year.

BioArctic's approach has been to closely monitor the course of events in the environment and to follow the guidelines issued by government authorities. To protect operations from interruption and secure the work situation for employees, BioArctic implemented processes, system support and equipment early on to enable working from home to the greatest extent possible. A large part of operations have been reconfigured to be carried out in another manner. There has been continual close dialogue with employees in order to work out the best solutions together.

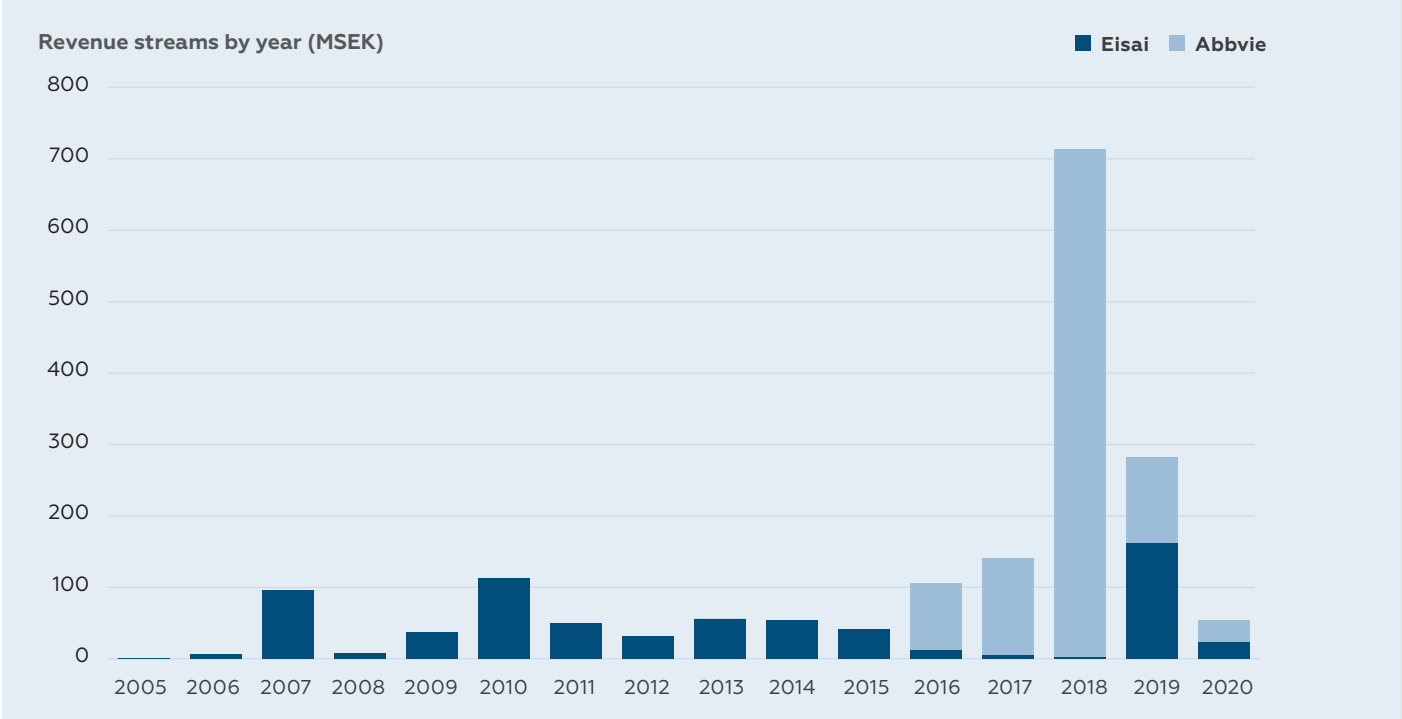
The company also appointed a working group with various competences, including medical, that has met on a weekly basis and created a structured process through which material, based on information from authorities, was provided to management as a basis for discussion and decisions. Information and recommendations have regularly been provided to employees via the company's intranet and routinely discussed at informational meetings. A risk analysis has been conducted in which various scenarios were discussed and action plans drawn up to ensure the maintenance of critical deliveries, functions and roles. BioArctic has engaged in close dialogue with the company's partners in order to gain insight into the development of the clinical programs being run by Eisai in Alzheimer's disease and by AbbVie for Parkinson's disease.

EXCHANGE RATE FLUCTUATIONS

BioArctic is domiciled in Sweden and reports its financial position and its earnings in Swedish kronor (MSEK). BioArctic's revenue currently consists essentially of compensation from partnership and licensing agreements with Eisai and AbbVie, in which payments are received in EUR and USD, respectively. BioArctic purchases continuous services in currencies other than SEK, primarily EUR, USD and GBP. The flows of currencies other than SEK in conjunction with the purchase and sale of goods and services are subject to transaction exposure. BioArctic reconciles the company's currency exposure during the year in order to balance the company's commitments.

FLUCTUATIONS CONCERNING REVENUE GENERATION

Currently, BioArctic does not have any products that are commercialized and sold. The company signs research and licensing agreements with partners and then receives compensation for research as well as milestone payments and royalties, which the company uses to finance current and new projects. Milestone payments are normally received when the project reaches predetermined development targets–the start of clinical trials, for example–or when clinical trials move from one phase to a later



phase. Owing to the character of BioArctic's revenue, these revenue streams arise unevenly over time throughout the financial year and between quarters, since revenue is determined by the advances made in the projects. See the diagram on the previous page for a visualization of how the revenue stream has historically been divided by financial year.

BALANCE SHEET AND FINANCIAL POSITION

BioArctic's balance sheet total as of December 31, 2020 was MSEK 1,050.3 (1,183.4), a decrease of 11 percent. The decrease is attributable primarily to the losses for the year and lower levels of cash and cash equivalents.

Non-current assets

BioArctic's non-current assets totalled MSEK 18.1 (9.6). These assets consisted primarily of laboratory equipment and improvement fees on other parties' property. BioArctic's right-of-use assets totalled MSEK 21.8 (27.5). The decrease of MSEK 5.7 is attributable to amortizations under IFRS 16, which are related primarily to the lease for the main office. The company's financial assets totalled MSEK 1.6 (1.5) and consisted primarily of deposits on leases. The company has no intangible fixed assets. Since BioArctic's own projects are in the early research phase, they do not meet all the conditions for capitalizing R&D expenses and have therefore been expensed in their entirety.

Current assets

Current assets in BioArctic consist of current receivables as well as cash and cash equivalents. The company's cash and cash equivalents at year end totalled MSEK 999.9 (1,112.8).

In order to neutralize currency exposure, a certain amount of liquidity is placed in foreign currencies. This leads to effects in the report in connection with revaluation of currencies at the current exchange rate, which is recognized in operating profit and in financial income and costs.

Investments

Investments for the year totalled MSEK 12.5 (3.3) and pertained primarily to scientific instruments.

Equity and liabilities

Equity as of December 31, 2020 totalled MSEK 907.3 (974.6), corresponding to a decrease of MSEK 67.3. Equity per share outstanding totalled MSEK 10.30 (11.07). The equity/asset ratio increased from 82.4 percent as of December 31, 2019 to 86.4 percent as of December 31, 2020. Lease liabilities of MSEK 20.8 (27.4) are related to the right-of-use assets. The decrease of MSEK 18.0 in deferred tax liability is due to the reversal of untaxed reserves in BioArctic AB. At the end of the year, there were lease liabilities of MSEK 20.8 (27.3). No loans had been taken out as of December 31, 2020, and the Group has no other credit or loan facilities, which means the Group had a positive net cash balance at year-end.

CASH FLOW

The Group's cash flow from operating activities before changes in working capital decreased during the year, totalling MSEK -118.9 (-76.6). Cash flow from operating activities after changes in working capital totalled MSEK -92.3 (327.2). The lower cash flow year-on-year was attributable to the company receiving milestone payments from AbbVie totaling MUSD 50 and from Eisai totaling MEUR 15 during the 2019 financial year.

KEY EVENTS DURING FINANCIAL YEAR 2020

FIRST QUARTER, JANUARY–MARCH 2020

- The spread of Covid-19 increased in intensity and scope, both in Sweden and around the world, in the first quarter of 2020. The approach from BioArctic during the year has been to carefully monitor the course of events in the business environment and to comply with guidelines from government authorities. The situation is difficult to assess, and it is too early to estimate how the virus will impact BioArctic's operations over the long term. As of today, BioArctic has not experienced any noteworthy disruptions to its operations owing to the COVID-19 pandemic.
- On January 1, 2020, Tomas Odergren assumed the role of Chief Medical Officer. The previous Chief Medical Officer, Hans Basun, transitioned into the role of Senior Director Clinical Development.

SECOND QUARTER, APRIL–JUNE 2020

- BioArctic communicated that the mechanism for the AD1801 antibody project is linked to ApoE, which is the most common genetic risk factor for Alzheimer's disease.
- BioArctic initiated a collaboration with the University of Oslo to increase knowledge about ApoE's role in patients with Alzheimer's disease and to study the mechanism of action and generate pharmacological efficacy data with drug candidates in the ApoE project, AD1801.
- BioArctic announced the strategic recruitment, and strengthening of the company's management group, through the appointment of Oskar Bosson as the company's Vice President Investor Relations & Communications.

Cash flow from investing activities during the year totalled MSEK -12.5 (-3.3), in line with the preceding year.

Cash flow from financing activities during the year totalled MSEK -6.6 (-138.5) and pertained to amortization of lease liabilities. MSEK 132.1 of the cash flow from financing activities in the preceding year pertained to dividends.

Cash flow for the year totalled MSEK -111.5 (185.4), attributable to the deficit for the year.

EMPLOYEES

As of December 31, 2020, BioArctic had 45 employees (42). The average number of employees at BioArctic during the year was 44 (37), all of whom are employed in Sweden at the company's head office in Stockholm. Gender equality is part of BioArctic's diversity efforts. In 2020, 27 employees (26), or 60 percent, were women and 18 employees (16), or 40 percent, were men. Of the total number of employees, 82 percent (85) worked in research and development.

BioArctic contracts with external companies to a great extent to perform such tasks as the production of pharmaceutical substances. In order to conduct efficient operations with a relatively small organization, BioArctic also hires consultants in key roles for specific assignments and for work tasks in areas of competence that the company lacks or has only periodic need of. In total, the number of full-time employees and consultants employed at the end of 2020 was 57 (53).

BioArctic strives to offer competitive salaries and benefits, and applies an individually based wage structure adapted to the local market. BioArctic's ambition is to offer a work environment that promotes health and well-being and a sound balance between work and private life.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

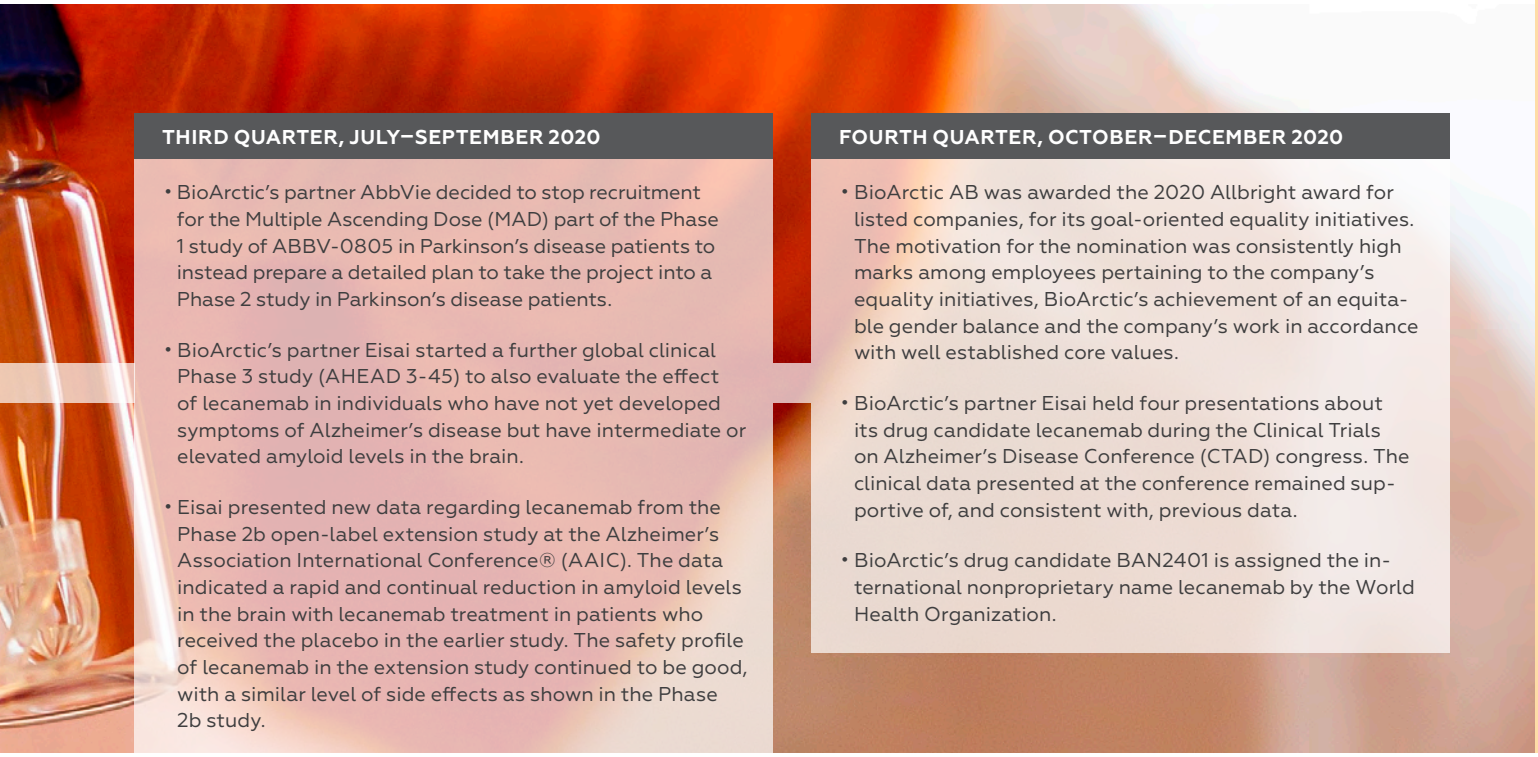
For a detailed description of applicable guidelines regarding remuneration and other terms of employment for the CEO and other senior executives, refer to the Corporate Governance Report on pages 55-65 and to Note 7. The Board proposes that the guidelines resolved on at the 2020 Annual General Meeting remain, and that the guidelines for 2021 thus remain unchanged.

LONG-TERM INCENTIVE PROGRAMS

BioArctic has a long-term incentive program (the 2019/2028 program) in the form of an employee stock warrant program intended for the company's senior executives, researchers and other staff. The purpose of the incentive program is to encourage broad share ownership among BioArctic's employees, facilitate recruitment, retain skilled employees and increase employee motivation and performance.

In addition to the long-term incentive program, BioArctic's two founders and principal owners, Demban AB and Ackelsta AB (separately from the company) issued call options to a total of twelve Board members and senior executives in the company, including the CEO, in 2017. The program, which grants in total the right to the purchase of 366,795 shares of the principal owners' class B shares in BioArctic, has been fully utilized and was therefore concluded during the 2020 financial year.

BioArctic has two rewards programs: one linked to the company's Alzheimer's project and one linked to the Parkinson's project. The rewards program covers all permanent employees excluding the founders but including the CEO. Variable remuneration is paid when the company achieves certain goals linked to the clinical research programs.



THIRD QUARTER, JULY–SEPTEMBER 2020

- BioArctic's partner AbbVie decided to stop recruitment for the Multiple Ascending Dose (MAD) part of the Phase 1 study of ABBV-0805 in Parkinson's disease patients to instead prepare a detailed plan to take the project into a Phase 2 study in Parkinson's disease patients.
- BioArctic's partner Eisai started a further global clinical Phase 3 study (AHEAD 3-45) to also evaluate the effect of lecanemab in individuals who have not yet developed symptoms of Alzheimer's disease but have intermediate or elevated amyloid levels in the brain.
- Eisai presented new data regarding lecanemab from the Phase 2b open-label extension study at the Alzheimer's Association International Conference® (AAIC). The data indicated a rapid and continual reduction in amyloid levels in the brain with lecanemab treatment in patients who received the placebo in the earlier study. The safety profile of lecanemab in the extension study continued to be good, with a similar level of side effects as shown in the Phase 2b study.

FOURTH QUARTER, OCTOBER–DECEMBER 2020

- BioArctic AB was awarded the 2020 Allbright award for listed companies, for its goal-oriented equality initiatives. The motivation for the nomination was consistently high marks among employees pertaining to the company's equality initiatives, BioArctic's achievement of an equitable gender balance and the company's work in accordance with well established core values.
- BioArctic's partner Eisai held four presentations about its drug candidate lecanemab during the Clinical Trials on Alzheimer's Disease Conference (CTAD) congress. The clinical data presented at the conference remained supportive of, and consistent with, previous data.
- BioArctic's drug candidate BAN2401 is assigned the international nonproprietary name lecanemab by the World Health Organization.

To read more about the programs, refer to page 60-63 in the report on guidelines for senior executives and Note 7.

ENVIRONMENT, SUSTAINABILITY AND SOCIAL RESPONSIBILITY

BioArctic's clearest and most important contribution to a globally sustainable future lies in the development of safe and effective drugs against disorders in the central nervous system. As part of its sustainability efforts, BioArctic conducts high-quality research that promotes sustainable and innovative solutions to society's health challenges. BioArctic endeavors to integrate economic and social sustainability at all levels of its operations, to continually improve the company's procedures, quality assurance systems and work environment, and to take action to prevent the environmental impact of its own operations. The operations BioArctic conducts are characterized by transparency, creativity and respect for the equal worth of all. The company's work with its partners will promote sustainable development and value creation. BioArctic has identified goals with a clear link to the company's operations in three main areas: sustainable employeeship, sustainable use of resources and sustainable business.

BioArctic is a responsible business partner and employer, and complies with environmental and work environment legislation. In addition, BioArctic has internal policies that encompass guidelines for the environment and the work environment. Pharmaceutical research is conducted in BioArctic's offices in Stockholm. The operations comply with the permits issued to BioArctic by the government agencies concerned. For example, the company has permits from the Swedish Work Environment Authority (sv. Arbetsmiljöverket) regarding the use of chemicals, and the Swedish Board of Agriculture (sv. Jordbruksverket) regarding the import and use of biological tissues in the company's laboratory. In accordance with Swedish environmental legislation, BioArctic is registered with the Stockholm County Administrative Board (sv. Länsstyrelsen) to conduct its operations. BioArctic is not involved in any environmental disputes. No workplace accidents were reported to Arbetsmiljöverket in 2020.

BioArctic contracts only manufacturers of drugs (antibodies) whose facilities are certified in accordance with the relevant legislation. The same applies to procurement of services from contract research organizations (CROs).

PARENT COMPANY

BioArctic AB (publ), based in Stockholm, Sweden, is the Parent Company in the BioArctic Group. All Group operations are conducted in the Parent Company. The Parent Company's loss for the 2020 financial year totalled MSEK -4.4 (profit: 66.0).

GROUP

The BioArctic Group includes the parent company, BioArctic AB (publ) and the dormant subsidiary LPB Sweden AB. As of the fourth quarter of 2020, shares in the dormant subsidiary SpineMedical AB were divested.

SHARE CAPITAL AND OWNERSHIP

BioArctic's B share is listed on Nasdaq Stockholm Mid Cap. The market value at year end totaled MSEK 8.3 billion (8.4). BioArctic's share was largely unchanged during 2020. The share price peaked at SEK 123.10 on November 4, 2020, and its lowest price, SEK 48.12, was noted on March 23, 2020. The share price was SEK 95.40 (94.90) on December 31, 2020. At the end of 2020, BioArctic had 8,589 shareholders (9,435). Swedish owners represented 93.2 percent of the capital and 97.2 percent of the votes. The primary owners were Demban AB (Lars Lannfelt) with 50.1 percent of the votes and 35.5 percent of the capital, and Ackelsta AB (Pär Gellerfors) with 33.4 percent of the votes and 23.7 percent of the capital.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

- BioArctic received patent approval for antibodies against shorter forms of truncated amyloid-beta, the AD1503 antibody project.
- Eisai expanded the number of participants in the Clarity AD study. Eisai also announced that this was not expected to affect the timeplan that had previously been announced, and that the 18-month results were expected to become available in September 2022.
- At the AD/PD conference in March 2021, BioArctic presented findings suggesting that lecanemab could be of potential benefit for adults with Down's syndrome with dementia. Preliminary results presented by Eisai from the ongoing open-label extension of the Phase 2b study in early Alzheimer's disease continue to support the effect of lecanemab on brain amyloid levels.

FUTURE PROSPECTS

In BioArctic's opinion, the operating expenses for financial year January–December 2021 will total MSEK 180–220, compared with the outcome for 2020 which totaled MSEK 151, and the average operating expense level per year over the last three years of approximately MSEK 190. Apart from an expected operating expense level, BioArctic makes no financial forecasts regarding its future performance. The company enjoys a strong financial position and has a business model in which its revenue and earnings are primarily based on non-recurring revenue from research and licensing agreements the company has signed. The company's liquidity facilitates continued development of the projects covered by strategic collaboration agreements as well as financing of the company's own less costly projects. All of BioArctic's focus therapeutic areas, such as Alzheimer's disease, Parkinson's disease and other CNS disorders are areas that currently lack effective treatments and have great market potential. The company's ambition is to generate the medicines of the future that improve life for people with central nervous system disorders. The company's cash holdings remain strong, which creates possibilities for the continued exciting development of BioArctic.

DIVIDEND POLICY AND DIVIDEND

Since BioArctic has no product sales, the company's current revenue and earnings primarily consist of revenue of a non-recurring

Five-year summary

Amounts in MSEK	2020	2019	2018 [1]	2017 [1]	2016 [1]
Income statement					
Net revenue	62.3	281.8	714.0	140.7	105.6
Other operating income	3.6	14.8	16.3	19.0	39.1
Expenses	-151.0	-184.1	-241.4	-140.5	-69.8
Operating profit/loss	-85.0	112.5	488.8	19.3	74.6
Profit/loss for the year	-68.5	88.6	381.6	15.2	57.6
Operating margin, %	neg	39.9	68.5	13.7	70.7
Consolidated balance sheet					
Non-current assets	42.0	39.0	11.0	10.0	8.5
Current assets excl. cash and cash equivalents	8.4	31.6	464.8	20.1	7.0
Cash and cash equivalents	999.9	1,112.8	917.3	1,110.4	692.5
Equity	907.3	974.6	1,017.7	636.1	60.8
Deferred tax liabilities	20.7	38.7	32.5	5.5	4.1
Non-current liabilities	13.6	20.9	–	–	–
Current liabilities	108.7	149.2	342.8	498.9	643.1
Cash flow					
From operating activities	-92.3	327.2	-200.1	-135.3	675.1
From investing activities	-12.5	-3.3	-3.1	-2.8	-3.0
From financing activities	-6.6	-138.5	–	560.2	-105.1
Cash flow for the year	-111.5	185.4	-203.1	422.1	567.1
Key ratios					
Equity/asset ratio, %	86.4	82.4	73.1	55.8	8.6
Return on equity, %	-7.3	8.9	46.1	4.3	68.1
Data per share, SEK					
Earnings per share, before and after dilution	-0.78	1.00	4.33	0.22	0.91
Equity per share	10.30	11.07	11.56	7.22	0.96
Cash flow from operating activities per share	-1.05	3.72	-2.27	-1.99	10.71
Share price on December 31 [2]	95.40	94.90	82.00	26.00	–

[1] IFRS 16 was not applied from 2016 to 2018. Its impact on earnings was marginal.
[2] The company was listed in October 2017, so no observable share price existed before the listing.

character in accordance with the research and licensing agreements the company has signed. BioArctic will continue to focus on further developing and expanding the company's project portfolio. Available funds and earnings recognized will therefore primarily be reinvested in operations for funding the company's long-term goals and strategy. It is the intent of the Board not to propose any dividend to shareholders until the company generates long-term and sustainable profitability. Any future dividends and the size thereof will be established based on an assessment of the company's long-term growth, earnings trends and capital requirements, taking into account goals and strategies that have been set at any given time. To the extent a dividend is to be proposed, it must have been given proper consideration and based on the above grounds for assessment.

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

APPROPRIATION OF PROFITS

The Board proposes that the consolidated income statement and balance sheet be presented to the AGM on May 6, 2021 for adoption and that the profit for the year as well as the retained profits in the Parent Company be carried forward.

At the disposal of the Annual General Meeting:	(SEK)
Share premium reserve	560,017,974
Retained earnings	275,269,601
Profit for the year	-4,378,554
Total	**830,909,021**

Risks and risk management

Risk exposure and risk management are a natural part of business operations. Risks are something that could impact BioArctic's operations negatively, but managed correctly could also add value to the company. The focus is on identifying risks, preventing risks from arising and preparing action plans that facilitate limiting any damage these risks could cause.

RISKS

A risk is defined as an uncertainty prior to an event that could impact the company's ability to reach its established goals. Risks are a natural part of all business operations, and they must be handled effectively by the organization. Several times a year, BioArctic conducts an integrated risk assessment that identifies and assesses risks that could impact the company's possibility of achieving its goals.

RISK MANAGEMENT

Risk management is intended to provide against, prevent and limit events that could negatively impact operations. BioArctic's management has identified possible events and scenarios that could negatively impact the company's operations. The events have been evaluated and compiled into a net list of the risks deemed to be the most relevant. Moreover, a number of control activities (measures to limit risk) have been established. For each risk, there are measures intended to counter, limit, control and manage the risk. The risk owners are the members of management who ongoing work on identifying, managing and preventing risks in their daily operations. The risks are evaluated and managed annually in the Audit Committee, which prepares Group-level risks for the Board.

Control and incident management

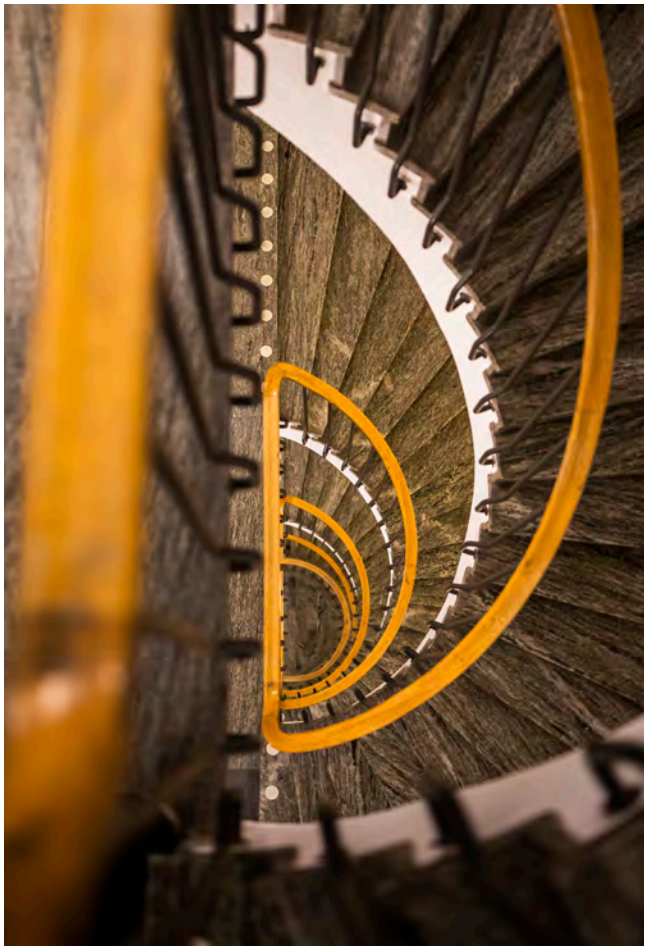
BioArctic conducts routine checks in its operations, and reviews and updates the company's instructions and work processes. The outcome of the controls are reported, and form a part of the routine risk management process.

Insurance

BioArctic has insurance protection that is revised annually. The insurance covers property including research equipment and cooling facilities, and there is also operation insurance. In addition there is liability insurance for companies, Board members and senior executives.

Crisis management

BioArctic has documented crisis management plans. The goal of crisis management is to minimize the acute damage in situations that are not covered in normal procedural descriptions.



OPERATIONAL AND STRATEGIC RISKS

(A) Negative outcome in the project portfolio

Research and development of drugs is associated with a high level of risk, in the sense that major financial resources are invested in a project that perhaps will never become a finished drug. A large portion of the research projects being conducted in the field are discontinued during the process, since the drug candidates produced either cannot demonstrate the intended effect or turn out to have unacceptable side effects. BioArctic works continually on planning and preparations ahead of various scenarios and possible outcomes. BioArctic strives for a well-differentiated and well-compiled project portfolio with projects in various phases of development.

(A 1) Overall portfolio strategy
BioArctic operates in a complex area of research: disorders of the central nervous system (CNS). The company's success is affected by strategic decisions regarding future project priorities, positioning and market strategy.

(A 2) Outlicensed projects conducted by partners
The two projects that have come furthest in BioArctic's research portfolio are lecanemab for Alzheimer's disease, being evaluated in two Phase 3 studies, and the ABBV-0805 project for Parkinson's disease, which is in Phase 1. These projects have been outlicensed to external partners: lecanemab (BAN2401) to Eisai and ABBV-0805 to AbbVie, who are also paying for the clinical studies. A significant portion of the value of BioArctic is linked to the outcomes of these projects.

(A 3) Projects conducted in-house and under own development
BioArctic has a broad, well-balanced research portfolio. The company conducts in-house research in disorders in the central nervous system, as well as in diagnostics and blood-brain barrier technology. The smaller drug projects being conducted in-house are in earlier phases and smaller in scope. The projects in diagnostics and platform technology are being conducted in partnership with universities.

(B) Impact of outcomes among competitors
BioArctic operates in areas of research that are large in terms of both medical need and the size of patient groups. Competition in these areas is thus significant, and competitors could develop, market and sell drugs that are more effective, safer and priced lower than BioArctic's. For the company, assessing the risks that exist in the respective research areas and routinely monitoring and evaluating changes in the respective markets is of great importance. BioArctic is affected by how competitors in the market perform, and whether they capture market share with their products or reach the market faster than BioArctic. The development in competing pharma companies and biotech companies conducting research in the same therapy fields could impact BioArctic negatively as a result of negative study outcomes, a deteriorating competitive situation and/or an impaired view in the business environment of companies conducting operations in the same areas of research. BioArctic routinely works on monitoring competitors and developments in the industry in BioArctic's niche areas. The company generates its own data to indicate differentiation from competitors, primarily by showing differences and more favorable results and/or side effect profiles. A clear communication strategy with various scenarios based on the outcome of competitors' studies is routinely produced to reduce the risk of a negative impact on the brand.

(C) External events outside the company's control
An uncontrollable event is something that impacts the business environment in general that BioArctic could have difficulties protecting itself against. Examples of external events that could have significant impact on the world and thus on BioArctic's operations are pandemics, war, natural catastrophes or widespread terrorism.

(D) IT and information security risks, and risks of hacking
Deficiencies in the company's IT security could lead to unauthorized access to critical data and/or loss of sensitive data. Insufficient IT security could lead to trade secrets being made available to unauthorized persons through theft or hacking. The risks are routinely managed through reviews of IT security, clear rules and routines for how information is shared, perimeter security, controls and training.

(E) Longer outages in operation-critical systems
An outage in operation-critical systems could result in disruptions to operating activities and impact routine reporting. To manage the risk of outages, routine checks are conducted and stringent requirements are imposed as regards redundancy, clear contingency plans and supplementary security storage through offsite server rooms.

(F) Partner-related risks
A significant part of BioArctic's operations and business model is entering into licensing and collaboration agreements with pharma and biopharma companies to develop and sell potential products. Differences of opinion and conflicts may arise among BioArctic's partners or licensees as regards the conditions of agreements in force, such as the interpretation of clinical data, achievement of milestone payments, interpretation of financial remuneration and rights, or ownership rights of patents and similar rights developed as part of these partnerships. At present, BioArctic is highly dependent on partners who are significantly larger than BioArctic.

(G) Patents, intangible assets and government decisions
BioArctic's future successes depend largely on the company's ability to receive and maintain protection of the intangible assets attributable to its products. The conditions for patented discoveries in the field of drugs and biotech are generally difficult to assess and encompass complex legal and scientific issues. There is no guarantee that BioArctic can receive and maintain patents for its products or its technologies. Even if a patent is issued, it can be subject to appeal, declared invalid or circumvented, which could limit BioArctic's ability to prevent competitors from marketing similar products and reduce the period during which BioArctic has patent protection for its products or technologies.

BioArctic is subject to decisions by government agencies

such as in relation to the permits necessary to conduct clinical studies and to commercialize drugs as well as changes to regulations that could take place in areas such as pricing, discounting drugs or changes in circumstances for drug prescriptions.

(H) Product liability and insurance
BioArctic's operations entail product liability, which is unavoidable in conjunction with research and development, preclinical studies, clinical studies, production, marketing and sales of drugs. Even if BioArctic deems existing insurance protection to be sufficient, the scope and amount of compensation under this insurance protection is limited. There is therefore no guarantee that BioArctic will be fully compensated for any damage under its existing insurance protection. Nor can it be guaranteed what impact the requirements of product liability or other requirements will have on BioArctic's operations and financial position.

(I) Employee risks
BioArctic is dependent to a great extent on key persons to facilitate high-quality research and drug development and thus an attractive future project portfolio. The ability to recruit and retain qualified employees is of extreme importance to ensure the level of competence in the company. BioArctic therefore has a focus on leadership, collaboration policies, and core values as well as issues of diversity and equality, and strives to offer an attractive and sustainable workplace where good health and a satisfactory work environment is fundamental.

(J) Climate, sustainability and environmental risks
BioArctic's ambition is to conduct research of the highest quality that promotes sustainable and innovative solutions to society's health challenges. The company strives to be a responsible business partner and employer that complies with environmental and work environment legislation and works actively with sustainability topics. The operations are conducted in compliance with the permits issued to BioArctic by the government agencies concerned.

(K) Internal and external regulatory risks
For BioArctic, compliance with laws and other regulations is of great importance, as is conducting operations in accordance with sound business ethics. Violations or neglect concerning issues in these areas could damage the company's reputation and result in both sanctions and fines. For preventive purposes, BioArctic has prepared a number of policies that have been implemented in operations, a procedure for internal controls and a quality assurance organization that works to ensure clear procedures and documentation as regards compliance with operation-specific regulations.

For BioArctic, ethical and moral positions are important in its daily operations. The company's actions as regards ethics, morals, security and integrity characterize its corporate culture and thus how the company conducts its operations.

(L) Risk of errors in financial reporting
BioArctic routinely updates its risk analysis to ensure correct financial reporting. Management and the Board of Directors make decisions annually on which risks are essential to monitor in order to ensure proper internal control in financial reporting. A more detailed description of BioArctic's work on internal control can be found in the Corporate Governance Report on pages 64–65.

STRATEGIC AND OPERATIONAL RISKS

RISK	DESCRIPTION OF RISK	MITIGATION
A	Negative outcome in the project portfolio, divided into:	
(A 1)	Overall portfolio strategy	The risk is managed by having a well-differentiated and well-balanced project portfolio focused on central nervous system disorders. The company routinely evaluates various opportunities to strengthen its project portfolio.
A 2	Outlicensed projects conducted by partners	Broad data collection, continual review of the projects and routine contact with external partners.
A 3	Smaller projects conducted in-house and under own development	Broad data collection, continual review of the projects. Scenario analyses and routine evaluation in pace with the progress of the projects.
B	Impact of outcomes among competitors	Generation of own data to demonstrate differentiation from competitors. Market analysis. Communication management.
C	External events outside the company's control	Business intelligence, crisis plans, a clearly defined crisis organization and crisis management exercises as well as clear communication, both internally and externally.
D	IT and information security risks, and risks of hacking	Preventive work and checks. High level of awareness concerning security issues.
E	Longer outages in operation-critical systems	Routine checks, strict requirements as regards redundancy. Contingency plans and safety stockpiling.
F	Partner-related risks	Clear documentation of agreements and close dialogue. Routine evaluation and monitoring.
G	Patents, intangible assets and government decisions	Well-documented patent strategy and in-house patent counsel. Routine monitoring of developments in the legal field.
H	Product responsibilities and insurance	Routine reviews of the company's insurance protection and ensuring that the company complies with existing regulations and documentation requirements as regards product liability.
I	Employee risks	Succession plans prepared and critical roles/functions identified. Work to remain an attractive employer.
J	Climate, sustainability and environmental risks	BioArctic's operations have a limited impact on the climate and the environment. Operations are conducted in accordance with existing permits and regulations, and with a focus on sustainability.
K	Internal and external regulatory risks	BioArctic has a structure for internal controls and has an external audit function of the internal controls.
L	Risk of errors in financial reporting	Checks have been implemented to ensure correct reporting. Routine checks of identified areas, and monitoring.

COMMENTS FROM THE CHAIRMAN

Just over three years ago, BioArctic took its first step into the stock market and Nasdaq Stockholm, and I took office as Chairman of the company. These have been three eventful years, during which our drug projects in Alzheimer's disease and Parkinson's disease have made great advances while new and exciting early stage projects for the future have been added to our project portfolio. Since BioArctic's listing, the value appreciation of shareholders' investments has been highly favorable, as the market value has multiplied.

2020 will go down in history as a very special year. It was an eventful one with positive data and advanced positions for our drug projects, but a difficult one as well with major challenges in society in general. The spread of the coronavirus put our operations to the test and raised the bar as regards flexibility, digital solutions and innovative leadership. During the year, BioArctic has successfully conducted its own projects without noticeable disruptions stemming from the COVID-19 pandemic, which is a strong confirmation of the ability of the organization to continue developing and delivering in challenging situations.

Disorders of the central nervous system are the cause of great suffering around the world, and today's treatments often provide only mild relief of symptoms. There is thus an enormous need for new approaches that not only relieve the symptoms but also slow the progress of the disease. BioArctic's operations are built on a strong, science-driven corporate culture, which is the basis for its capacity to develop drugs with the objective of improving the lives of patients and their families.

Sustainability is an integral part of BioArctic's operations. This entails a structured approach in which employees, finances, the environment, social issues and sociatal responsibility are all part of the business model. BioArctic's clearest and most important contribution to a globally sustainable future lies in the development of safe and effective drugs against disorders of the central nervous system. Initiatives were carried out in 2020 to develop an updated strategy for sustainable value creation. It is gratifying to see that the company's efforts in this area have yielded results, and I am particularly proud of the fact that BioArctic's employees were awarded the 2020 Allbright Award for their goal-oriented equality initiatives.

The primary task of the Board of Directors of BioArctic is to leverage the company's existing opportunities for development through their work while balancing these opportunities against strategic, operating, financial and legal risks in accordance with

our corporate governance. During the past year, the Board has primarily evaluated and decided on important long-term growth strategies, evaluated and discussed the company's long-term financial position and taken important decisions within the parameters of BioArctic's ongoing projects. It has been inspiring to work with management, and to challenge and support the implementation of our shared plan.

Our CEO Gunilla Osswald together with her capable colleagues have done a fantastic job over the past year. Today, we have a highly specialized and experienced organization with a high level of ambition and expertise for continuing to create future value for all of the company's stakeholders. BioArctic's financial position is healthy, with a strong brand and an attractive project portfolio as well as excellent opportunities to continue delivering value for patients, employees and owners going forward. On behalf of the Board, I would like to thank the employees of BioArctic for their hard work and excellent efforts in 2020. I would also like to thank our shareholders, who support our long-term vision. We are grateful for your support, and we look forward to our continued journey together.

Stockholm, March 30, 2021

Wenche Rolfsen
Chairman of the Board

Corporate governance report

At BioArctic, the purpose of corporate governance is to create value for the company's shareholders through active control of risks and a well-functioning corporate culture. Corporate governance refers to the rules and decision-making hierarchies that efficiently and in a controlled manner promote management and governance as well as the ability to monitor developments within the company.

GOVERNANCE MODEL

BioArctic AB, corporate registration number 556601-2679, is a Swedish limited company that has been listed on the Mid Cap segment of Nasdaq Stockholm since October 2017. The registered office is in Stockholm, Sweden. The Corporate Governance Report forms part of the company's Board of Directors' report.

Corporate governance at BioArctic, which can be divided into external and internal governance documents, is in compliance with Swedish law, the Nasdaq Stockholm Issuer Rules and the Swedish Code of Corporate Governance (the Code) as well as internal regulations and instructions.

External governance documents

The external governance documents constitute the framework for corporate governance. These include the Swedish Companies Act, the Swedish Annual Accounts Act, the Nasdaq Stockholm Issuer Rules, and the Code. BioArctic applies the Code, and no deviations from the Code occurred during the year. The Company was not subject to any decision of the Nasdaq Stockholm disciplinary board or any statement by the Swedish Securities Council during the year.

Internal governance documents

Internal governance documents include the Articles of Association adopted by the Annual General Meeting, internal instructions and guidelines. Examples of internal instructions and guidelines include the Board of Directors' rules of procedure, formal work plans for the committees and instructions to the CEO. In addition, the Board of Directors of BioArctic has adopted a number of policies and guidelines that control the company's operations, and instructions for financial reporting are documented in the company's finance handbook.

BioArctic aims for a high standard through clarity and simplicity in its management system and governing documents. In the company's business model, the shareholders of BioArctic are the ultimate decision makers regarding the Group's governance through their election of the company's Board of Directors at the Annual General Meeting. In turn, the Board is responsible for ensuring that corporate governance is in compliance with applicable laws as well as other external and internal governance documents.

Governance, management and control of BioArctic is divided among the shareholders through the Annual General Meeting, the Board of Directors, the CEO and the auditors in accordance with the Swedish Companies Act and the Articles of Association. Openness and transparency provide good insight into the company's activities, which contributes to effective governance.

GOVERNANCE MODEL

1 SHAREHOLDERS

BioArctic's class B share (BIOA B) has been listed on Nasdaq Stockholm Mid Cap since October 12, 2017. As of December 31, 2020 the share capital in BioArctic amounted to SEK 1,761,199.70 divided into 14,399,996 Class A shares (number of votes: 10) and 73,659,989 Class B shares (number of votes: 1), each with a quotient value of SEK 0.02.

According to ownership data from Monitor by Modular Finance, the number of shareholders at year-end was 8,589 (9,435) and the ten largest shareholders owned 92.1 percent of the votes and 80.4 percent of the capital in the company. Swedish owners represented 97.3 percent of the votes and 93.3 percent of the capital.

As of December 31, 2020 the following shareholders had a holding in BioArctic representing at least 10 percent of the voting power of all shares in the company:

Shareholders	Share of votes in BioArctic:
Demban AB (controlled by Board member Lars Lannfelt)	50.1%
Ackelsta AB (controlled by Board member Pär Gellerfors)	33.4%

For further information on BioArctic's share and ownership structure, see the BioArctic share section on pages 36–38 or visit www.bioarctic.com.

2 ANNUAL GENERAL MEETING (AGM)

The AGM is BioArctic's highest decision-making body and is held annually within six months of the end of the financial year. At the AGM, the balance sheet and income statement are presented, as well as the Group's balance sheet and income statement, and resolutions are passed on such matters as appropriation of the company's earnings, election of Board members and fees to Board members and auditors, and other matters submitted to the AGM in accordance with the law. All shareholders who are recorded in the share register and have reported their participation in time in accordance with the instructions in the notice to attend have the right to participate at the AGM and vote for their shares. A shareholder who wishes to have a particular matter addressed at the AGM must request this from the Board well in advance of the meeting via the address available on the company's website. BioArctic's Articles of Association contain no restrictions on how many votes each shareholder can cast at a general meeting. Nor do the Articles of Association contain any specific provisions relating to the appointment or dismissal of board members or the amending of the Articles of Association.

The Annual General Meeting of BioArctic was held on May 7, 2020 at Lindhagen Konferens, Lindhagensgatan 126 in Stockholm, Sweden.

The minutes and other documentation from this general meeting are available on BioArctic's website, www.bioarctic.com.

2021 ANNUAL GENERAL MEETING

The 2021 AGM will be held on Thursday, May 6. As a precautionary measure to reduce the spread of the coronavirus, and in light of government orders to avoid gatherings, the Board of Directors of BioArctic has decided that the AGM will be conducted solely through the postal voting method of advance voting. It will therefore not be possible to physically attend the AGM, either in person or via proxy.

Those shareholders registered in the share register maintained by Euroclear Sweden as of April 28, 2021 and who have registered by having submitted their postal votes in accordance with the instructions in the notice to attend the AGM will have the right to take part in the meeting. Postal votes must be delivered to BioArctic AB by May 5, 2021 at the latest.

Resolutions at the 2020 AGM included:

- that no dividend would be paid for the 2019 financial year, and that profits at the disposal of the Meeting would be carried forward
- the discharge of the Board members and CEO from liability for the 2019 financial year
- the re-election of Board members Wenche Rolfsen (chairman), Ivar Verner (deputy chairman), Hans Ekelund, Pär Gellefors, Lars Lannfelt, Mikael Smedeby and Eugen Steiner; the election of Håkan Englund as new Board member
- that total fees determined yearly, including fees for committee work, of SEK 2,410,000 are to be paid to the Board
- the appointment of Grant Thornton Sweden AB as the auditing company, with Mia Rutenius as auditor in charge
- the passing of a resolution on the process for establishing a Nomination Committee and guidelines for the Committee's work
- the adoption of guidelines for remuneration to senior executives
- the adoption of new Articles of Association

3 NOMINATION COMMITTEE

The task of the Nomination Committee is to ensure that the members of the Board of Directors of BioArctic jointly possess the knowledge and experience that are relevant for enabling the satisfactory performance of the company over time. The Nomination Committee reviews the work of the Board based on the Board evaluation conducted once a year, which is a requirement under the Code, the phase and needs of the company and the views of the other owners. Subsequently, the Nomination Committee presents a proposal to the AGM regarding the number of Board members and the composition of the Board as well as proposals regarding fees to the Board of Directors, including fees for committee work. The Nomination Committee also presents proposals concerning the Chairman of the Board and the AGM, as well as the auditors and their remuneration. In the election of auditors, the Audit Committee assists the Nomination Committee in developing proposals. The proposals of the Nomination Committee are presented in the notice to attend the AGM, and a justification for the Nomination Committee's proposals is published on BioArctic's website.

According to the resolution at the AGM of BioArctic on May 7, 2020, the members of the Nomination Committee for the 2021 AGM shall be appointed following a process where the Chairman of the Board contacts the three largest shareholders in terms of voting rights according to Euroclear Sweden AB's transcription of the share register as of September 30, 2020 and asks each of them to appoint a member of the Nomination Committee. In the event that any of the three largest shareholders does not wish to appoint a member of the Nomination Committee, further shareholders should be contacted until the Nomination Committee consists of three members.

At September 30, 2020 the three largest shareholders were Demban AB, Ackelsta AB and the Fourth Swedish National Pension Fund. The last, however, has declined its seat on the Nomination Committee in favor of the Third National Pension Fund, which was the company's fourth largest owner as of September 30, 2020.

The Nomination Committee for the 2021 AGM consists of Margareta Öhrvall (Demban AB), Claes Andersson (Ackelsta AB) and Gunnar Blix (Third Swedish National Pension Fund). The Nomination Committee appoints a Chairman from among its members, and Gunnar Blix has been appointed. All

shareholders have been given the opportunity to present proposals for Board members for further evaluation in the context of the Nomination Committee's work. The Nomination Committee has held 2 (3) meetings as well as informal contacts up until the time for the AGM.

4 BOARD OF DIRECTORS

The Board's tasks and responsibilities

The Board of Directors is BioArctic's second highest decision-making body after the AGM. The Board has overall responsibility for the company's organization and the administration of BioArctic's operations, as well as for working to create long-term value for the shareholders and other stakeholders. Together with company management, the Board is responsible for the overall strategy as well as the company's financing and financial position, and works to ensure the company has proper risk management and internal control.

Board members

According to BioArctic's Articles of Association, the Board shall consist of no less than three and no more than eight members, with no deputies. The members, who are normally elected annually at the AGM for the period until the close of the next AGM, must provide competence and experience that benefit BioArctic's performance. At present, the Board consists of eight regular members with no deputies. Seven members were re-elected and one new member was elected at the AGM on May 7, 2020. CEO Gunilla Osswald and CFO Jan Mattsson are present at all Board meetings. Jan Mattsson serves as the secretary of the Board. Other senior executives participate as rapporteurs in connection with particular issues. Six of the eight members are independent in relation to both the company and its management, as well as the major shareholders. The company's two founders, Lars Lannfelt and Pär Gellerfors, who are also Board members and primary owners, cannot be considered independent in relation to the company, its management and major shareholders. Lars Lannfelt is employed by the company and is part of the company's senior management. Moreover, there is a consultancy agreement between Pär Gellerfors's company, Ackelsta AB, and BioArctic AB regarding support in contract issues and patents. Pär Gellerfors submitted invoices for market-based remuneration of MSEK 0.1 (0.1) during the year for consultant services via Ackelsta AB.

BioArctic herewith meets the requirements from Nasdaq Stockholm and the Code regarding the independence of Board members. For a summary and presentation of the Board members, see pages 66–67.

Board tasks and Board evaluation

The work and tasks of the Board are governed by the Companies Act, BioArctic's Articles of Association and the Board of Directors' rules of procedure, which is revised annually and adopted at the inaugural Board meeting every year. The rules of procedure govern such aspects as Board functions, work tasks, the decision-making procedure within the company, the Board's meeting agenda, the Chairman's duties and the allocation of responsibilities between the Board and the CEO. The Board also establishes instructions for the Board's committees and the CEO.

The tasks of the Board are to continually monitor strategic orientation and financial performance as well as the company's routines, procedures and controls in order to maintain effectively functioning operations. The Board's tasks also include promoting good quality in financial reporting and internal control as well as evaluating established guidelines for senior executives. The Board is also responsible for continually evaluating the CEO of the company and acquainting itself with the annual audit conducted by Grant Thornton Sweden AB with Mia Rutenius as auditor in charge.

The Chairman, who is selected by the AGM, has the extra responsibility of governing and managing the work of the Board and of ensuring that the Board's work is properly organized and efficiently carried out, and that the Board fulfills its commitments in accordance with the Companies Act and the Board's rules of procedure. The Chairman shall also consult with the CEO on strategic matters and verify that the Board's decisions are implemented in an effective manner. The Chairman is responsible for contacts with the shareholders in ownership matters and for communicating the views of the owners to the Board. The Chairman is also responsible for conducting a Board evaluation in which all Board members evaluate their work over the preceding year. This evaluation also includes the work of the Audit, Remuneration, and Research Committees. The Board evaluation is presented to the Nomination Committee.

The Chairman plans the Board meetings together with the CEO of the company. The Board meets according to a meeting schedule that is established yearly. At each regular Board meeting, an update on the operations and a financial follow-up is given. These reports are compiled by the CEO and the CFO. During the year, matters relating to the company's strategy, project portfolio, current and potential partners, organization and competence requirements were also discussed. The company's auditor participated in the meeting concerning the annual accounts as well as two Audit Committee meetings. The Board and the auditor thus had the opportunity to jointly discuss operations, accounting issues and audit work.

In 2020, the Board held 13 (10) meetings, one of which was an inaugural meeting in connection with the AGM on May 7, 2020. The minutes taken at these meetings record decisions that have been taken.

Remuneration to the Board

Fees and other remuneration to the Board members are established at the AGM. At the AGM on May 7, 2020, it was resolved that the total fees to Board members, including committee work, would be SEK 2,410,000 to be allocated as follows:

- Fees to Chairman of the Board Wenche Rolfsen would total SEK 500,000 and fees to Deputy Chairman Ivar Verner would total SEK 300,000
- For regular Board members not employed by the Company (i.e. five members excluding Lars Lannfelt) the fees would total SEK 250,000 each
- Fees in the Audit Committee would total SEK 100,000 to the Chairman and SEK 60,000 to the other non-executive committee members
- Fees in the Remuneration Committee would total SEK 60,000 to the Chairman and SEK 40,000 to the other non-executive committee members
- No fees are paid to the Research Committee

5 AUDIT COMMITTEE

The primary task of the Audit Committee is to support the Board in its work of fulfilling its financial reporting responsibilities including accounting, audits, internal control, internal audits and risk management. The Audit Committee also routinely ensures contact with the Company's auditor and stays informed and active in decisions concerning financial issues, risks, the company's annual report, quarterly reports and internal control. The Audit Committee works in accordance with instructions established by the Board of Directors. All meetings of the Audit Committee are minuted and the minutes are reported in connection with the meetings of the Board.

Audit Committee members, 2020–2021

- Ivar Verner (Chairman)
- Mikael Smedeby (member)
- Eugen Steiner (member)

The Audit Committee met 4 (5) times. The company's auditor participated in two of these meetings.

6 REMUNERATION COMMITTEE

The primary task of the Remuneration Committee is to submit proposals to the Board regarding remuneration to the CEO and principles of remuneration and other conditions of employment for management as well as monitoring and evaluating variable remuneration and long-term incentive programs. The Remuneration Committee works in accordance with a formal work plan established by the Board of Directors. All meetings of the Remuneration Committee are minuted and the minutes are reported to the Board.

Remuneration Committee members, 2020–2021

- Wenche Rolfsen (Chairman)
- Hans Ekelund (member)
- Eugen Steiner (member)

The Audit Committee met 3 (4) times.

Remuneration and attendance	Wenche Rolfsen	Ivar Verner	Hans Ekelund [1]	Håkan Englund [2]	Pär Gellerfors	Lars Lannfelt	Mikael Smedeby [1]	Eugen Steiner
Board fees (meeting year)	500,000	300,000	250,000	250,000	250,000	–	250,000	250,000
Remuneration for Committee work	60,000	100,000	40,000	–	–	–	60,000	100,000
Independent in relation to Company and Company management	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Independent in relation to primary owners	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Attendance, Board meetings (13)	13	13	13	7	12	13	13	13
Attendance, Audit Committee mtgs (4)	–	4	2	–	–	–	1	4
Attendance, Remuneration Committee mtgs (3)	3	–	3	–	–	–	–	3
Attendance, Research Committee mtgs (8)	–	–	–	–	–	8	–	–

[1] Mikael Smedeby replaced Hans Ekelund on the Audit Committee at the AGM on May 7, 2020.
[2] Håkan Englund was elected to the Board of Directors at the AGM on May 7, 2020.

7 RESEARCH COMMITTEE

BioArctic's operations have a strong scientific focus with drug projects in both early and late phases. The company has a Research Committee that focuses on addressing scientific issues. The Research Committee works according to rules of procedure adopted by the Board and has an advisory capacity in relation to the Board and the CEO. The Research Committee has one ordinary member, and BioArctic's Chief Scientific Officer (CSO) and Distinguished Scientist as co-opted members. In addition, internal and external researchers take part depending on the area being discussed. The role of the Research Committee is primarily to identify and evaluate research areas and disease indications where BioArctic can develop commercially successful products.

Research Committee members, 2020–2021

- Lars Lannfelt, Senior Vice President University Collaborations (Chairman)

The Research Committee met 8 (10) times. All meetings of the Research Committee are minuted and reported at Board meetings.

8 AUDITORS

The auditor is to review BioArctic's annual report and financial statements, as well as the administration of the company. After each financial year, the auditor will submit an Auditor's Report and a Group Auditor's Report to the AGM. The external audit of the financial statements is to be carried out in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. The auditor for BioArctic will be appointed by the AGM in accordance with proposals from the Nomination Committee.

The company's auditor, Grant Thornton Sweden AB, was first elected at the 2016 Annual General Meeting. The current term for the period is until the end of the 2021 Annual General Meeting, and Mia Rutenius is the auditor in charge. As authorized public accountant, Mia Rutenius is a member of FAR, the association of Swedish professional accountants. Grant Thornton Sweden AB may be responsible for the audit until 2027, or until 2037 if a new procurement is carried out after ten years, before a new auditor must be chosen in accordance with the rules in force. Authorized public accountant Mia Rutenius can be the auditor in charge until the 2024 AGM, when in accordance with regulations she will need to rotate her assignments. For information on remuneration to auditors, refer to Note 8 in the 2020 Annual Report.

9 MANAGEMENT

The senior management of BioArctic comprises the CEO and ten other persons. The group, six members of which are men and five are women, includes:

- Gunilla Osswald, CEO
- Gunilla Andersson, Senior Director HR
- Oskar Bosson, Vice President Investor Relations & Communications
- Johanna Fälting, Vice President Head of Research
- Lars Lannfelt, Senior Vice President University Collaborations
- Christine Lind, Strategy and Business Development Advisor
- Jan Mattsson, Chief Financial Officer
- Mikael Moge, Vice President Chemistry, Manufacturing & Control
- Christer Möller, Vice President Pre-Clinical Development, Chief Scientific Officer
- Tomas Odergren, Chief Medical Officer
- Nora Sjödin, Vice President Regulatory Affairs

Nora Sjödin will be resigning from senior management on January 1, 2021 to go into retirement. She will, however, continue to remain employed part-time in Regulatory Affairs. As of January 1, 2021, Anna-Kaija Grönblad will be part of senior management in the role of Interim Chief Commercial Officer. For a summary and presentation of senior management, see pages 68–69.

Guidelines for remuneration to senior executives

Guidelines in effect for remuneration to senior executives
The Board of Directors will draw up proposals for new guidelines in the event substantial changes to the guidelines are needed, though at least once every four years. At the 2020 Annual General Meeting, the Board of Directors adopted new guidelines, which will remain in effect until new guidelines have been proposed and adopted by the General Meeting. The Board proposes that the guidelines in effect remain so in their entirety for 2021. The guidelines are described below and the figures are presented in Note 7.

The guidelines for remuneration to the CEO and other senior executives were established at the Annual General Meeting on May 7, 2020. The guidelines apply to agreements that are signed after resolutions by the General Meeting and in the event changes are made to existing agreements after that point in time. The guidelines do not cover remuneration resolved on by the General Meeting (e.g. share-based incentive programs).

BioArctic's CEO and other senior executives that are part of BioArctic's senior management are covered by the guidelines. The guidelines also apply to Board members in the event those members perform duties for the company alongside their Board assignments.

How the guidelines promote the company's business strategy, long-term interests and sustainability
BioArctic is a Swedish research-based biopharma company focusing on disease-modifying treatments and reliable biomarkers and diagnostics for neurodegenerative disorders such as Alzheimer's disease and Parkinson's disease. BioArctic focuses on innovative treatments in areas with high unmet medical needs. The project portfolio is a combination of fully funded projects pursued in partnership with global pharma companies and innovative in-house projects with significant market and outlicensing potential.

BioArctic's vision is to generate innovative drugs that improve life for patients with disorders of the central nervous system. Its work is based on groundbreaking scientific discoveries, and the company's researchers collaborate with strategic partners such as research groups at universities and big pharma companies. BioArctic has a great deal of scientific competence and years of experience in developing drugs from idea to market. BioArctic's business model involves the company initially pursuing project development under own management and, once the project has reached a phase of development requiring more resources or competence, signing research collaborations and partnership agreements or outlicensing certain commercial rights to global pharma companies.

Successful implementation of BioArctic's strategy and safeguarding of the company's long-term interests presupposes that BioArctic can recruit and retain management with the competence and capacity to achieve the goals that have been set. This requires BioArctic's to be able to offer competitive remuneration. The guidelines pertaining to remuneration promote the company's business strategy, long-term interests and sustainability by providing the company with the possibility of offering competitive remuneration to senior executives.

Remuneration and forms of remuneration
Remuneration can be paid out in the form of fixed salary, variable remuneration, pensions and other benefits. In addition to this, the Board of Directors can prepare resolutions on share- and share price-based incentive programs for adoption by the general meeting of shareholders. The total remuneration shall be market-based, competitive and reflect the performance and responsibilities of the individual as well as the Company's performance. The various forms of remuneration that can be paid are described below.

Fixed salary
Fixed salary will be individual for each executive and based on the executive's position, responsibility, competence, experience and performance. The senior executive can be offered the possibility of a salary exchange between fixed salary and pension and other benefits, respectively, on condition that it is cost-neutral for the company.

Variable remuneration
Variable salary may consist of bonuses to senior executives in the form of cash, shares and/or share-based instruments in BioArctic AB. Variable remuneration will be related to the outcome of BioArctic's goals and strategies and based on predefined and measurable criteria designed to promote long-term value creation. The share of total remuneration that comprises variable remuneration may vary depending on position. At most, however, variable remuneration can correspond to 50 percent of the senior executive's annual fixed salary. Variable remuneration must be non-pensionable to the extent it does not otherwise follow from compulsory provisions in collective bargaining agreements. The Board of Directors must have the opportunity in accordance with either law or agreement and the limitations that follow therefrom to recall variable remuneration that was erroneously paid out.

Pension benefits
Pension benefits must be defined-contribution to the extent the executive is not covered by defined-benefit pension under compulsory provisions in collective bargaining agreements. At most, pension premiums for defined-contribution pensions can correspond to 40 percent of the senior executive's annual fixed salary.

Other benefits
Other benefits can include a company car, occupational health services, life and health insurance and other similar benefits. Other benefits will comprise a smaller share of total remuneration and at most can correspond to 10 percent of the senior executive's annual fixed salary.

Consultancy fees
Consultancy fees shall be market-based. To the extent consulting service are performed by a Board member of BioArctic, the Board member concerned does not have the right to take part in the preparation by the Board (or the Remuneration Committee) of questions concerning remuneration for the consulting services in question.

Criteria for payment of variable remuneration
The criteria that form the basis for payment of variable remuneration are to be established yearly by the Board of Directors for the purpose of ensuring that the criteria are in line with BioArctic's current business strategy and earnings targets. The criteria may be individual or shared, financial or non-financial, and must be designed to promote the company's business strategy, sustainability strategy and long-term interests. The criteria can, for example, be linked to: BioArctic achieving certain goals as part of its clinical studies, the company initiating or concluding a certain step or achieving a certain research result as part of its drug development, BioArctic initiating research collaboration with a certain partner or the company signing a certain agreement. The criteria can also be linked to the employee themselves, for example, the person needing to have worked for the company for a certain period of time.

The period that forms the basis for assessing whether or not the criteria have been met must total at least one year. The extent to which the criteria have been met will be assessed once the measurement period has concluded. Assessment of whether financial criteria have been met will be based on BioArctic's latest release of financial information. The Board will decide on payment of any variable remuneration after preparation in the Remuneration Committee.

Salary and conditions of employment for employees
In order to assess the reasonability of the guidelines, the Board of Directors took salaries and conditions of employment for BioArctic's employees into consideration when preparing the proposal for these guidelines. With that, the Board studied information pertaining to the employees' total remuneration, the forms this remuneration took, how remuneration levels have changed over time and the rate at which they changed.

Notice period and severance pay
The period of notice for the CEO upon termination by BioArctic is twelve months, while the notice period upon resignation by the CEO is six months. As regards senior executives other than the CEO, the notice period upon termination by BioArctic will be a minimum of three months and a maximum of twelve months, while the notice period upon resignation by the senior executive will be a minimum of three months and a maximum of six months, if not otherwise prescribed by law.

Severance pay can be paid to senior executives upon termination by the company. Total fixed salary during the notice period and severance pay will not exceed an amount corresponding to two years of the fixed salary. Remuneration may be paid for a commitment to restriction of competition. Remuneration of this type will compensate for any potential loss of income and will only be paid to the extent that the former senior executive does not have the right to severance pay. At most, the remuneration can total 60 percent of the senior executive's fixed salary upon termination, if nothing else follows from compulsory provisions in collective bargaining agreements. Remuneration of this type can be paid out during the period the commitment to restriction of competition is in effect, which can be a maximum of 12 months after the termination of employment, with the possibility of deduction against other income from services or in accordance with consultancy agreements.

The decision-making process for establishing, reviewing and implementing the guidelines
The Board of Directors has established a Remuneration Committee, which has been tasked with preparing the Board's decisions on issues concerning remuneration policies, remuneration and other conditions of employment for company management; monitoring and evaluating programs both ongoing and concluded during the year for variable remuneration to company management; and monitoring and evaluating application of the guidelines for remuneration to senior executives that the AGM is to resolve on, as well as remuneration structures and remuneration levels in effect at the company.

The Board of Directors will draw up proposals for new guidelines in the event substantial changes to the guidelines are needed, though at least once every four years. The Board of Directors will present the proposal for resolution at the AGM. The guidelines will remain in effect until new guidelines have been adopted by the AGM.

In order to avoid conflicts of interest, senior executives will not be present at the Board of Directors' handling of and decisions on issues related to remuneration to the extent they are impacted by these issues.

Departures from the guidelines
The Board of Directors may decide to temporarily depart from the guidelines if in an individual case there are particular reasons to do so and a departure is necessary in order to serve BioArctic's long-term interests and sustainability or to ensure the company's financial strength. Particular reasons could, for example, consist of a departure being deemed necessary in order to recruit or retain key persons, or in connection with extraordinary circumstances such as BioArctic achieving a certain desired result in a shorter time than planned, the company successfully signing a certain agreement in a shorter time and on better terms than predicted, or the company increasing in value or increasing its revenues or profits to a greater extent than forecast.

Description of significant changes to the guidelines
The contents of the guidelines have been reviewed and adjusted owing to the legal requirements that have arisen as a consequence of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

Previously determined remuneration that has not fallen due
At the time of the Annual General Meeting on May 6, 2021, BioArctic will have no unsettled remuneration apart from routine commitments to senior executives in accordance with the remuneration policies described in the Annual Report.

INCENTIVE PROGRAMS
BioArctic has a long-term incentive program (the 2019/2028 program) in the form of an employee stock warrant program intended for the company's senior executives, researchers and other staff. The program has a vesting period of 3–5 years. The purpose of the incentive program is to encourage broad share ownership among BioArctic's employees, facilitate recruitment, retain skilled employees and increase employee motivation and fulfillment of targets. The program, which is intended for 44 employees in total, includes a total of 1,000,000 warrants. Of these, 540,000 warrants have been awarded. To facilitate the delivery of shares under the program, the 2019 AGM resolved on a private placement of 1,000,000 warrants. If the maximum number (i.e. 1,000,000 warrants) are utilized, the dilution will total 1.1 percent of the share capital and 0.5 percent of the voting rights in the company. The vesting period or alternatively the time from entering into the agreement until a share is acquired must not be less than three years.

As was previously communicated, in addition to the long-term incentive program described above, BioArctic's two

founders, and principal owners, Demban AB and Ackelsta AB (separately from the company) issued call options to a total of twelve Board members and senior executives in the company, including the CEO, in 2017. The program, which grants in total the right to the purchase of 366,795 shares of the principal owners' class B shares in BioArctic, has been fully utilized and was therefore concluded during the 2020 financial year.

REWARDS PROGRAMS

BioArctic has two rewards programs linked to the clinical research program for drug candidates lecanemab for Alzheimer's disease with Eisai and ABBV-0805 for Parkinson's disease with AbbVie. The reward program covers all permanent employees, including the CEO. Variable remuneration is paid when the company achieves certain goals linked to the clinical programs. Since the rewards programs are linked to the clinical progress, the variable remuneration payments may occur irregularly in conjunction with the milestones being reached. One condition for receiving variable remuneration is that the employee has been permanently employed and that the employment has lasted for at least six months at the time when the milestone is reached and that the employee has not given notice at the time of the payment. The potential variable remuneration to the employee amounts to one month's salary per milestone. The variable remuneration is not pensionable.

Internal control of financial reporting

The goal of internal control is to assess which risks in BioArctic are significant for the Company and should thus be routinely managed through monitoring and control. Using effective risk management, the work can concentrate on the areas that are most important for reducing the company's total risk exposure.

In accordance with the Companies Act and the Swedish Code of Corporate Governance (the Code), the Board is ultimately responsible for structuring the company's organization so that financial reporting, administration and operations are monitored and controlled in a satisfactory manner. The Board shall, among other things, ensure that BioArctic has proper internal control and formal procedures ensuring that established principles for financial reporting and internal control are observed and that there are adequate systems for monitoring and control of the company's operations and the risks associated with the company and its operations. This report has been prepared in accordance with the Annual Accounts Act and the Code. In accordance with Point 7.4 of the Code, this report is limited to addressing internal control as regards financial reporting.

The CEO of BioArctic is ultimately responsible for monitoring whether the work on the company's internal control is being carried out in accordance with the form decided on by the Board of Directors. BioArctic's finance division, under the management of the CFO, manages the Group's work as regards internal control concerning financial reporting. The overall purpose of the internal control is to ensure, to a reasonable degree, that the company's operating strategies, targets and defined risks are monitored and that the owners' investments are protected. Furthermore, the internal control shall ensure, with reasonable certainty, that external financial reporting is reliable and prepared in accordance with accepted accounting practices in Sweden, that applicable laws and regulations are followed, and that the requirements imposed on listed companies are complied with.

In order to maintain good internal control, the Board has adopted a number of governing documents (e.g. rules of procedure for the Board, instructions to the CEO, instructions for financial reporting, a financial policy, a Code of Conduct and an information policy). The Board has assessed the need for a special audit function (internal audit) and has come to the conclusion that such a function is not currently justified in BioArctic considering the scope of the operations and the existing internal control structures. The Board annually reassesses the need for a separate internal audit function. BioArctic has an external review function performed by an external party that is appointed by the Remuneration Committee. This external review function carried out a review of the financial year in its entirety. It is the opinion of the Board that monitoring, documentation and review of the company's internal control will serve as a special review function.

Since its listing in 2017, BioArctic's internal control structure has been based on the Committee of Sponsoring Organizations of the Threadway Commission (COSO) model, the framework of which has been applied to the company's operations and conditions. Under the COSO model, internal control is reviewed and assessed in five main areas: *control environment, risk assessment, control activities, information and communication and monitoring.*

Control environment

The control environment constitutes the basis for internal control concerning financial reporting. Clearly defining and communicating decision-making paths, authority and responsibility in the organization, as well as making governing documents in the form of internal policies, handbooks, guidelines and manuals available, is important.

The Board of Directors of BioArctic has established a work procedure and rules of procedure for its work and the Board's committee activities. An important part of the work of the Board is preparing and approving a number of fundamental policies, guidelines and frameworks. These include the Board's rules of procedure, instructions to the CEO, a finance policy and an information policy. Governing documents for accounting and financial reporting are the areas of particular importance for ensuring complete and correct reporting and information disclosure. As a stage in strengthening its internal control, BioArctic has chosen to gather the governing documents together on the company's intranet. The financial handbook, which is an important governing document also available on the company's intranet, describes routines and procedures for the accounting function.

In addition to the above-described internal control, there is also internal, operation-specific control of data regarding research and development and quality control systems, including systematic monitoring and evaluation of the company's research and manufacturing work and products.

The Audit Committee routinely contributes to the work on increasing the quality of the Company's internal controls through its work on monitoring and quality assurance of the company's financial reporting, continuous contacts with the company's external auditor, monitoring the effectiveness of the company's internal control concerning financial reporting, and reviewing and monitoring the auditor's impartiality and independence.

Work during the year
The control points in the three main areas established in 2019; the finance function, research projects in operations and company-wide checks in Group-wide areas, were reviewed during the year by an external party as regards structure, implementation, monitoring and documentation.

The Audit Committee approves the procedure for implementing, monitoring and documenting the controls.

BioArctic regularly monitors the structure of policies and governing documents to ensure they are current and that the guidelines that have been drawn up are observed within the organization. Access to these documents for employees is ensured through the company's intranet.

Risk assessment
BioArctic continually updates its risk analysis as regards assessing risks that could lead to errors in financial reporting. Based on the annual review, the Board makes decisions on which risks are essential to monitor in order to ensure proper internal control in financial reporting. BioArctic identifies a number of items in the financial report and in the administrative flows that are specifically relevant and routinely subject to testing. The financial risks are managed, assessed and reported to the Audit Committee, where they are prepared and reported to the Board of Directors.

Control activities
The Company's organization and procedures are designed to manage the risks that the Board deems to be essential for internal control of financial reporting. At BioArctic, the company's control structure consists of an organization with clear roles that facilitate an efficient and suitable allocation of responsibilities as well as specific control activities designed to detect, or prevent in advance, risks of errors in the reporting. Examples of control activities can include decision-making processes in connection with important decisions or investments, as well as routine monitoring and procedures as regards earnings analyses, payments, VAT and tax accounting, spotchecks, reconciliation and reviews.

Additional information can be found on BioArctic's website:
- Articles of Association
- Corporate governance reports
- Information from previous AGMs
- Information on the Nomination Committee
- Information prior to the 2021 AGM
- Reports on the incentive programs
- The Board's evaluation of guidelines for remuneration to senior executives
- Remuneration report

Work during the year
During the year, the external party concluded its review of the control points in the three main areas; the finance function, research projects in operations and company-wide checks in Group-wide areas. The functionality and applicability of the controls have thus been ensured and BioArctic has also received guidance regarding how best to work further with these controls.

Information and communication
Governing documents in the form of policies, financial handbooks, guidelines (and manuals, where they relate to financial reporting) are communicated primarily on the company intranet. The financial handbook is expanded as needed and routinely updated. Internal communication regarding financial reporting and monitoring essentially takes place in the accounting function. Issues related to financial reporting are also discussed at meetings where relevant working groups meet.

For communication with internal and external parties, there is an information policy that indicates the guidelines for how this communication is to take place. The purpose of the policy is to ensure that BioArctic complies correctly and completely with all its disclosure obligations. Internal communication is intended to keep employees routinely informed of what is happening in the company and to ensure that the company is working in accordance with its shared goals and corporate values. Active internal work, in which information is routinely communicated via the company intranet and in conjunction with joint staff meetings, is carried out to achieve the goal of keeping employees up to date.

Monitoring
The Board of Directors and senior management of BioArctic receive routine information on how operations are performing. The internal control work constitutes support for the Board and senior management in their work on assessing and evaluating material areas of risk in financial reporting in order to subsequently select initiatives and follow-up actions in the chosen areas.

Board of Directors


WENCHE ROLFSEN


IVAR VERNER


HANS EKELUND


HÅKAN ENGLUND


PÄR GELLERFORS


LARS LANNFELT


MIKAEL SMEDEBY


EUGEN STEINER

WENCHE ROLFSEN

Assignment and year elected
Chairman of the Board since 2017, Board member since 2016. Chairman of the Remuneration Committee.

Education
Pharmacist, Doctor of Pharmacy (pharmacognosy), Adjunct Professor at Uppsala University, Sweden.

Other assignments
Chairman of InDex Pharmaceuticals Holding AB. Board member of Swedish Match AB; CEO and Board member of Rolfsen Consulting AB. Partner in the Norwegian health fund Serendipity Partners.

Experience and prior assignments
Head of pharmacology at Pharmacia & Upjohn; VP clinical trials Quintiles Europe, CEO of Quintiles Scandinavia. Chairman of Aprea Therapeutics AB and Denator AB. Board member of Swedish Orphan Biovitrum AB (SOBI), Recipharm AB, Smartfish AB, Moberg Pharma AB, TFS Trial Form Support International AB, Apotek Produktion & Laboratorier AB and Industrifonden.

Total holdings*
47,175 Class B shares

IVAR VERNER

Assignment and year elected
Deputy chairman since 2017, Board member since 2010. Chairman of the Audit Committee.

Education
Master of Business Administration, Stockholm School of Economics, Sweden.

Other assignments
Chairman of Erlandsons Brygga AB, Tegner & Son AB and Valsattra Exploaterings AB. Board member of Sehlhall Fastigheter AB.

Experience and prior assignments
Chairman of Rejlers AB, Centrum Fastigheter i Norrtälje, Welcome Hotel i Sverige AB, Constrera AB and Grant Thornton Sweden AB. Board member of Forex Bank AB and Svenska Vårdfastigheter AB.

Total holdings*
99,770 Class B shares, privately and through Förvaltningsaktiebolaget Kanalen AB

HANS EKELUND

Assignment and year elected
Board member since 2014. Member of the Remuneration Committee.

Education
Master of Business Administration, Stockholm School of Economics, Sweden.

Other assignments
Chairman of Connect Öst (non-profit organization) and of Ekarna Invest AB.

Experience and prior assignments
Former CFO of Ratos and several assignments as Board member.

Total holdings*
69,770 Class B shares through Ekarna Invest AB

HÅKAN ENGLUND

Assignment and year elected
Assignment and year elected Board member since 2020.

Education
Various courses at Uppsala University in economics and chemistry. Courses in polymer technology at KTH Royal Institute of Technology in Stockholm.

Other assignments
Chairman of the Board of SecureAppbox AB. Board member of Antrad Medical AB, Immuneed AB and Prostatype Genomics AB. Owner and CEO of JDS Invest AB, which conducts consultancy operations and invests in listed and unlisted companies.

Experience and prior assignments
Various executive positions including positions in commercialization at Pharmacia Biotech AB and Phadia AB. More than 30 years of experience in the industry. Former Board member of Apotekssamariten AB, Olink AB, Sensidose AB and Arocell AB.

Total holdings*
0 shares

PÄR GELLERFORS

Assignment and year elected
Board member since 2003. Former CEO.

Education
Bachelor degree in chemistry; PhD in chemistry; Associate Professor of Biochemistry. All at Stockholm University, Sweden.

Other assignments
Board member of Ackelsta AB, LPB Sweden AB and Sigrid Therapeutics AB. Founder and CEO of MPG Medical AB.

Experience and prior assignments
Founder of BioArctic in 2003, former CEO of the company. CEO and Board member of Swenora Biotech AB.

Total holdings*
5,759,988 Class A shares through Ackelsta AB
15,086,301 Class B shares through Ackelsta AB.

LARS LANNFELT

Assignment and year elected
Board member since 2003. Chairman of the Board, 2003–2017.

Education
Medical degree (specialist in psychiatry) and doctoral thesis at Karolinska Institutet, Stockholm, Sweden; Associate Professor of Neurogenetics at Karolinska Institutet, specialist in geriatrics.

Other assignments
Board member of Demban AB and LPB Sweden AB.

Experience and prior assignments
Professor of Geriatrics at Uppsala University; Senior Professor at Uppsala University and member of the Royal Swedish Academy of Sciences. Founder of BioArctic in 2003, Chairman of the Board and a number of assignments and roles in the company.

Total holdings*
8,639,998 Class A shares through Demban AB.
22,628,052 Class B shares through Demban AB.

MIKAEL SMEDEBY

Assignment and year elected
Board member since 2018. Member of the Audit Committee.

Education
Master of Laws, Uppsala University, Sweden. Reserve officer training at the Swedish Infantry Officers' College.

Other assignments
Lawyer and partner at Advokatfirman Lindahl. Chairman of the Board of Coeli Holding AB, Sallengruppen AB (including subsidiaries) and Navinci Diagnostics AB. Board member of Smedeby Forvaltning AB.

Experience and prior assignments
Special experience in corporate law, mergers and acquisitions, financing and licensing. Held executive positions at Advokatfirman Lindahl, including Managing Partner and Chairman of the Board. Member of the Board of Directors of BioArctic, 2014–2017.

Total holdings*
37,270 Class B shares

EUGEN STEINER

Assignment and year elected
Board member since 2017. Member of the Audit Committee and the Remuneration Committee.

Education
Medical doctor, Ph.D. in clinical pharmacology at Karolinska Institutet, Stockholm, Sweden.

Other assignments
Chairman of the Board of Spago Nanomedical AB and Empros Pharma AB. Board member of Apotek Produktion & Laboratorier AB, Inbox Capital AB, Karolinska Institutet Holding AB, Stiftelsen Forska!Sverige and Stockholm School of Entrepreneurship. Partner in HealthCap.

Experience and prior assignments
CEO or acting Chairman of the Board in several life science companies in Sweden, Norway, the UK and the US for more than 30 years.

Total holdings*
67,270 Class B shares

* Includes holdings by self, closely associated persons, controlled companies or in capital insurance accounts.

Management


GUNILLA OSSWALD


GUNILLA ANDERSSON


OSKAR BOSSON


JOHANNA FÄLTING


LARS LANNFELT


CHRISTINE LIND


JAN MATTSSON


MIKAEL MOGE


CHRISTER MÖLLER


TOMAS ODERGREN


NORA SJÖDIN

GUNILLA OSSWALD

Position and role
CEO since 2014. Employed at the company since 2013.

Education
Pharmacist; Ph.D. in biopharmacy and pharmacokinetics at Uppsala University, Sweden.

Other assignments
Board member of Egetis Therapeutics AB (formerly PledPharma AB).

Experience and prior assignments
More than 35 years of experience in drug development. Executive positions at Astra/AstraZeneca, including Vice President responsible for the product portfolio in neurodegenerative disorders. Board member of SP Process Development AB.

Total holdings* and warrants
75,070 Class B shares.
Warrants granting acquisition rights to 100,000 Class B shares (2019/2028 program)

GUNILLA ANDERSSON

Position and role
Senior Director HR. Employed since 2019. Contracted since 2014.

Education
B.Sc. Human Resource Development and Labor Relations with a specialization in labor rights from Lund University, Sweden.

Other assignments
Manages her own consulting firm in HR.

Experience and prior assignments
Over 30 years of experience as HR consultant and HR manager in educational organizations and pharma companies such as Pharmacia and Novartis.

Total holdings* and warrants
0 shares
Warrants granting acquisition rights to 20,000 Class B shares (2019/2028 program)

OSKAR BOSSON

Position and role
Vice President Investor Relations & Communications. Employed at the company since 2020.

Education
Engineering degree in molecular biotechnology and bachelor's degree in business administration from Uppsala University.

Other assignments
–

Experience and prior assignments
17 years of experience globally in communications. Has held senior positions in companies such as Sobi, Ovako and most recently Elekta.

Total holdings* and warrants
3,851 Class B shares
Warrants granting acquisition rights to 20,000 Class B shares (2019/2028 program)

JOHANNA FÄLTING

Position and role
Vice President Head of Research. Employed at the company since 2012, in her current role since 2020.

Education
Ph.D. in Physiology, Stockholm University; Licentiate degree in physiology, Stockholm University; Master's degree in biology, Stockholm University, Sweden.

Other assignments
–

Experience and prior assignments
20 years of experience in neuroscience/pharmacology, drug research, translational science and development in the global pharma and biotech industry.

Total holdings* and warrants
38,355 Class B shares.
Warrants granting acquisition rights to 20,000 Class B shares (2019/2028 program)

LARS LANNFELT

Position and role
Senior Vice President University Collaborations. Founder of BioArctic in 2003.

Education
Medical degree (specialist in psychiatry) and doctoral thesis at Karolinska Institutet, Stockholm, Sweden; Associate Professor of Neurogenetics at Karolinska Institutet, specialist in geriatrics.

Other assignments
Board member of Demban AB and LPB Sweden AB.

Experience and prior assignments
More than 35 years of experience in research into Alzheimer's disease and other neurodegenerative disorders. Professor of Geriatrics at Uppsala University; Senior Professor at Uppsala University and member of the Royal Swedish Academy of Sciences. Founder of BioArctic in 2003, Chairman of the Board and a number of assignments and roles in the company.

Total holdings* and warrants
8,639,998 Class A shares through Demban AB.
22,628,052 Class B shares through Demban AB.
0 warrants

CHRISTINE LIND

Assignment and role**
Strategy and Business Development Advisor since 2019.

Education
B.Sc. in Finance and Information Systems from New York University, and an MBA in Finance and Management from Columbia Business School.

Other assignments
Chairman of the Board and CEO of Lind Growth Strategy AB. Interim chairman of the board of Immunicum AB and Board member of Xspray Pharma AB.

Experience and prior assignments
EVP Strategic Business Development and CEO of Medivir AB. Vice President Business Development, LifeCell Corporation. Worked in investment banking for twelve years at Merrill Lynch & Co. and Gerard Klauer Mattison & Co., focusing on strategic advisory services and raising of capital for biotech and pharma companies.

Total holdings* and warrants
2,000 Class B shares
0 warrants

JAN MATTSSON

Position and role
Vice President Finance, Chief Financial Officer. Employed at the company since 2017.

Education
MBA from Örebro University.

Other assignments
–

Experience and prior assignments
More than 30 years of experience in business and administration, including CFO at Sefina Finance AB, Allenex AB, Argnor Wireless Ventures AB, Logitall AB and Investment AB Kinnevik.

Total holdings* and warrants
42,270 Class B shares, privately and through Almsäter Interim Management AB.
Warrants granting acquisition rights to 20,000 Class B shares (2019/2028 program)

MIKAEL MOGE

Position and role
Vice President Chemistry, Manufacturing & Control since 2018 and Director Quality in Operations since 2020. Employed at the company since 2012.

Education
Master of chemical engineering, KTH Royal Institute of Technology; Ph.D. in organic chemistry, KTH; Stockholm, Sweden.

Other assignments
–

Experience and prior assignments
23 years of experience in drug development and 18 years of experience as R&D director in process development and GMP manufacturing. Former section manager in Process R&D at AstraZeneca.

Total holdings* and warrants
6,825 shares
Warrants granting acquisition rights to 20,000 Class B shares (2019/2028 program)

CHRISTER MÖLLER

Position and role
Vice President Pre-Clinical Development, Chief Scientific Officer. Employed at the company since 2006.

Education
B.Sc. in Biology, Stockholm University, Sweden; Ph.D. in Medical Science, Karolinska Institutet, Stockholm, Sweden.

Other assignments
–

Experience and prior assignments
22 years of experience in developing protein drugs from idea to clinical trials including leading positions at small biotech/pharma companies such as Zymenex A/S. In addition, significant academic experience in pursuing research projects concerning growth factors and preclinical research in diabetes.

Total holdings* and warrants
43,770 Class B shares
Warrants granting acquisition rights to 20,000 Class B shares (2019/2028 program)

TOMAS ODERGREN

Position and role
Chief Medical Officer since January 2020. Former Senior Director Clinical Strategy at BioArctic. Employed since 2019. Contracted since 2016.

Education
Medical degree and specialist training in neurology, M.D. from Karolinska Institutet, Pharmaceutical Medicine EUCOR/ECPM certified.

Other assignments
Senior Clinical Consultant, GKeller Consulting.

Experience and prior assignments
More than 20 years of experience in the pharma industry, in leading positions in clinical research at AstraZeneca and H. Lundbeck. Chief Specialist ICR Neurology H Lundbeck A/S (2015–2017).

Total holdings* and warrants
5,200 Class B shares
Warrants granting acquisition rights to 20,000 Class B shares (2019/2028 program)

NORA SJÖDIN

Position and role***
Vice President Regulatory Affairs. Employed at the company since 2017.

Education
Licensed nurse. B.Sc.

Other assignments
–

Experience and prior assignments
27 years of experience in leading positions with global regulatory affairs, from early development phases to products in the market, at companies such as AstraZeneca, NDA Regulatory Service and Pharmalink.

Total holdings* and warrants
2,000 Class B shares
Warrants granting acquisition rights to 20,000 Class B shares (2019/2028 program)

* Includes holdings by self, closely associated persons, controlled companies or in capital insurance accounts.
** Consultant since November 1, 2019.
*** Left senior management on December 31, 2020 to go into retirement. Employed part-time in Regulatory Affairs from January 2021.

TABLE OF CONTENTS

FINANCIAL STATEMENTS

NOTES

Financial statements

Consolidated income statement

Amounts in kSEK	Note	2020	2019
Net revenue	5	62,347	281,772
Other operating income	6	3,597	14,826
Operating income		**65,943**	**296,598**
Project expenses		-50,242	-72,422
Other external expenses	8.9	-23,370	-31,169
Personnel expenses	7	-62,977	-59,715
Depreciations of tangible assets	14	-11,013	-9,199
Other operating expenses	10	-3,353	-11,554
Operating profit/loss		**-85,012**	**112,538**
Financial income	11	7	1,630
Financial expenses	11	-1,686	-1,192
Profit/loss after financial items		**-86,691**	**112,976**
Tax	12	18,174	-24,507
Profit/loss for the year		**-68,517**	**88,468**
Profit/loss for the year attributable to owners of the Parent Company		-68,517	88,468
Earnings per share			
Basic earnings per share	13	-0.78	1.00
Diluted earnings per share	13	-0.78	1.00

Consolidated statement of comprehensive income

Amounts in kSEK	Note	2020	2019
Profit/loss for the year		-68,517	88,468
Other comprehensive income		–	–
Comprehensive income for the year attributable to owners of the Parent Company		**-68,517**	**88,468**

Consolidated balance sheet

Amounts in kSEK	Note	December 31, 2020	December 31, 2019
ASSETS			
Tangible assets	14	18,120	9,590
Right-of-use assets	14	21,820	27,544
Deferred tax assets	12	452	298
Other non-current financial assets	16	1,562	1,511
Total non-current assets		**41,954**	**38,943**
Trade receivables		–	188
Current tax assets	12	1,346	–
Other current receivables	17.18	4,255	18,482
Prepaid expenses and accrued income	19	2,819	12,950
Cash and cash equivalents	17.20	999,940	1,112,770
Total current assets		**1,008,360**	**1,144,389**
TOTAL ASSETS		**1,050,313**	**1,183,332**
EQUITY AND LIABILITIES			
Share capital	21	1,761	1,761
Reserves		958	958
Other contributed capital		560,018	560,018
Retained earnings		344,562	411,760
Total equity		**907,299**	**974,497**
Deferred tax liabilities	12	20,666	38,685
Non-current lease liabilities	24	13,627	20,927
Total non-current liabilities		**34,293**	**59,613**
Current lease liabilities	24	7,141	6,439
Accounts payable	17	14,311	8,218
Current tax liabilities	12	–	10,871
Other current liabilities		3,576	3,576
Accrued expenses and prepaid income	17.25	83,692	120,119
Total current liabilities		**108,721**	**149,222**
TOTAL EQUITY AND LIABILITIES		**1,050,313**	**1,183,332**

Consolidated statement of change in equity

Amounts in kSEK	Note	Share capital	Reserves	Other contributed capital	Retained earnings incl. profit for the year	Total equity
Opening balance at January 1, 2019		**1,761**	**958**	**560,018**	**454,999**	**1,017,736**
Profit for the year		–	–	–	88,468	88,468
Other comprehensive income		–	–	–	–	0
Consolidated comprehensive income		**0**	**0**	**0**	**88,468**	**88,468**
Dividends paid		–	–	–	-132,090	-132,090
Share-based payments		–	–	–	383	383
Closing balance at December 31, 2019		**1,761**	**958**	**560,018**	**411,760**	**974,497**
Opening balance at January 1, 2020		**1,761**	**958**	**560,018**	**411,760**	**974,497**
Loss for the year		–	–	–	-68,517	-68,517
Other comprehensive income		–	–	–	–	0
Consolidated comprehensive income		**0**	**0**	**0**	**-68,517**	**-68,517**
Share-based payments		**–**	**–**	**–**	1,319	1,319
Closing balance at December 31, 2020		**1,761**	**958**	**560,018**	**344,562**	**907,299**

Consolidated cash flow statement

Amounts in kSEK	Note	2020	2019
Operating profit/loss		-85,012	112,538
Adjustment for non-cash items	27	-19,991	-107,485
Interest received		7	253
Interest paid		-1,686	-1,010
Income tax paid		-12,217	-80,919
Cash flow from operating activities before change in working capital		**-118,899**	**-76,622**
Increase (-) / Decrease (+) in operating receivables		23,086	433,138
Increase (+) / Decrease (-) in operating liabilities		3,472	-29,352
Cash flow from operating activities		**-92,341**	**327,165**
Investments in tangible assets	14	-12,473	-3,262
Change in non-current financial assets		-51	-11
Cash flow from investing activities		**-12,524**	**-3,273**
Amortization of liability		-6,598	-6,416
Dividend		—	-132,090
Cash flow from financing activities		**-6,598**	**-138,506**
Cash flow for the year		**-111,463**	**185,385**
Cash and cash equivalents at January 1		1,112,770	917,307
Exchange rate differences in cash and cash equivalents		-1,367	10,077
Cash and cash equivalents at December 31	20	**999,940**	**1,112,770**

Parent Company income statement

Amounts in kSEK	Note	2020	2019
Operating income, etc.			
Net revenue	5	62,347	281,772
Other operating income	6	3,597	14,826
Operating income		**65,943**	**296,598**
Operating expenses			
Project expenses		-50,242	-72,422
Other external expenses	8.9	-31,161	-38,265
Personnel expenses	7	-62,977	-59,715
Depreciations of tangible assets	14	-3,829	-2,961
Other operating expenses	10	-3,353	-11,554
Operating profit/loss		**-85,618**	**111,681**
Profit from financial items			
Financial income	11	7	1,630
Financial expenses	11	-707	-110
Profit/loss after financial items		**-86,318**	**113,200**
Appropriations			
Change in tax allocation reserve		83,400	-28,700
Change in accelerated depreciation		-1,535	-157
Profit before tax		**-4,453**	**84,344**
Tax	12	75	-18,390
Profit/loss for the year		**-4,378**	**65,954**

There are no items in the Parent Company recognized as other comprehensive income, thus comprehensive income conforms to profit for the year.

Parent Company balance sheet

Amounts in kSEK	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Tangible assets			
Leasehold improvements	14	1,891	1,120
Equipment	14	16,229	8,471
		18,120	**9,590**
Financial assets			
Shares in subsidiaries	15	50	100
Other non-current financial assets	16	1,562	1,511
Deferred tax assets	12	325	250
		1,936	**1,860**
Total non-current assets		**20,056**	**11,451**
Current assets			
Short-term receivables			
Trade receivables	17	–	188
Current tax assets	12	1,346	–
Other current receivables	17.18	4,255	18,482
Prepaid expenses and accrued income	19	4,281	12,950
		9,882	**31,619**
Cash and cash equivalents	20	**999,892**	**1,112,672**
Total current assets		**1,009,775**	**1,144,291**
TOTAL ASSETS		**1,029,831**	**1,155,742**

Parent Company balance sheet *cont.*

Amounts in kSEK	Note	December 31, 2020	December 31, 2019
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	21	1,761	1,761
Statutory reserve		958	958
		2,719	**2,719**
Non-restricted equity			
Share premium reserve	22	560,018	560,018
Retained earnings	22	275,270	207,996
Profit/loss for the year	22	-4,378	65,954
		830,910	**833,968**
Total equity		**833,629**	**836,687**
Untaxed reserves	23	**94,809**	**176,674**
Current liabilities			
Accounts payable		14,311	8,218
Current tax liabilities	12	–	10,871
Other current liabilities		3,391	3,356
Accrued expenses and prepaid income	25	83,692	119,936
Total current liabilities		**101,394**	**142,381**
TOTAL EQUITY AND LIABILITIES		**1,029,831**	**1,155,742**

Parent Company statement of change in equity

		Restricted equity		Non-restricted equity		
Amounts in kSEK	Note	Share capital	Statutory reserve	Share premium reserve	Other non-restricted equity	Total equity
Opening balance at January 1, 2019		**1,761**	**958**	**560,018**	**339,704**	**902,441**
Comprehensive income						
Profit/loss for the year		—	—	—	65,954	65,954
Total comprehensive income		**0**	**0**	**0**	**65,954**	**65,954**
Transactions with shareholders						
Dividends paid		—	—	—	-132,090	-132,090
Share-based payments		—	—	—	383	383
Total transactions with shareholders		**0**	**0**	**0**	**-131,707**	**-131,707**
Closing balance at December 31, 2019		**1,761**	**958**	**560,018**	**273,950**	**836,687**
Opening balance at January 1, 2020		**1,761**	**958**	**560,018**	**273,950**	**836,687**
Comprehensive income						
Loss for the year		—	—	—	-4,378	-4,378
Total comprehensive income		**0**	**0**	**0**	**-4,378**	**-4,378**
Transactions with shareholders						
Share-based payments		—	—	—	1,319	1,319
Total transactions with shareholders		**0**	**0**	**0**	**1,319**	**1,319**
Closing balance at December 31, 2020		**1,761**	**958**	**560,018**	**270,892**	**833,629**

Parent Company cash flow statement

Amounts in kSEK	Note	2020	2019
Operating profit/loss		-85,618	111,681
Adjustment for non-cash items	27	-27,165	-113,723
Interest received		7	253
Interest paid		-702	-110
Income tax paid		-12,217	-80,919
Cash flow from operating activities before change in working capital		**-125,696**	**-82,818**
Increase (-) / Decrease (+) in operating receivables		21,736	433,138
Increase (+) / Decrease (-) in operating liabilities		5,036	-29,572
Cash flow from operating activities		**-98,924**	**320,748**
Investments in tangible assets	14	-12,473	-3,262
Change in non-current financial assets		-15	-11
Cash flow from investing activities		**-12,489**	**-3,273**
Dividend		—	-132,090
Cash flow from financing activities		**—**	**-132,090**
Cash flow for the year		**-111,413**	**185,385**
Cash and cash equivalents at January 1		1,112,672	917,210
Exchange rate differences in cash and cash equivalents		-1,367	10,077
Cash and cash equivalents at December 31	20	**999,892**	**1,112,672**

Notes to the financial statements

NOTE 1 General information

BioArctic AB (publ), corporate identity number 556601-2679, is the Parent Company in a Group focused on disorders of the central nervous system (CNS). The company has leading competence in research and development of innovative biological drugs, such as antibodies, that address high unmet medical needs.

The Group's business is conducted in the Parent Company. BioArctic is a limited liability company with its registered office at Warfvinges vag 35, SE-112 51 Stockholm, Sweden.

The annual accounts and consolidated financial statements were approved by the Board of Directors on March 30, 2021 and have been submitted for ratification at the Annual General Meeting on May 6, 2021.

NOTE 2 Summary of significant accounting principles

The main accounting principles applied in the preparation of these consolidated financial statements are set out below. These principles have been consistently applied to all the years presented, unless otherwise stated. The Group applied the modified retrospective approach in the transition to IFRS 16. This means that the comparison figures for 2016–2018 on page 49 have not been restated.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary accounting rules for groups, the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU as of December 31, 2020. The income statement is classified according to nature of expenses.

The Group's financial statements have been prepared based on historical costs, which means that assets and liabilities are recognized at these values and, where appropriate, certain financial instruments are measured at fair value. The functional currency of the Parent Company, including all its subsidiaries, and the reporting currency of the Group is the Swedish krona (SEK). All amounts are indicated in thousands of Swedish kronor (kSEK) unless otherwise indicated. Amounts in parentheses refer to the previous year. Negative figures are either expenses or payments (cash flow).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Furthermore, the Board of Directors and company management are required to make certain assessments in applying the company's accounting principles. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

NEW AND AMENDED STANDARDS FROM 2020

A number of new standards, amendments and interpretations of existing standards entered force during the financial year. These have had no material effect on the Group's financial statements.

NEW AND AMENDED STANDARDS FROM 2021 ONWARD

A number of new standards and changes to interpretations of existing standards will enter force for financial years beginning after January 1, 2021, that were not applied in advance in preparing the Group's financial statements. New and amended standards with future application are deemed to have no material effect on the Group's financial statements.

CONSOLIDATION

Subsidiaries are all companies over which the Group has a controlling interest. The Group controls a company when the Group is exposed to, or has rights to, variable returns from its holdings in the company and has the ability to influence those returns through its power in the company. Subsidiaries are included in the consolidated financial statements as of the date controlling interest was transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The purchase price for the acquisition of a subsidiary comprises the fair value of the assets transferred, liabilities incurred to the former owners of the company acquired and the shares issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition costs are expensed as they are incurred.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Gains and losses resulting from inter-company transactions and which are recognized among assets are also eliminated. The accounting policies for subsidiaries have been changed where necessary to ensure consistent application of Group policies.

SEGMENT REPORTING

An operating segment is a part of the Group that conducts operations from which revenue can be generated and incurs costs, and for which independent financial information is available.

The highest executive decision-maker in the Group

monitors operations at the aggregate level, which means the operations constitute the same segment and no separate segment information is therefore presented. The Board of Directors has been identified as the highest executive decision-maker in the Group.

FOREIGN CURRENCY TRANSLATION

Functional and reporting currency

Items included in the financial statements for the different units in the Group are measured in the currency used in the financial environment where the respective companies primarily operate (functional currency). The consolidated financial statements use Swedish kronor (SEK), which is the Parent Company's functional and reporting currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss.

REVENUE

The Group's revenue consists primarily of revenue from licensing and collaboration agreements. In assessing whether revenue is to be recognized, the Group follows a five-step process:

1. Identify the agreement with the customer
2. Identify the performance obligations
3. Establish the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognize the revenue at the point in time the performance obligation is fulfilled

Licensing and collaboration agreements

Revenue from licensing and collaboration agreements can consist of remuneration from research agreements, milestone payments, non-recurring and licensing remuneration and royalties. In addition, BioArctic may have contractual rights to remuneration for costs incurred. The transaction price is established based on what the Group expects to receive from each agreement in exchange for transfer of the goods or services agreed on. The revenue is recognized either at a given point in time or over time when (or if) the Group fulfills its performance obligations by transferring the goods or services promised to the customer.

The Group recognizes a contract liability when it has received the payment obtained regarding its unfulfilled performance obligations and recognizes these amounts as deferred income in the balance sheet. In the same way, if the Group fulfills a performance obligation before compensation is received, it recognizes either accrued income or a receivable in the balance sheet, depending on if any aspect other than time determines when remuneration falls due.

Research collaborations (remuneration from research agreements)

Revenue recognition reflects earnings under the specific terms of the agreement and is applied individually to each transaction. The revenue is recognized over time based on the fulfillment of the performance obligations. The Group measures the course of events toward complete fulfillment by continually evaluating the degree of completion based on costs incurred in the research collaborations.

Milestone payments

The performance obligations for milestones achieved are recognized as revenue at a given point in time. Revenue for milestone payments consists of a transaction price agreed on in advance.

Non-recurring and licensing remuneration

Non-recurring remuneration upon signing of an agreement is normally without a repayment obligation and is recognized at a given point in time. It normally pertains to the right to develop, register, market and sell BioArctic's patented products within a given geographical area and within a given indication. Non-recurring remuneration can also consist of remuneration for technology or transfer of knowledge to the partner, or consist of remuneration for the right to acquire a license in the future.

Royalty income

Royalty income normally arises continually when distributors recognize sales. This recognition occurs in the same period as the sales.

Remuneration for costs incurred and sale of products

Remuneration for costs incurred (i.e. costs invoiced onward to the customer) is recognized in the period when it arises. Revenue from sales of products is recognized at the point in time when control transfers to the customer.

Other operating income

In addition to government grants, the Group also has other operating income in the form of operational foreign exchange gains and gains from the divestment of tangible assets.

GOVERNMENT GRANTS

The Group's government grants are recognized as other operating income.

Government grants

Revenue from government grants is recognized as revenue when it is reasonably certain that the Group will fulfill the conditions associated with the grant, and the government grant will be received. Grants received before the terms for recognizing it as revenue are fulfilled are recognized as liabilities.

Note 2, cont.

Joint agreements
BioArctic has received government grants for one joint agreement: the EU Horizon 2020 project, in which BioArctic is a coordinator. The Group has recognized its share of revenue under this agreement in the income statement. The portion of the government grant for Horizon 2020 that has been received but is to be passed on to other legal entities is recognized as a liability up until payment occurs.

EXPENSES, FINANCIAL ITEMS AND TAXES

Project costs
Project costs pertain to direct external costs for BioArctic's research and drug development in preclinical and clinical studies as well as regulatory operations. Costs attributable to development projects are recognized as intangible assets when all the following criteria are met:

1. It is technically feasible for the company to complete the intangible asset so that it will be available for use or sale.
2. The company intends to complete the intangible asset and use or sell it.
3. The company has the potential to use or sell the intangible asset.
4. The company can demonstrate how the intangible asset will generate probable economic benefits.
5. There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
6. The company can reliably estimate the expenditures attributable to the intangible asset during its development.

Development costs that have been expensed cannot be recognized as an asset in subsequent periods. BioArctic has no expenditures that fulfill all the criteria, and all research and development costs have therefore been expensed. The external projects are owned by our partners, and BioArctic has no costs for the clinical programs.

Other external expenses
Operating expenses that do not belong to project expenses and pertain primarily to costs for offices and external services are recognized as other external expenses.

Remuneration to employees
Contractual remuneration
BioArctic has a rewards program that covers all permanent employees, which means there is a variable remuneration component that can be paid out in conjunction with the fulfillment of targets in addition to the fixed remuneration. Refer to the information provided in Note 7. The variable remuneration is not pensionable. BioArctic has no agreements covering post-employment benefits.

Defined-contribution pension plans
The Group's pension plans are defined-contribution, and pertain to the fees the company pays to the plan or to the insurance company and the return on capital the fees generate. Consequently, the employee bears the actual risk (that the payment will be lower than expected) and the investment risk (that the assets invested will be insufficient to generate the expected payments). The Group has no defined-benefit pension plans.

Share-based remuneration
BioArctic has a share-based remuneration program, settled in the form of equity instruments, for its employees. The program runs over 5.5 years and requires the employee to remain in their employment for the term of the program. When the employee receives share-based remuneration, the fair value of the employees' services is determined at the fair value of the equity instrument allotted. The fair value is calculated at the time of allotment using the Black & Scholes model. The fair value of the warrants allotted is recognized as a personnel expense with a corresponding increase in retained earnings, and spread over the vesting period based on the best possible estimate of the number of share warrants expected to be vested. The effect of amended estimates for the number of share warrants vested is recognized in the period in question.

Social security contributions attributable to share-based instruments for employees as remuneration for services purchased are expensed across the vesting period. The provision is based on fair value of the warrants and remeasured at every reporting date based on an estimate of the fees that could be paid when the instruments are redeemed.

Other operating costs
Operational foreign exchange losses and losses in connection with divestment of tangible assets are recognized as other operating costs.

Financial income
Financial income pertains to interest income on bank funds and receivables, as well as dividend income where applicable and positive foreign exchange differences on financial items. Financial income is recognized in the period to which it pertains.

Financial expenses
Financial expenses pertain to interest and other costs arising in conjunction with borrowing, and are recognized in profit or loss in the period to which they pertain. Negative foreign exchange differences on financial items and negative interest on cash and cash equivalents are also included in financial expenses.

Taxes
Tax for the period consists of current tax and deferred tax. Taxes are recognized in profit or loss, except when the underlying transaction is recognized in other comprehensive income or directly against equity, when the associated tax effect is also reported on this line.

Current tax is the estimated tax on the taxable earnings for

the period. Taxable earnings differ from recognized earnings by having been adjusted for non-taxable and non-deductible items. Current tax is tax to be paid or received as regards the current year, adjusted for any current tax attributable to earlier periods.

Foreign tax held is recognized in the balance sheet to the extent it is deemed it can be settled against Swedish corporate tax.

Deferred income tax is recognized using the balance sheet method, which means that deferred tax liabilities are recognized in the balance sheet for all temporary differences arising between the carrying amount and taxable value of assets and liabilities. If the temporary difference arose upon the initial recognition of assets and liabilities constituting an asset acquisition, on the other hand, the deferred tax is not recognized. Deferred tax assets regarding deductible temporary differences and loss carry forwards are only recognized to the extent it is likely that the amount can be utilized against future taxable surplus. Deferred tax is determined in accordance with statutory tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

RESEARCH AND DEVELOPMENT / INTANGIBLE ASSETS

An intangible asset is recognized in the balance sheet when it is likely that the future economic advantages that can be attributed to the asset will fall to the Group, and when the value of the asset can be reliably calculated. Expenditures regarding development are capitalized and recognized in the balance sheet as intangible assets if the criteria for recognition in the balance sheet under IAS 38 Intangible assets are met. There are no expenditures in the Group that meet the criteria for being recognized as an asset.

TANGIBLE ASSETS

Tangible assets are recognized at cost less accumulated depreciation and write-downs. The cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is likely that future economic benefits associated with the item will fall to the Group and the cost of the item can be measured reliably. The useful life for inventory and equipment is deemed to be five years. Leasehold improvements are written-off based on the estimated useful life.

Right-of-use assets (leases) reported separately in the balance sheet are described in Note 14.

LEASED ASSETS

The Group as lessee

An agreement is assessed as to whether or not it is a lease. A lease is defined as "an agreement that transfers the right of use of the underlying asset for a given period in exchange for remuneration." The agreements are assessed as to whether they fulfill the three criteria below in order to be considered as meeting the definition of a lease:

1. The agreement contains an identified asset
2. The Group has the right to all the material economic advantages arising through use of the identified asset throughout the entire lease period
3. The Group has the right to control the use of the identified asset throughout the entire lease period

Measurement and recognition of leases as lessee
At the beginning of the lease, a right-of-use asset and a lease liability are recognized in the balance sheet. The right-of-use asset is measured at cost, which covers the sum that the leasing liability was originally measured at as well as any future direct or indirect expenditures associated with the right-of-use asset. The depreciation of the right-of-use asset is linear over the assessed useful life. Any need for impairment of the right of use is assessed when there is an indication of a decrease in value.

At the beginning of the lease, the lease liability is measured at the current value of the lease liabilities that are unpaid at that point in time. Lease fees are discounted using the lease's implicit interest rate, if it can easily be determined, or the Group's incremental borrowing rate. Lease fees included in the measurement of the lease liability include fixed fees, variable index- or price-based lease fees, amounts that are expected to be disbursed in accordance with residual value guarantees and payments for warrants that are deemed to have been exercised. After the start date, the lease liability is reduced by lease payments divided between amortization and financial expenses.

In conjunction with changes to leases, the lease liability is remeasured and the carrying amount of the right-of-use asset is adjusted accordingly. In the event the carrying amount of the right-of-use asset is adjusted downward to zero, the remeasurement is recognized in profit or loss.

Right-of-use assets are recognized separately in the balance sheet, whereas the lease liability is included in current and non-current lease liabilities.

FINANCIAL INSTRUMENTS

A financial instrument is any form of agreement that gives rise to a financial asset or financial liability. Financial assets in the balance sheet pertain to trade receivables, other receivables and contractual accrued income as well as cash and cash equivalents. Financial liabilities pertain to accounts payable, lease liabilities and contractual accrued expenses. The Group holds no derivatives.

Financial assets and financial liabilities are recognized when the Group becomes party to an agreement as regards the contractual terms and conditions of the financial instrument. Financial assets are removed from the balance sheet when the contractual rights regarding the financial asset expire, or when the financial asset and all significant risks and benefits are transferred. A financial liability is removed from

Note 2, cont.

the balance sheet when it is extinguished (i.e. when it is completed, annulled or expires).

Financial assets and liabilities are initially measured at fair value. Financial assets and liabilities are classified under the categories of amortized cost, fair value via profit or loss and fair value via other comprehensive income. During the periods included in the financial statements, all financial assets or liabilities are categorized as amortized cost. Financial assets classified under amortized cost are measured after initial recognition at amortized cost using the effective interest rate method. No discounts are applied if the effect of the discount is insignificant.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

TRADE RECEIVABLES

Trade receivables are reported net after reserves for expected credit losses. The expected duration of trade receivables is short, which is why the value is recognized at a nominal amount without discounts using the amortized cost method. The Group uses a simplified method for recognizing trade and other receivables as well as contract assets, and recognizes expected credit losses for the remaining duration. In this calculation, the Group uses its historical experience, external indicators and forward-looking information to estimate the expected credit losses. The amount reserved is recognized over profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, bank balances and, where appropriate, other current investments with a due date within three months. Cash and cash equivalents are recognized at the nominal amount.

ACCOUNTS PAYABLE

These amounts represent liabilities for goods and services provided to the Group that are unpaid prior to the end of financial year. Trade payables are categorized as other financial liabilities. Since trade payables have a short expected duration, the value is recognized at the nominal amount.

EQUITY

Share capital represents the nominal value of shares issued. Transaction costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds. Retained earnings comprise profit carried forward and share-based remuneration to employees for the current and previous financial years.

Share premium reserve is recognized as other contributed capital and statutory reserves are recognized as reserves.

CASH FLOW STATEMENT

Cash flow from operating activities is prepared using the indirect method, whereby profit or loss is adjusted with transactions of a non-cash nature and items of income or expense associated with investing and/or financing cash flows.

ALTERNATIVE PERFORMANCE MEASURES

The Group applies ESMA guidelines for alternative performance measures. In accordance with these guidelines, the Group's alternative performance measures are defined in Note 31. The Group applies alternative performance measures since the company believes they provide valuable supplementary information to management and investors, as they are central to understanding and evaluating the Group's operations.

PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company complies with the Swedish Annual Accounts Act and the recommendation of the Financial Reporting Council, RFR 2 Accounting for legal entities. The application of RFR 2 means that in the annual report for the legal entity, the Parent Company applies all IFRS and opinions approved by the EU to the extent possible as part of the Annual Accounts Act and the Pension Obligations Vesting Act, and taking into account the connection between reporting and taxation. The recommendation indicates which exceptions from and additions to IFRS can be made.

Consequently, the Parent Company applies the principles presented in Note 2 of the consolidated financial statements, with the exceptions indicated below. The principles have been consistently applied to all the years presented, unless otherwise stated. Assets, provisions and liabilities have been measured at cost unless otherwise stated.

Presentation formats

The income statement and balance sheet follow the presentation format indicated in the Annual Accounts Act. This entails certain differences compared with the consolidated financial statements – for example, sub-items under equity have different designations.

Shares and participations in subsidiaries

Shares and participations in subsidiaries are recognized at cost, less any impairments.

Deferred income tax

Amounts allocated to untaxed reserves constitute taxable temporary differences. Owing to the connection between reporting and taxation, however, the deferred tax liability on untaxed reserves in a legal entity is reported as part of the untaxed reserves. Appropriations of profits in profit or loss are also reported including deferred tax.

Leases

Lease fees are expensed on a linear basis over the term of the lease. No right of use or lease liability is recognized in the balance sheet.

NOTE 3 Financial risk management

FINANCIAL RISK FACTORS

Through its operations, the Group is exposed to various financial risks. The overall goal of financial risk management is to minimize the risks of negative impact on the Group's earnings.

Foreign exchange risk

Foreign exchange risk pertains to the risk of impact on the Group's earnings and financial position as a consequence of changes in exchange rates. The Group has no loans in foreign currencies, and is therefore not exposed to any foreign exchange risk in connection with borrowing. Purchases and revenue in foreign currencies give rise to transaction exposure. Purchases in foreign currencies are primarily in EUR, USD, GBP and CHF. Purchases for 2020 totaled kEUR 1,007 (1,445), kUSD 934 (1,170), kGBP 531 (3,104) and kCHF 157 (294). Revenue in foreign currencies for 2020 totaled kEUR 2,702 (15,000) and kUSD 0 (0). The table below shows the material balance sheet items in foreign currencies that the Group had as of December 31, 2020 and what impact a 10-percent change in the net amount in GBP, USD, EUR and CHF would have on earnings. Purchases in foreign currencies were lower in 2020 compared with previous years, which is attributable to a planned lower level of activity in the Parkinson's program.

	Amounts in kSEK per Dec. 31, 2020						
Currency	Accrued income	Cash and cash equiva-	Accounts payable	Net per currency	10%	Before tax	After tax
CHF	0	5	-635	-631	+/-	-63	-50
EUR	0	8,912	-75	8,837	+/-	884	695
GBP	0	6,777	-363	6,414	+/-	641	504
USD	0	5,859	-41	5,818	+/-	582	457
Total	**0**	**21,553**	**-1,114**	**20,439**	**+/-**	**2,044**	**1,606**

Interest rate risk

The Group has significant holdings in banks that are impacted by interest rate levels, which means that the Group is exposed to interest rate risk on its cash and cash equivalents. As of December 31, 2020, the Group had cash and cash equivalents of kSEK 999,940 (1,112,770). A change of 0.5 percentage points in the interest rate would entail an annual impact on earnings of kSEK 5,000 before tax and kSEK 3,930 after tax. The majority of the balances bear no interest. As of December 31, 2020 the Group had no external loan financing, and thus has no interest rate risk for such commitments.

Financing risk

BioArctic's financial position is strong, since the company has no external loan financing and has a positive net cash balance. The access to capital is impacted by several different factors, including the performance of current research and development projects as well as partnership and licensing agreements. The point in time and scope of further financing needs depend not only on how milestone payments fall due, but also on whether the Group succeeds in signing new collaboration agreements and on market reception of potential future products. It is vital that the Group's major partners choose to continue collaborating with BioArctic, since future revenue is currently dependent on these partnerships. General access to credit and BioArctic's creditworthiness also impact the financing risk. The assessment is that access to capital in the biotech sector remained strong during the year despite the pandemic, since many new issues were carried out in the sector.

Liquidity risk

Liquidity risk (i.e. ensuring the Group has sufficient cash funds to meet the needs of operating activities) is deemed to be low over the short and medium term, since the Group has a positive net cash balance and thereby good access to cash and cash equivalents. Group Management actively monitors the liquidity situation to call attention to liquidity risks in a timely manner. The Group has no financial investments apart from bank balances.

Credit risk

BioArctic's credit risk is low, since the Group does not have any external loan financing and thereby does not run any credit risk for bank loans it has signed. The Group also has limited credit exposure in relation to customers, including outstanding receivables. The Group has a significant amount of cash and cash holdings with the Group's banks, but the counterparty risk is deemed to be very low.

Note 3, cont.

OPERATIONAL AND STRATEGIC RISKS
Refer to the "Risks and risk management" section in the Directors' Report for a description of the most important operational and strategic risks. The risks the Group has identified are related to outcomes in the project portfolio, overall portfolio strategy, risks related to partners, impact from competitors, events beyond the company's control such as pandemics, government decisions, IT and information security risks, product responsibility and insurances, patent protection and employee risks as well as climate, sustainability and environmental risks.

SENSITIVITY ANALYSIS
Sensitivity analyses have been prepared concerning foreign exchange risk and interest rate risk as described above.

CAPITAL MANAGEMENT
The Group's objective as regards capital management is to safeguard its ability to continue as a going concern, so that it can continue to generate returns for shareholders and benefits for other stakeholders. An optimal capital structure promotes keeping the costs of capital down. To maintain or adjust the capital structure, the Group can issue new shares.

NOTE 4 Significant estimates and judgements

To prepare financial statements in accordance with IFRS, Group Management and the Board of Directors must make assessments and assumptions. These impact recognized asset and liability items, and revenue and expense items as well as other information submitted. The assessments are based on experiences and assumptions that Group Management and the Board deem to be reasonable under the prevailing circumstances. Actual outcome may then differ from these assessments if other conditions emerge. The assessments that are most material to the preparation of the consolidated and Parent Company financial statements are described below.

Revenue from research collaborations
Recognition of revenue from research collaborations is based on the degree of completion as regards fulfillment of performance obligations. These performance obligations may change as a result of certain sub-operations being terminated while others may need to be added or reworked. This could lead to changes in the amount assessed against complete fulfillment of the performance obligation, which could entail an adjustment of revenue. The Group reviews all projects on a quarterly basis to ensure that revenue is based on a course of events toward a complete fulfillment of the performance obligations. For further information, refer to Note 5.

Impact of COVID-19 on BioArctic
The spread and negative effects of the coronavirus during the year have had a serious impact on society as a whole, the economy and the lives of private individuals. During the year, BioArctic successfully advanced its own projects without noticeable disruptions despite COVID-19. External communication from BioArctic's partners Eisai and AbbVie pertaining to the outlicensed projects and recruitment to the ongoing studies have not expressed any noticeable disruptions in the projects. The company's revenue and costs for the year were only marginally impacted by the pandemic.

NOTE 5 Net revenue

Revenue for 2020 includes MSEK 33.8 (108.4) that was included in deferred income at the start of the financial year.
Revenue by geographical market is as follows:

	Group, 2020			Parent Company, 2020		
Amounts in kSEK	Milestone payments	Income from research collaborations	Total	Milestone payments	Income from research collaborations	Total
Europe	–	33,805	33,805	–	33,805	33,805
Asia	–	28,541	28,541	–	28,541	28,541
Total	**0**	**62,347**	**62,347**	**0**	**62,347**	**62,347**

	Group, 2019			Parent Company, 2019		
Amounts in kSEK	Milestone payments	Income from research collaborations	Total	Milestone payments	Income from research collaborations	Total
Europe	11,431	108,366	119,796	11,431	108,366	119,796
Asia	161,976	–	161,976	161,976	–	161,976
Total	**173,407**	**108,366**	**281,772**	**173,407**	**108,366**	**281,772**

For the financial year, two individual customers represented more than 10 percent each of revenues. For the 2019 financial year as well, two individual customers represented more than 10 percent of revenues.

Revenue broken down by how the revenues are recognized is as follows:

	Group, 2020			Parent Company, 2020		
Amounts in kSEK	Milestone payments	Income from research collaborations	Total	Milestone payments	Income from research collaborations	Total
At a given point in time	–	–	–	–	–	–
Over time	–	62,347	62,347	–	62,347	62,347
Total	**0**	**62,347**	**62,347**	**0**	**62,347**	**62,347**

	Group, 2019			Parent Company, 2019		
Amounts in kSEK	Milestone payments	Income from research collaborations	Total	Milestone payments	Income from research collaborations	Total
At a given point in time	173,407	–	173,407	173,407	–	173,407
Over time	–	108,366	108,366	–	108,366	108,366
Total	**173,407**	**108,366**	**281,772**	**173,407**	**108,366**	**281,772**

The Group routinely evaluates projects. In conjunction with a restatement in the first quarter of the total costs of the Parkinson's program in light of better performance that originally planned, a positive non-recurring of MSEK 22.8 in revenue has been recorded. As of December 31, 2020, MSEK 634.7 for the research collaboration agreement with AbbVie was recognized as revenue over time, and MSEK 66.9 remains to be recognized as revenue over the period until the end of the project.

Payment for the current research agreements has been received in advance in a fixed amount. For milestone payments, fixed payments can be received at an amount determined in advance based on contractual milestones.

The total amounts for transaction prices regarding the performance obligations from existing agreements that were either wholly or partially unfulfilled as of December 31, 2020 are shown below. This amount is included in deferred income; refer to Note 25.

Amounts in kSEK	2021	2022	2023 and onward	Total
Expected revenue, unfulfilled performance obligations	17,695	9,798	39,451	66,943

NOTE 6 Other operating income

	Group		Parent Company	
Amounts in kSEK	**2020**	**2019**	**2020**	**2019**
Operational foreign exchange gains	659	13,004	659	13,004
EU grants	1,052	791	1,052	791
Vinnova grants	1,808	381	1,808	381
Other items	77	650	77	650
Total other operating income	**3,597**	**14,826**	**3,597**	**14,826**

NOTE 7 Employees

AVERAGE NUMBER OF EMPLOYEES

	Group		Parent Company	
Number	**2020**	**2019**	**2020**	**2019**
Women	27	24	27	24
Men	17	13	17	13
Total	**44**	**37**	**44**	**37**

BOARD MEMBERS AND SENIOR EXECUTIVES

	2020		2019	
Number	**Balance sheet date**	**Of whom women**	**Balance sheet date**	**Of whom women**
BioArctic AB				
Board members	8	1	8	2
CEO and other senior executives	10	5	9	5

SALARIES, REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

	Group		Parent Company	
Amounts in kSEK	**2020**	**2019**	**2020**	**2019**
Salaries and remuneration				
Board of Directors, CEO and other senior executives [1]	21,635	24,157	21,635	24,157
(of which, variable)	(2,550)	(6,691)	(2,550)	(6,691)
Other employees	23,147	15,338	23,147	15,338
Total salaries and remuneration	**44,782**	**39,496**	**44,782**	**39,496**
Social security contributions	10,027	11,071	10,027	11,071
Pension costs	6,887	7,222	6,887	7,222
(of which Board of Directors, CEO and other senior executives)	(3,683)	(4,085)	(3,683)	(4,085)
Total salaries, remuneration and social security contributions	**61,696**	**57,789**	**61,696**	**57,789**

[1] This amount for 2020 includes invoiced fees of kSEK 3,485 (2,973).

The company has no outstanding pension obligations.

REMUNERATION AND OTHER BENEFITS, 2020

Amounts in kSEK	Fixed salary/ Fees	Variable remuneration	Pension	Share-based remuneration	Total
Board of Directors					
Wenche Rolfsen (chairman)	560	–	–	–	560
Lars Lannfelt [1]	1,957	–	121	–	2,078
Pär Gellerfors	375	–	–	–	375
Eugen Steiner	350	–	–	–	350
Ivar Verner	400	–	–	–	400
Hans Ekelund	320	–	–	–	320
Mikael Smedeby	280	–	–	–	280
Håkan Englund [2]	146	–	–	–	146
Ewa Björling [3]	104	–	–	–	104
Senior executives					
CEO Gunilla Osswald	2,856	789	1,004	253	4,903
Other senior executives (9 persons)[1, 4]	11,079	1,761	2,557	405	15,802
Total remuneration and other benefits	**18,427**	**2,550**	**3,683**	**658**	**25,318**

REMUNERATION AND OTHER BENEFITS, 2019

Amounts in kSEK	Fixed salary/ Fees	Variable remuneration	Pension	Share-based remuneration	Total
Board of Directors					
Wenche Rolfsen (chairman)	560	–	–	–	560
Lars Lannfelt [1]	1727	–	364	–	2090
Pär Gellerfors	364	–	–	–	364
Eugen Steiner	329	–	–	–	329
Ivar Verner	379	–	–	–	379
Hans Ekelund	329	–	–	–	329
Mikael Smedeby	229	–	–	–	229
Ewa Björling [3]	146	–	–	–	146
Senior executives					
CEO Gunilla Osswald	2,725	3,218	967	82	6,993
Other senior executives (8 persons)[1, 4]	10,481	3,472	2,754	115	16,822
Total remuneration and other benefits	**17,269**	**6,691**	**4,085**	**197**	**28,242**

[1] Lars Lannfelt is active in the company and is employed at 100% of full-time service. Lars is part of the management team but is reported in the Board of Directors only in the table above so as not to be double-counted.
[2] Håkan Englund has been a Board member since May 7, 2020
[3] Ewa Björling was a Board member from May 9, 2019 to May 7, 2020
[4] This amount includes invoiced fees of kSEK 3,485 (2,973)

Note 7, cont.

CEO Gunilla Osswald received remuneration of kSEK 2,856 as fixed annual salary and an additional 35 percent in pension provisions. The CEO is covered by the rewards program covering all employees; see below. In 2020, the CEO had variable remuneration of up to 35 percent of annual salary. Between the company and the CEO, there is a notice period of 12 months by the company and 6 months by the CEO. Upon termination by the company, there is no work obligation during the notice period, but the CEO shall be available to the company as needed.

Company management comprises eleven ordinary members. Senior executives except the CEO receive normal market remuneration and individually negotiated premiums for service pension or alternately premiums under the terms of the company's pension plan. All other employees receive market salaries, and premiums are allocated to the occupational pension in accordance with the terms of the company's pension plan. All employees have a contractual mutual notice period of three months or alternately in accordance with the Employment Protection Act. Severance pay is not applied. For non-executive Board members, fees have been paid pursuant to the resolutions of the Annual General Meeting.

BioArctic has two rewards programs covering all permanent employees. One condition for receiving variable remuneration is that the employee has been employed for more than six months at the time when the goal that forms the basis for payment of variable remuneration is reached. The goals are linked to milestones achieved under the clinical research program for drug candidates BAN2401 for Alzheimer's disease and ABBV-0805 for Parkinson's disease. The potential variable remuneration to the employee amounts to one month's salary per milestone. The variable remuneration is not pensionable. For 2020, in addition to variable remuneration to the CEO, the other senior executives have the possibility of variable remuneration amounting to 20 to 25 percent of their annual salaries.

Share-based remuneration to employees

The 2019/2028 employee stock warrant program covers at most 1,000,000 stock warrants. The maximum dilution effect of the 2019/2028 employee stock warrant program is estimated to be 1.1 percent of share capital and 0.5 percent of the voting rights in the company (calculated based on the number of existing shares in the company), provided that all stock warrants are fully exercised. At the end of the year, 540,000 stock warrants had been allocated. The allocation of employee stock warrants yields a dilution effect corresponding to 500,000 (or 0.57 percent) of the shares at the end of the period, in accordance with IAS 33.47.

The program extends over five years and six months from the point in time of allocation for the respective employees. The warrants grant participants the right to acquire 60 percent of the allocated share rights after three years, a further 20 percent after four years and the remaining 20 percent after five years, provided that the participant remains employed in the Group.

	Number of shares
Outstanding as of January 1, 2019	–
Granted	480,000
Outstanding as of December 31, 2019	**480,000**
Outstanding as of January 1, 2020	480,000
Granted	65,000
Forfeit/Redeemed/Due	-5,000
Outstanding as of December 31, 2020	**540,000**
Redeemable as of December 31, 2019	–
Redeemable as of December 31, 2020	**–**

2019/2028 STOCK WARRANT PROGRAM

Allocation	Grant date	Vesting period concludes	Weighted average remaining contract period	Number granted	Share price at allocation date	Fair value per warrant at allocation date	Exercise price
Allocation 1	Sep. 11, 2019	Sep. 11, 2024	4.19 years	430,000	62.90	17.20	83.60
Allocation 2	Sep. 11, 2019	Sep. 11, 2024	4.19 years	25,000	62.90	17.55	82.04
Allocation 3	Dec. 1, 2019	Dec. 1, 2024	4.42 years	20,000	98.00	47.45	67.11
Allocation 4	Feb. 3, 2020	Feb. 3, 2025	4.59 years	5,000	86.90	25.96	106.13
Allocation 5	May 4, 2020	May 4, 2025	4.84 years	25,000	67.15	24.77	65.54
Allocation 6	Dec. 7, 2020	Jun. 7, 2026	5.43 years	35,000	94.20	31.04	104.07

The Black & Scholes model was used to calculate the exercise price. The volatility used in calculating the value of the warrants was established based on a comparison with similar companies, and has been set at 40 percent. The risk-free interest rate during the period has been fixed at 0 percent, and no dividend has been assumed. Apart from the above, no other assumptions have been taken into account when calculating the fair value. In 2020, kSEK 1,319 was recorded as personnel expenses.

NOTE 8 Remuneration to the auditors

	Group		Parent Company	
Amounts in kSEK	**2020**	**2019**	**2020**	**2019**
Grant Thornton				
Audit engagement	500	503	500	503
Audit services in addition to audit engagement	110	123	110	123
Tax advisory service	192	581	192	581
Other services	25	224	25	224
Total remuneration to Grant Thornton	**827**	**1,431**	**827**	**1,431**

Audit assignment refers to the review of the Annual Report and the accounts, as well as of the administration by the Board of Directors and the CEO, and to other work tasks that it is the business of the company's auditor to perform as well as consultancy or other assistance occasioned by observations in conjunction with such reviews or the performance of other such work tasks.

Audit services in addition to audit engagement pertain to quality assurance services.

Tax advisory service includes consultancy on income tax and VAT.

Other services pertain to consultancy not attributable to any of the categories of service named above.

NOTE 9 Commitments

LEASES

The Group applies IFRS 16 Leases, which means that leases are recognized in the balance sheet as a right-of-use asset and a lease liability. Operating leases for 2020 pertain only to the Parent Company and to rent for office premises under non-cancellable operating leases where the remaining term of the lease is 3 years.

EXPENSED MINIMUM LEASE PAYMENTS

	Parent Company	
Amounts in kSEK	**2020**	**2019**
Lease fees, premises	8,533	7,915
Lease fees, vehicles	406	–
Total	**8,939**	**7,915**

FUTURE MINIMUM LEASE PAYMENTS FOR NON-CANCELLABLE OPERATING LEASES

	Parent Company	
Amounts in kSEK	**2020**	**2019**
Within one year	7,651	7,506
Later than one year but not later than five years	14,505	21,717
Later than five years	–	–
Total	**22,156**	**29,224**

OTHER COMMITMENTS

BioArctic has undertaken to conduct research operations to reach predefined milestones. An advance payment of SEK 701.6 M has been received for BioArctic's commitments, of which revenue of approximately SEK 66.9 M remained to be recognized at the reporting date; refer also to Note 25. Total costs for meeting this commitment are deemed to be lower than this remaining revenue.

NOTE 10 Other operating costs

	Group		Parent Company	
Amounts in kSEK	**2020**	**2019**	**2020**	**2019**
Loss on disposal of property, plant and equipment	209	–	209	–
Operational foreign exchange losses	3,145	11,554	3,145	11,554
Total other operating costs	**3,353**	**11,554**	**3,353**	**11,554**

NOTE 11 Financial income and costs

	Group		Parent Company	
Amounts in kSEK	**2020**	**2019**	**2020**	**2019**
Interest charged	7	253	7	253
Foreign exchange gains	–	1,377	–	1,377
Total financial income	**7**	**1,630**	**7**	**1,630**
Interest charged	-1,098	-1,192	-118	-110
Foreign exchange losses	-588	–	-588	–
Total financial expenses	**-1,686**	**-1,192**	**-707**	**-110**
Total financial income and expenses	**-1,679**	**437**	**-700**	**1,519**

NOTE 12 Tax

	Group		Parent Company	
Amounts in kSEK	**2020**	**2019**	**2020**	**2019**
Current tax	0	-18,450	0	-18,450
Deferred tax	18,174	-6,057	75	60
Total tax on profit for the year	**18,174**	**-24,507**	**75**	**-18,390**

RECONCILIATION OF EFFECTIVE TAX

In the table below, reported tax is reconciled against tax based on the Swedish tax rate of 21.4% (21.4%).

RECONCILIATION OF EFFECTIVE TAX

	Group		Parent Company	
Amounts in kSEK	**2020**	**2019**	**2020**	**2019**
Profit before tax	-86,691	112,976	-4,453	84,344
Tax under applicable tax rate (21.4%)	18,552	-24,177	953	-18,050
Non-deductible expenses	-155	-181	-155	-181
Non-taxable income	–	–	–	–
Standard income on tax allocation reserve	-187	-160	-187	-160
Adjustment, tax allocation reserve reversal	–	–	-535	–
Revaluation of deferred tax	-35	10	–	–
Total tax	**18,174**	**-24,507**	**75**	**-18,390**
Effective tax, %	21.0%	21.7%	1.7%	21.8%

CURRENT TAX ASSETS

	Group		Parent Company	
Amounts in kSEK	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Current tax assets	1,346	–	1,346	–
Total current tax assets	**1,346**	**0**	**1,346**	**0**

CURRENT TAX LIABILITIES

	Group		Parent Company	
Amounts in kSEK	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Current tax liabilities	–	10,871	–	10,871
Total current tax liabilities	**0**	**10,871**	**0**	**10,871**

DEFERRED TAX

Deferred tax consists of tax items to be settled in the future. The table below specifies deferred tax receivables and tax liabilities regarding temporary differences between the carrying amount of assets and liabilities and their taxable value.

DEFERRED TAX ON TEMPORARY DIFFERENCES

	Group		Parent Company	
Amounts in kSEK	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Leasehold improvements	325	250	325	250
Deferred tax, IFRS 16	128	48	–	–
Total deferred tax assets	**452**	**298**	**325**	**250**
Tax allocation reserve	-19,958	-38,306	–	–
Accelerated depreciation	-707	-379	–	–
Total deferred tax liabilities	**-20,666**	**-38,685**	**0**	**0**
Total net deferred tax	**-20,214**	**-38,388**	**325**	**250**

CHANGE IN DEFERRED TAX

	Group			Parent Company		
Amounts in kSEK	Jan. 1, 2020	Recognized in profit or loss	Dec. 31, 2020	Jan. 1, 2020	Recognized in profit or loss	Dec. 31, 2020
Leasehold improvements	250	75	325	250	75	325
Deferred tax, IFRS 16	48	80	128	0	–	0
Total deferred tax assets	**298**	**155**	**452**	**250**	**75**	**325**
Tax allocation reserve	-38,306	18,348	-19,958	0	–	0
Accelerated depreciation	-379	-329	-707	0	–	0
Total deferred tax liabilities	**-38,685**	**18,019**	**-20,666**	**0**	**0**	**0**
Total net deferred tax	**-38,388**	**18,174**	**-20,214**	**250**	**75**	**325**

	Group			Parent Company		
Amounts in kSEK	Jan. 1, 2019	Recognized in profit or loss	Dec. 31, 2019	Jan. 1, 2019	Recognized in profit or loss	Dec. 31, 2019
Leasehold improvements	189	60	250	189	60	250
Deferred tax, IFRS 16	0	48	48	0	–	0
Total deferred tax assets	**189**	**108**	**298**	**189**	**60**	**250**
Tax allocation reserve	-32,165	-6,142	-38,306	0	–	0
Accelerated depreciation	-355	-24	-379	0	–	0
Total deferred tax liabilities	**-32,520**	**-6,166**	**-38,685**	**0**	**0**	**0**
Total net deferred tax	**-32,330**	**-6,057**	**-38,388**	**189**	**60**	**250**

NOTE 13 Earnings per share and share data

Earnings per share is calculated by dividing earnings for the year attributable to Parent Company shareholders by a weighted average of the number of ordinary shares outstanding during the period. At year-end, 540,000 warrants had been allocated, and these yield a dilution effect corresponding to 500,000 (or 0.57 percent) of the shares at the end of the period.

	Group	
Amounts in kSEK	2020	2019
Profit for the year attributable to owners of the Parent Company, kSEK	-68,517	88,468
Weighted average number of shares outstanding before dilution	88,059,985	88,059,985
Weighted average number of shares outstanding after dilution	88,177,985	88,059,985
Earnings per share before dilution, SEK	**-0.78**	**1.00**
Earnings per share after dilution, SEK	**-0.78**	**1.00**
Proposed dividend per share, SEK	0.00	0.00
Number of shares outstanding as of the balance sheet date	88,059,985	88,059,985
Number of warrants	540,000	480,000

NOTE 14 Tangible assets and right-of-use assets

	Group			
Amounts in kSEK	**Leasehold improvements**	**Equipment**	**Total**	**Right-of-use assets**
Cost at January 1, 2020	2,786	24,982	27,768	33,782
Acquisitions	1,281	11,192	12,473	1,460
Sale/disposal	—	-530	-530	—
Cost at December 31, 2020	**4,067**	**35,645**	**39,712**	**35,242**
Depreciations at January 1, 2020	-1,666	-16,511	-18,178	-6,238
Sale/disposal	—	414	414	
Depreciations	-510	-3,319	-3,828	-7,184
Depreciations at December 31, 2020	**-2,176**	**-19,416**	**-21,592**	**-13,423**
Carrying amount at January 1, 2020	**1,120**	**8,471**	**9,590**	**27,544**
Carrying amount at December 31, 2020	**1,891**	**16,229**	**18,120**	**21,820**

	Group			
Amounts in kSEK	**Leasehold improvements**	**Equipment**	**Total**	**Right-of-use assets**
Cost at January 1, 2019	2,257	22,249	24,506	0
Adjustment on transition to IFRS 16	—	—	—	33,336
Acquisitions	529	2,733	3,262	447
Cost at December 31, 2019	**2,786**	**24,982**	**27,768**	**33,782**
Depreciations at January 1, 2019	-1,264	-13,953	-15,217	0
Depreciations	-403	-2,558	-2,961	-6,238
Depreciations at December 31, 2019	**-1,666**	**-16,511**	**-18,178**	**-6,238**
Carrying amount at January 1, 2019	**993**	**8,296**	**9,289**	**0**
Carrying amount at December 31, 2019	**1,120**	**8,471**	**9,590**	**27,544**

	Parent Company		
Amounts in kSEK	**Leasehold improvements**	**Equipment**	**Total**
Cost at January 1, 2020	2,786	24,982	27,768
Acquisitions	1,281	11,192	12,473
Sale/disposal	–	-530	-530
Cost at December 31, 2020	**4,067**	35,645	**39,712**
Depreciations at January 1, 2020	-1,666	-16,511	-18,178
Sale/disposal	–	414	414
Depreciations	-510	-3,319	-3,828
Depreciations at December 31, 2020	**-2,176**	**-19,416**	**-21,592**
Carrying amount at January 1, 2020	**1,120**	**8,471**	**9,590**
Carrying amount at December 31, 2020	**1,891**	**16,229**	**18,120**

	Parent Company		
Amounts in kSEK	**Leasehold improvements**	**Equipment**	**Total**
Cost at January 1, 2019	2,257	22,249	24,506
Acquisitions	529	2,733	3,262
Cost at December 31, 2019	**2,786**	**24,982**	**27,768**
Depreciations at January 1, 2019	-1,264	-13,953	-15,217
Depreciations	-403	-2,558	-2,961
Depreciations at December 31, 2019	**-1,666**	**-16,511**	**-18,178**
Carrying amount at January 1, 2019	**993**	**8,296**	**9,289**
Carrying amount at December 31, 2019	**1,120**	**8,471**	**9,590**

NOTE 15 Shares in subsidiaries

	Parent Company	
Amounts in kSEK	**Dec. 31, 2020**	**Dec. 31, 2019**
Opening cost	100	100
Acquisition/Sale	-50	–
Closing cost	**50**	**100**

SPECIFICATION OF PARENT COMPANY'S SHARES AND PARTICIPATIONS IN SUBSIDIARIES

Subsidiary/Corp. ID No./Reg. office	**Share owned, %[1]**	**Equity**	**Profit/ loss for the year**
LPB Sweden AB, 559035-9112, Stockholm	100.0%	46	-3

[1] Pertains to ownership share of capital, which also corresponds to the proportion of voting rights for the total number of shares.

NOTE 16 Other non-current financial assets

	Group		*Parent Company*	
Amounts in kSEK	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Deposit	1,562	1,511	1,562	1,511
Total other non-current financial assets	**1,562**	**1,511**	**1,562**	**1,511**

Pertains to deposit for rental contract in the form of restricted cash; refer to Note 26.

NOTE 17 Overview of financial instruments

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets and liabilities are fully attributable to cash and cash equivalents, current receivables, trade payables and accrued expenses. The Group has no foreign exchange contracts or listed securities.

Dec. 31, 2020 Amounts in kSEK	Note	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income
Financial assets				
Trade receivables		–	–	–
Other current receivables	18	–	–	–
Cash and cash equivalents	20	999,940	–	–
Total financial assets		**999,940**	**0**	**0**
Financial liabilities				
Accounts payable		-14,311	–	–
Contractual accrued expenses	25	-3,035	–	–
Total financial liabilities		**-17,346**	**0**	**0**
Total financial instruments (assets + / liabilities -)		**982,593**	**0**	**0**

Dec. 31, 2019 Amounts in kSEK	Note	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income
Financial assets				
Trade receivables		188	–	–
Other current receivables	18	183	–	–
Cash and cash equivalents	20	1,112,770	–	–
Total financial assets		**1,113,140**	**0**	**0**
Financial liabilities				
Accounts payable		-8,218	–	–
Contractual accrued expenses	25	-8,023	–	–
Total financial liabilities		**-16,241**	**0**	**0**
Total financial instruments (assets + / liabilities -)		**1,096,899**	**0**	**0**

THE GROUP'S MATURITY STRUCTURE FOR UNDISCOUNTED FINANCIAL LIABILITIES

Amounts in kSEK	2021	2022	2023	2024	2025
Accounts payable	14,311	–	–	–	–
Lease liabilities	7,651	7,252	7,252	–	–
Contractual accrued expenses	3,035	–	–	–	–
Total	**25,031**	**7,252**	**7,252**	**–**	**–**

NOTE 18 Other current receivables

	Group		*Parent Company*	
Amounts in kSEK	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
VAT receivables	4,255	18,299	4,255	18,299
Tax account	–	–	–	–
Other	–	183	–	183
Total other current receivables	**4,255**	**18,482**	**4,255**	**18,482**

NOTE 19 Prepaid expenses and accrued income

	Group		*Parent Company*	
Amounts in kSEK	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Prepaid rent	704	2,123	2,167	2,123
Other prepaid expenses	2,115	815	2,115	815
Accrued EU grants	–	10,012	–	10,012
Contractual accrued revenue	–	–	–	–
Total prepaid expenses and accrued income	**2,819**	**12,950**	**4,281**	**12,950**

NOTE 20 Cash and cash equivalents

	Group		*Parent Company*	
Amounts in kSEK	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Cash and bank balances	999,940	1,112,770	999,892	1,112,672
Total cash and cash equivalents	**999,940**	**1,112,770**	**999,892**	**1,112,672**

NOTE 21 Share capital

Class of share	Number of shares	Share capital, SEK	Quotient value, SEK	Votes per share	Total votes
A shares	14,399,996	288,000	0.02	10	143,999,960
B shares	73,659,989	1,473,200	0.02	1	73,659,989
Total	**88,059,985**	**1,761,200**			**217,659,949**

DEVELOPMENT OF SHARE CAPITAL

Year	Event	Number of new shares	Number of A shares	Number of B shares	Total number of shares	Change in share capital, SEK	Total share capital, SEK
2000	Company founded	1,000	1,000	–	1,000	100,000	100,000
2002	Split 1000:1	999,000	1,000,000	–	1,000,000	–	100,000
2002	Split 4:1	3,000,000	4,000,000	–	4,000,000	–	100,000
2002	Reclassification of A shares to B shares	–	3,000,000	1,000,000	4,000,000	–	100,000
2004	Rights issue	133,333	3,133,333	1,000,000	4,133,333	3,333	103,333
2005	Rights issue	66,666	3,199,999	1,000,000	4,199,999	1,667	105,000
2011	Subscription through warrants	4,000	3,199,999	1,004,000	4,203,999	100	105,100
2017	Stock dividend issue	–	3,199,999	1,004,000	4,203,999	1,156,100	1,261,200
2017	Split 15:1	58,855,986	47,999,985	15,060,000	63,059,985	–	1,261,200
2017	Reclassification of A shares to B shares	–	14,399,996	48,659,989	63,059,985	–	1,261,200
2017	Rights issue	25,000,000	14,399,996	73,659,989	88,059,985	500,000	1,761,200
		88,059,985				**1,761,200**	

Regarding changes in equity, refer to the consolidated and Parent Company statements of changes in equity.

NOTE 22 Proposed appropriation of retained earnings

The Board of Directors proposes that available funds amounting to SEK 830,909,511 be disposed of as follows:

Amounts in SEK	Dec. 31, 2020
Carried forward	830,909,511
Total	**830,909,511**

NOTE 23 Untaxed reserves

	Parent Company	
Amounts in kSEK	Dec. 31, 2020	Dec. 31, 2019
Tax allocation reserve, 2016	–	18,800
Tax allocation reserve, 2017	–	4,800
Tax allocation reserve, 2018	62,803	122,603
Tax allocation reserve, 2019	28,700	28,700
Total tax allocation reserve	**91,503**	**174,903**
Accelerated depreciation	3,306	1,771
Total untaxed reserves	**94,809**	**176,674**

NOTE 24 Lease liabilities

Lease liabilities presented in the balance sheet are allocated as follows:

	Group	
Amounts in kSEK	**Dec. 31, 2020**	**Dec. 31, 2019**
Current	7,141	6,439
Non-current	13,627	20,927
Total lease liabilities	**20,768**	**27,366**

The table below describes the Group's leases based on the type of right of use recognized in the statement of financial position:

Right-of-use assets	**Number of right-of-use assets**	**Interval, duration remaining**	**Average remaining lease period**	**Number of contracts with warrants to extend**	**Number of contracts with warrants to purchase**	**Number of contracts with variable fees pegged to an index**	**Number of contracts with warrants to cancel**
Office premises	2	3 years	3 years	2	0	2	2
Garage spaces	1	1 year	1 year	1	0	1	1
Employee vehicles	5	2 years	2 years	5	5	0	5

LEASES NOT RECOGNIZED AS LIABILITIES

The Group has chosen not to recognize a lease liability regarding short-term leases (leases with an expected term of 12 months or less) or low-value leases. Payments concerning such leases are expensed on a linear basis. Furthermore, the recognition of certain lease fees as lease liabilities is not permitted, which is why they are also routinely expensed.

NOTE 25 Accrued expenses and prepaid income

	Group		*Parent Company*	
Amounts in kSEK	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Accrued personnel expenses	12,669	9,454	12,669	9,454
Contractual accrued expenses	3,035	8,023	3,035	8,023
Prepaid income	67,554	101,168	67,554	101,168
Prepaid EU grants	433	1,292	433	1,292
Other accrued expenses and prepaid income	–	182	–	–
Total accrued expenses and prepaid income	**83,692**	**120,119**	**83,692**	**119,936**

In 2020, SEK 33.8 M (108.4) was recognized as revenue, which included prepaid income at the start of the financial year. No revenue was recognized during the year from fulfilled or partially fulfilled performance obligations from earlier periods.

The prepaid income recognized is expected to be utilized primarily in the period from 2021 to 2023; refer to Note 5 for further information.

NOTE 26 Pledged assets and contingent liabilities

PLEDGED ASSETS

The pledged assets in the table below were pledged as security for office premises.

	Group		Parent Company	
Amounts in kSEK	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Restricted cash	1,500	1,500	1,500	1,500
Deposit, lease	62	11	62	11
Total pledged assets	**1,562**	**1,511**	**1,562**	**1,511**

CONTINGENT LIABILITIES

The contingent liabilities below have been identified as applying to both the Group and the Parent Company:

- Under the EU research collaborations it has signed, BioArctic has a repayment obligation toward the contracting parties in the event the projects are terminated and the advance payments received exceed the costs incurred. BioArctic also has an obligation to defray the expenses for the medical care needs of patients included in these trials.
- As part of the Swedish state grants received, the company has a repayment obligation if the projects are terminated, or alternately the company does not complete the project in accordance with guidelines, and the project costs incurred do not total the amount disbursed.

All projects are proceeding according to plan, and there are no indications that repayment obligations or other obligations could arise. The same assessment was made in 2019.

NOTE 27 Disclosures on the cash flow statement

ADJUSTMENT FOR NON-CASH ITEMS

	Group		Parent Company	
Amounts in kSEK	2020	2019	2020	2019
Depreciations of tangible assets and right-of-use assets	10,920	9,199	3,735	2,961
Profit (-) / loss (+) on disposal of property, plant and equipment	209	–	219	–
Prepaid income	-33,805	-108,366	-33,805	-108,366
Unrealized foreign exchange gains (-) / losses (+)	1,367	-8,701	1,367	-8,701
Share-based remuneration	1,319	383	1,319	383
Total adjustment for non-cash items	**-19,991**	**-107,485**	**-27,165**	**-113,723**

NOTE 28 Transactions with affiliated parties

Board member Mikael Smedeby works as a lawyer and partner in Advokatfirman Lindahl KB, which provides routine business law advice to BioArctic. The fees invoiced totalled MSEK 0.4 (0.4). Board member Pär Gellerfors submitted invoices totally MSEK 0.1 (0.1) via Ackelsta AB for consultant services during the January–December period. Christine Lind, a member of BioArctic's management group in 2020 but not employed by the company, submitted invoices to BioArctic for consultant services during the year. Remuneration to Christine Lind's company, Lind Growth Strategy AB, totaled SEK 3.4 M (2.8) in 2020. Remuneration has been paid for consultant services provided in the fields of investor relations and communication as well as business development and commercial strategy. All services invoiced to related parties are based on normal market prices.

Apart from the remuneration to Advokatfirman Lindahl KB, Ackelsta AB and Lind Growth Capital AB, as well as salaries and Board fees described above, no material transactions have taken place between the Group and related parties. All transactions took place under market conditions.

NOTE 29 Events after the balance sheet date

BioArctic received patent approval for antibodies against shorter forms of truncated amyloid-beta, the AD1503 antibody project.

Eisai expanded the number of participants in the Clarity AD study in order to ensure robust data. The results of the Clarity AD study are still expected in September 2022.

At the AD/PD conference in March 2021, BioArctic presented findings suggesting that lecanemab could be of potential benefit for adults with Down's syndrome with dementia. Preliminary results presented by Eisai from the ongoing open-label extension of the Phase 2b study in early Alzheimer's disease continue to suport the effect of lecanemab on brain amyloid levels.

NOTE 30 Information on purchases and sales within the Group

No purchases or sales occurred within the Group.

NOTE 31 Definition and reconciliation of key ratios

Key ratios	Definition
Other income	Income other than net revenue
Operating profit/loss	Result before financial items
Operating margin, %	Operating profit/loss divided by net revenue
Equity per share	Adjusted equity divided by the number of shares at the end of the period
Cash flow from operating activities per share, SEK	Cash flow from operating activities divided by the weighted average number of shares outstanding
Equity/asset ratio, %	Adjusted equity divided by the balance sheet total
Return on equity	Earnings after tax divided by the average adjusted equity

Amounts in kSEK	2020	2019	2018	2017	2016
Operating margin					
Operating profit	-85,012	112,538	488,794	19,294	74,631
Net revenue	62,347	281,772	713,970	140,706	105,613
Operating margin, %	**-136.4%**	**39.9%**	**68.5%**	**13.7%**	**70.7%**
Basic earnings per share					
Profit/loss for the year	-68,517	88,468	381,602	15,157	57,580
Weighted average number of shares outstanding before dilution[1]	88,059,985	88,059,985	88,059,985	68,059,985	63,059,985
Earnings per share before dilution, SEK	**-0.78**	**1.00**	**4.33**	**0.22**	**0.91**
Diluted earnings per share					
Profit/loss for the year	-68,517	88,468	381,602	15,157	57,580
Weighted average number of shares outstanding after dilution[1]	88,177,985	88,059,985	88,059,985	68,059,985	63,059,985
Earnings per share after dilution, SEK	**-0.78**	**1.00**	**4.33**	**0.22**	**0.91**
Equity per share					
Equity	907,299	974,497	1,017,736	636,134	60,760
Number of shares outstanding [1]	88,059,985	88,059,985	88,059,985	88,059,985	63,059,985
Equity per share	**10.30**	**11.07**	**11.56**	**7.22**	**0.96**
Cash flow from operating activities per share					
Cash flow from operating activities	-92,341	327,165	-200,057	-135,327	675,131
Weighted average number of shares outstanding before dilution [1]	88,059,985	88,059,985	88,059,985	68,059,985	63,059,985
Cash flow from operating activities per share	**-1.05**	**3.72**	**-2.27**	**-1.99**	**10.71**
Equity/asset ratio, %					
Adjusted equity	907,299	974,497	1,017,736	636,134	60,760
Balance sheet total	1,050,313	1,183,332	1,393,042	1,140,483	707,976
Equity/asset ratio, %	**86.4%**	**82.4%**	**73.1%**	**55.8%**	**8.6%**
Return on equity					
Profit/loss for the year	-68,517	88,468	381,602	15,157	57,580
Average adjusted equity	940,898	996,116	826,935	348,447	84,522
Return on equity, %	**-7.3%**	**8.9%**	**46.1%**	**4.3%**	**68.1%**

[1] Comparison figures have been restated owing to the 15:1 split carried out on August 1, 2017

Assurance of the Board of Directors and CEO

The Board of Directors and the CEO hereby assure that the consolidated accounts and annual report were prepared as per the International Financial Reporting Standards (IFRS) as adopted by the EU, and generally accepted accounting principles, respectively, and provide a true and fair view of the development of the Group's and Parent Company's financial position and performance, and that the Board of Directors' report provides a true and fair view of the Group's and Parent Company's operations, financial position and performance as well as describing material risks and uncertainties faced by the companies that are part of the Group. The income statements and balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 6, 2021.

Stockholm, Sweden on March 30, 2021

Wenche Rolfsen
Chairman of the Board

Ivar Verner
Deputy Chairman

Hans Ekelund
Board member

Håkan Englund
Board member

Pär Gellerfors
Board member

Lars Lannfelt
Board member

Mikael Smedeby
Board member

Eugen Steiner
Board member

Gunilla Osswald
CEO

Our audit report was submitted on March 30, 2021

Grant Thornton Sweden AB

Mia Rutenius
Authorized public accountant
Auditor in charge

Therese Utengen
Authorized public accountant

Auditor's report

To the General Meeting of the shareholders of BioArctic AB (publ) corporate identity number 556601-2679

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of BioArctic AB (publ) for the year 2020, with the exception of the Corporate Governance Report on pages 55-65. The annual accounts and consolidated accounts of the company are included on pages 42-102 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Parent Company as of December 31, 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our statements do not include the Corporate Governance Report on the pages 55-65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the General Meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's audit committee in accordance with the Audit Regulation (537/2014/EU) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014/EU) Article 5.1 have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

The Group's reported revenues as of December 31, 2020 is kSEK 65,943 and mainly includes compensation related to research collaborations. The reporting of revenue related to compensation from research collaborations is based on the fulfillment of performance obligations. Since the Group's revenues are of material amount and includes significant elements of assessments revenues have been assessed as a key audit matter. For further information on accounting principles for revenue recognition, see note 2 in the annual report of BioArctic AB (publ).

Our audit has included the following audit procedures but were not limited to these:

- Understanding and assessment of the company's routines and controls related to revenue recognition;
- Examination of recognized revenue related to research collaborations against agreements and received payments;
- Examination of project accounting, examination of project expenses and examination of the assessments made by management related to percentage of completion and fulfillment of performance obligations in major research collaborations;
- Examination of valuation regarding assets and liabilities related to revenue; and
- Examination and assessment that applied accounting principles are in accordance with IFRS and whether information disclosed in the annual report is in all material respect sufficient in accordance with the Annual Accounts Act and IFRS.

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Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-41. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or mistake.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things, oversee the company's financial reporting process.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or mistake, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or mistake and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or mistake, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from mistake, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluate the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO;
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of BioArctic AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibilities

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is

based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine, and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Auditor's report on the corporate governance statement

It is the Board of Directors who is responsible for the Corporate Governance Report found on pages 55-65 and that it has been prepared in accordance with the Annual Accounts Act. Our review has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's review of the corporate governance statement. This means that our review of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the review has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Grant Thornton Sweden AB, Sveavägen 20 SE 111 57 Stockholm, was appointed auditor of BioArctic AB (publ) by the General Meeting of the shareholders on the May 7, 2020 and has been the company's auditor since June 22, 2016.

Stockholm, March 30, 2021
Grant Thornton Sweden AB

Mia Rutenius
Authorized public accountant
Auditor in charge

Therese Utengen
Authorized public accountant

Glossary

A

Alpha-synuclein (α-synuclein)
A naturally-occurring protein in the body that, in conjunction with Parkinson's disease, misfolds and forms harmful structures in brain cells.

Amyloid beta (Aβ)
A naturally occurring protein in the brain that, in conjunction with Alzheimer's disease, misfolds into harmful structures in brain cells. They form the plaque around brain cells visible in patients with Alzheimer's disease.

Amyloid pathology
A condition in which harmful accumulations of amyloid beta is the underlying cause.

Amyloid PET
A diagnostic imaging method used to identify the presence and prevalence of harmful accumulations of amyloid beta in the brain.

Antibody
A biological molecule originating in the immune system that binds to a target molecule with a high degree of accuracy.

ApoE (Apolipoprotein E)
ApoE transports fats in the blood. ApoE comes in three forms. Individuals expressing the ApoE4 form are at greater risk of developing Alzheimer's disease.

Arctic mutation
A mutation in the gene for the amyloid precursor protein (APP) that promotes certain hereditary cases of Alzheimer's disease. Discovered by Professor Lars Lannfelt and his research group, and gave the company its name.

ARIA-E
A form of cerebral edema that occurs in some patients treated with anti-amyloid monoclonal antibodies for Alzheimer's disease.

B

Binding profile
A binding profile specifies in which way and to which forms of a protein (such as amyloid beta or alpha-synuclein) an antibody binds.

Biological drugs
Large molecule drugs that are manufactured and extracted, wholly or in part, from biological systems.

Biomarker
A measurable molecule, the levels of which can indicate a change in the body and enable diagnosis of a patient or measurement of the effect of a drug.

Blood-brain barrier
A structure of tightly bound cells that surround blood vessels in the brain. This barrier regulates the exchange of nutrients and waste and protects against bacteria and viruses.

C

Central nervous system (CNS)
The part of the body's nervous system comprising the brain and spinal cord.

Clinical studies
Drug trials performed in human subjects.

D

Disease-modifying drug
A category of drug that attacks the underlying cause of a disease.

Double-blind
A method of designing a clinical trial so that both the research subject and staff administering the therapy have no information on whether a drug or a placebo is being administered to the patient.

Drug candidate
A drug under development that has not yet gained marketing approval.

E

Early Alzheimer's disease
Mild cognitive impairment due to Alzheimer's disease and mild Alzheimer's disease.

Effect variable
The parameter(s) measured to assess the result of a research study.

Endpoint
A measurement defined in advance for measuring the effect in a trial.

I

Immunotherapy
A form of medical treatment in which the activity of the immune system is deliberately activated or moderated.

Indication
A medical condition in conjunction with which the administration of a specific treatment has been approved.

Interim analysis
A statistical analysis conducted during an ongoing clinical trial to evaluate preliminary findings.

Intravenous
Injection of a drug directly into the blood.

I

Lewy bodies
Accumulations of misfolded alpha-synuclein in brain cells. Leads to diseases such as Parkinson's disease and certain dementia-related diseases.

Licensing
Agreement where a company that has invented a drug gives another company the right to further develop and sell the drug for certain payments.

M

Milestone payments
Financial remuneration received as part of a project or collaboration agreement once a specified goal has been achieved.

Monomer
An individual molecule with the ability to bind to other similar molecules to form larger structures such as oligomers (q.v.) and protofibrils (q.v.).

Mutation
A change to genetic makeup – DNA – that could give rise to disease.

N

Neurodegenerative disease
A disease that entails a gradual breakdown and degeneration in brain and nervous system function.

O

Oligomer
Molecules consisting of a number of monomers.

Open-label extension study
Clinical study conducted after a completed randomized and placebo-controlled study in which all patients receive active substance.

P

PET
Positron emission tomography is a type of diagnostic method using imaging for medical assessment.

Phase 1 study
Studies the safety and tolerability of a drug in a limited number of healthy volunteers or patients.

Phase 2 study
Studies the safety and efficacy of a drug in a limited number of patients. Later stages of Phase 2 studies can be called Phase 2b, and evaluate the optimal dosage of the drug being studied.

Phase 3 study
Confirms the safety and effect of a drug in a large number of patients.

Placebo-controlled
A study design that entails some of the patients receiving an inactive compound to obtain a relevant control group.

Preclinical (asymptomatic) Alzheimer's disease
Normal cognitive function but with intermediate or elevated levels of amyloid in the brain.

Preclinical phase
Stage of development where preclinical studies of drug candidates are conducted to prepare for clinical studies.

Preclinical studies
Studies conducted in model systems in laboratories prior to conducting clinical trials in humans.

Product candidate
A product under development that has not yet gained marketing approval.

Protein
Complex molecules manufactured by the body, consisting of thousands of atoms, often with a biological function.

Protofibril
A harmful aggregation of amyloid beta formed in the brain, which gives rise to Alzheimer's disease, or a harmful aggregation of alpha-synuclein formed in the brain and gives rise to Parkinson's disease.

R

Randomized study
A random division of test subjects into predetermined treatment groups or placebo groups in a clinical trial.

Receptor
Protein structures that initiate a biochemical chain reaction in the body once activated.

Research phase
Early research focused on studying and elucidating the underlying molecular disease mechanisms and generation of potential drug candidates.

Royalty
Remuneration when someone uses or sells a product onward.

S

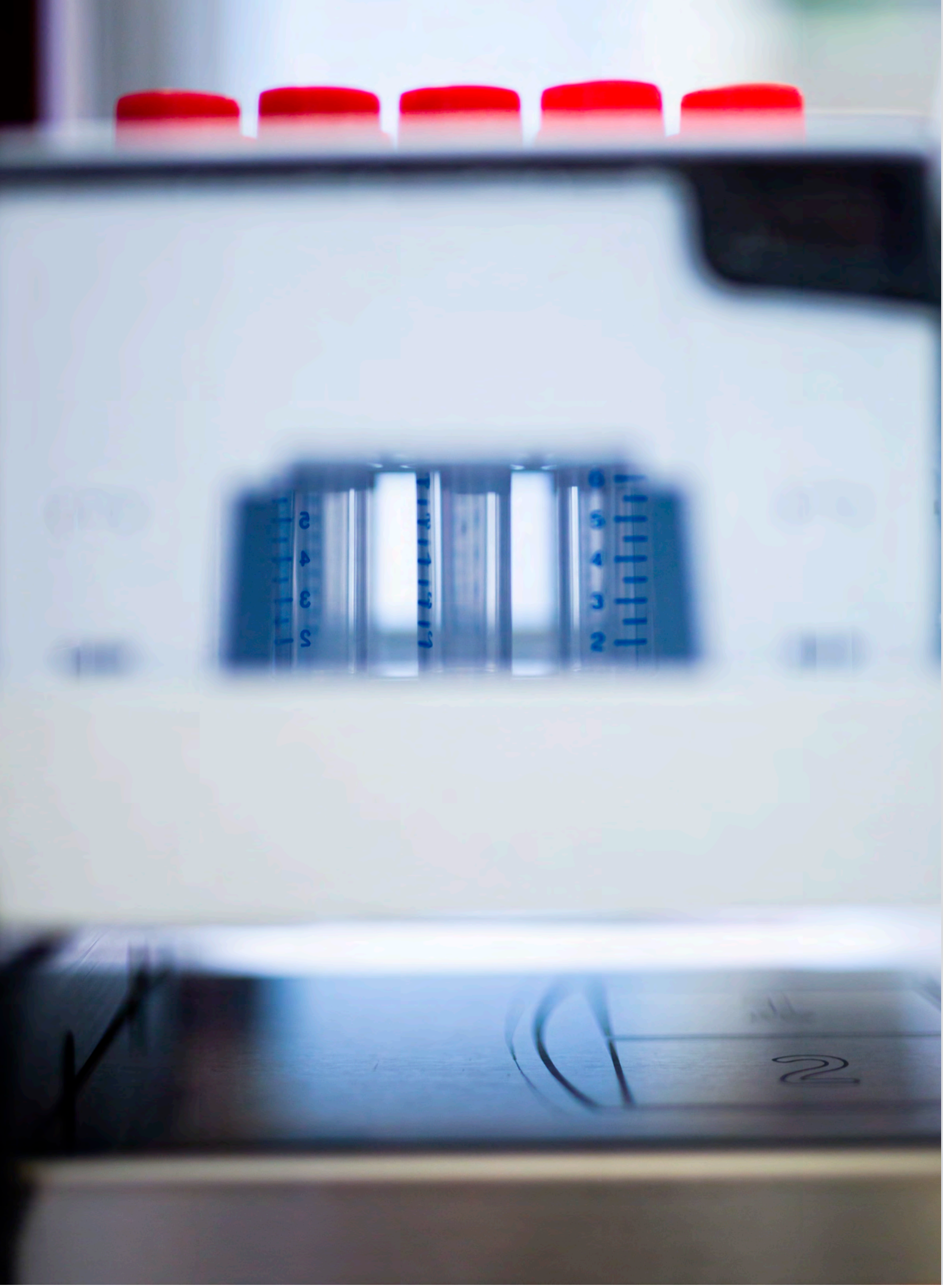
Selective binding
The affinity of a molecule for binding to a specific receptor.

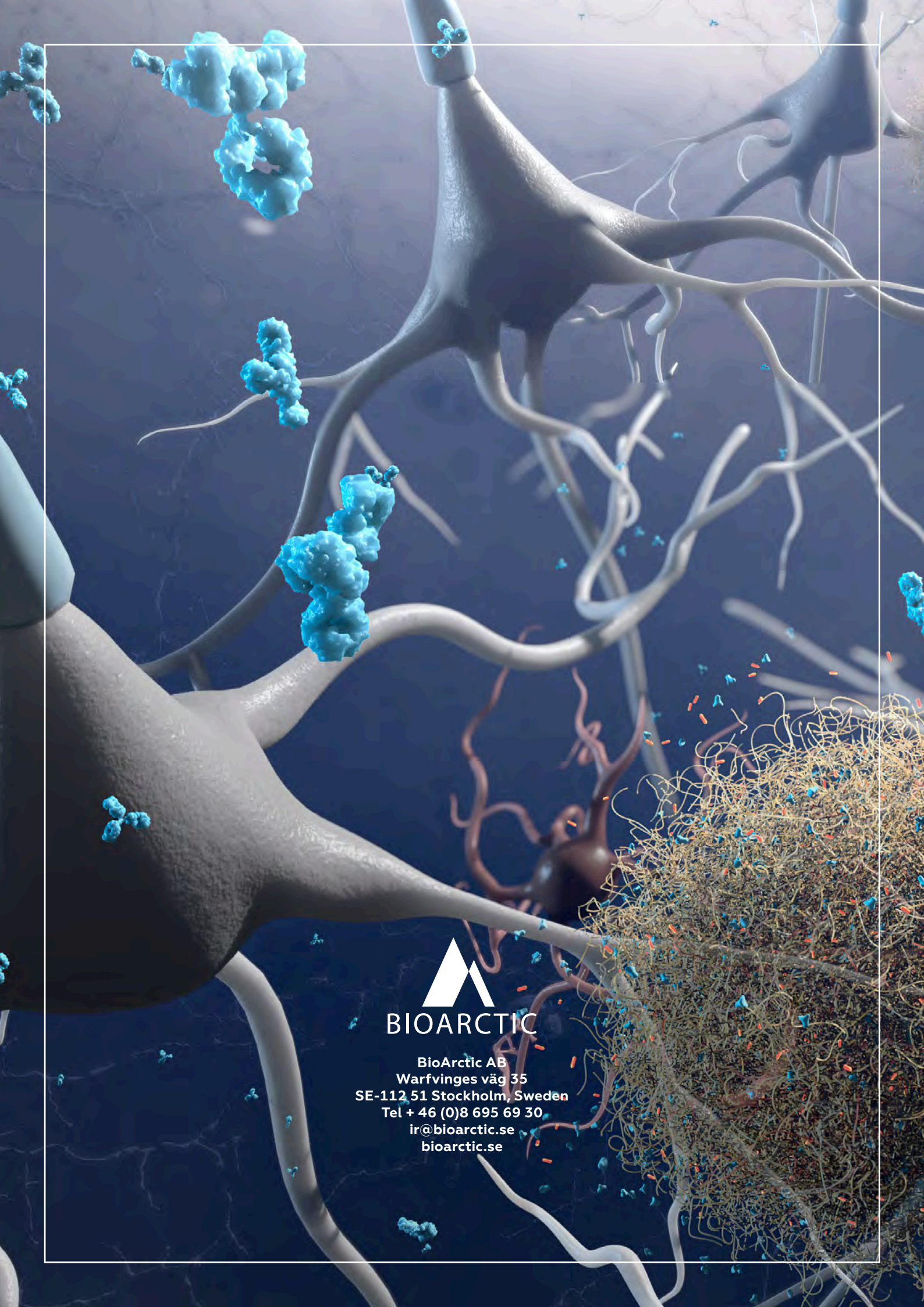
Spinal fluid
A fluid in the central nervous system which nourishes nerve cells as well picks up and removes waste products that are created from the working processes of the cells.

T

Tolerability
The degree of side effects from a drug that can be tolerated by a patient.

Truncated amyloid beta
Shortened (truncated) forms of the amyloid beta protein.





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