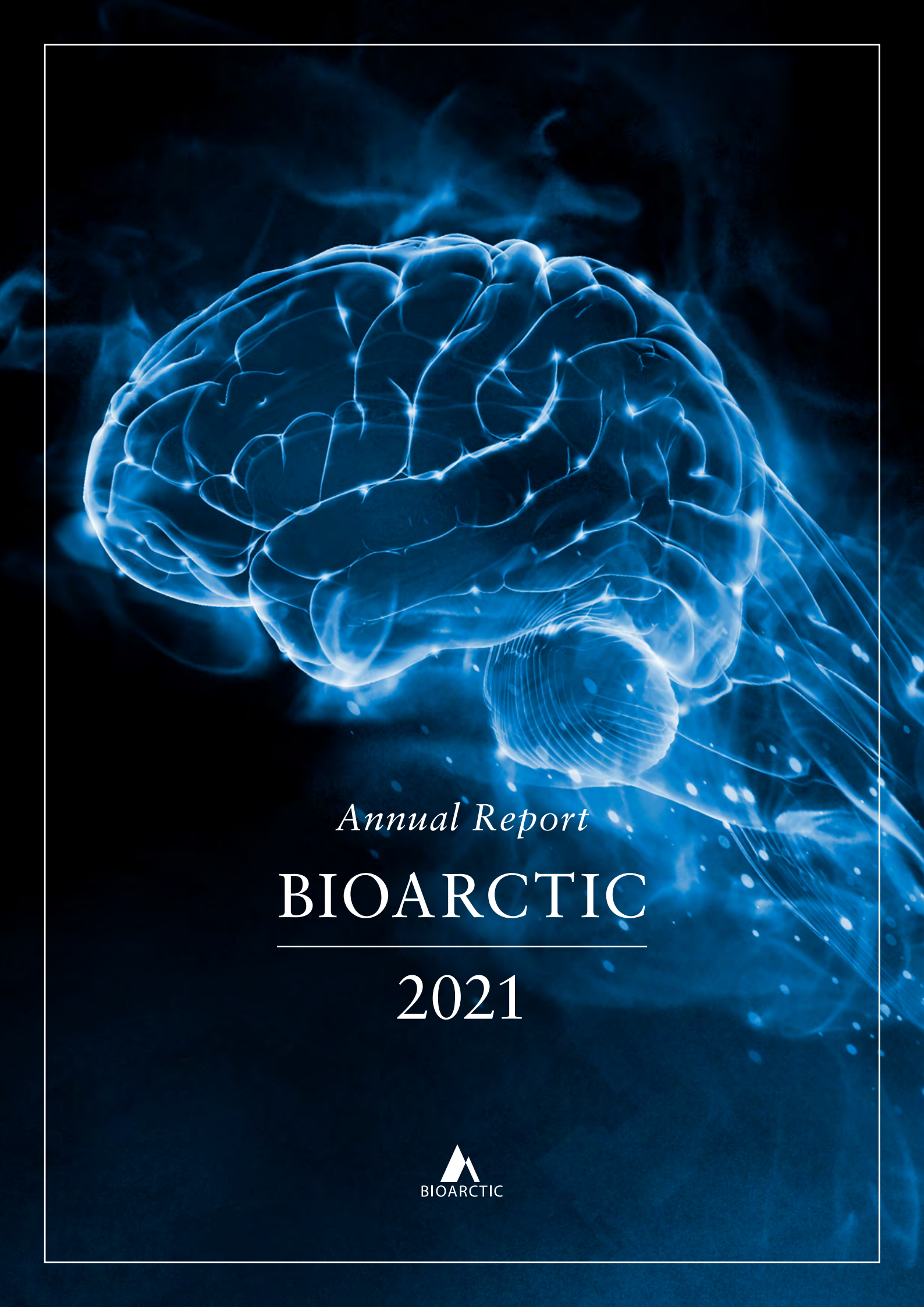

Annual Report

BIOARCTIC

2021

BIOARCTIC

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BIOARCTIC IN THREE MINUTES

BioArctic seeks to improve the lives of patients with disorders of the central nervous system. The company develops drugs with the potential to revolutionize the treatment of disorders such as Alzheimer's disease, Parkinson's disease and ALS, as well as an advanced technology to facilitate the passage of drugs across the blood-brain barrier. To expand the opportunities for value creation, BioArctic collaborates closely with leading academic research groups and companies in the global pharma industry. Results from a pivotal Phase 3 study of the drug candidate lecanemab in patients with early Alzheimer's disease are expected in the autumn of 2022. The company's partner, Eisai, has already begun a rolling submission of the application to the FDA for market approval through an accelerated process.

Revenue

2021: MSEK 23.
2017–2021: MSEK 1,222.

BioArctic's operating revenue is based on the company's ability to develop innovative drug candidates and sign collaboration agreements with global pharma companies. The licensing agreement with the global pharma companies Eisai and AbbVie have generated the majority of the company's income over the last five years, and the total value of the remaining potential remuneration is approximately SEK 7.2 billion. Should these partnerships result in drugs with market approval, BioArctic will additionally have the right to sales-based royalties. After potential approval of its most advanced drug candidate, lecanemab, the company plans to market the product in-house in the Nordic region, which could result in an additional income stream.

Operating loss

2021: MSEK -140.
2017–2021: MSEK 396.

Since BioArctic does not yet have any drugs being sold in the market, earnings are significantly impacted by income in the form of remuneration for research initiatives and milestone payments linked to the company's licensing agreements, which are paid out on an irregular basis over time. Significant revenue from the current collaboration agreements with Eisai and AbbVie has enabled BioArctic to report a positive combined operating profit for the most recent five-year period.

Cash and cash equivalents

BioArctic's cash and bank balances totaled MSEK 848 at year-end 2021. The strong financial position provides a high level of flexibility and facilitates robust efforts in existing and new projects to maximize future 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.

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
Eisai inlicenses BAN2401 from BioArctic for treatment of Alzheimer's disease.

2010
Eisai begins the Phase 1 study of BAN2401 in Alzheimer's disease.

2013
Eisai initiates a global Phase 2b study in Alzheimer's disease.

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

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.

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

ALZHEIMER'S DISEASE

BioArctic's most advanced drug candidate against Alzheimer's disease, lecanemab, and its backup compound have been outlicensed to Eisai. The collaboration agreement with Eisai has a total value of approximately SEK 2.3 billion, and BioArctic additionally has the right to a sales-based royalty. Lecanemab is an antibody that has the potential to slow the progression of the disease, and has shown positive results in a major Phase 2b study. Results from a comprehensive Phase 3 study in patients with early Alzheimer's disease are expected in the autumn of 2022. In addition, a separate global Phase 3 study is in progress to evaluate the effects of lecanemab in an even earlier stage of the disease: preclinical asymptomatic Alzheimer's disease. In September 2021, Eisai initiated a rolling submission for the application for market approval to the FDA under an accelerated pathway. Moreover, BioArctic has a number of fully owned antibodies with various mechanisms of action that are currently in discovery 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 7 billion, and BioArctic additionally has the right to a sales-based royalty. AbbVie has evaluated drug candidate ABBV-0805 in a clinical Phase 1 study and is preparing for a Phase 2 study. Moreover, the antibodies in the Parkinson's program have potential as a 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, and the antibody in the ND3014 drug project targets ALS, a serious disease. 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 biological drugs and antibodies across the blood-brain barrier. In 2021, BioArctic combined two early projects against Alzheimer's disease, AD-BT2802 and AD-BT2803, with its blood-brain barrier technology.

DIAGNOSTICS

BioArctic is working to develop new methods that could improve diagnostics and the evaluation of treatments for the company's projects in Alzheimer's disease and Parkinson's disease. BioArctic is pursuing a number of projects in partnership with external commercial and academic partners. In addition, the company is active in a project to improve brain imaging (positron emission tomography, or PET) of Alzheimer's patients.

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

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

2020
Alzheimer's patients globally and in Sweden are included in the confirmatory Phase 3 study with lecanemab.

2020
A new global Phase 3 program is initiated with lecanemab in preclinical asymptomatic Alzheimer's disease.

2020
BioArctic receives the 2020 Allbright Prize for its equality initiatives.

2021

- The FDA grants breakthrough therapy and fast track designation for lecanemab in Alzheimer's disease.
- Eisai initiates a rolling submission of the application to the FDA for market approval of lecanemab in early Alzheimer's disease under an accelerated pathway.
- Eisai conducts a Phase 1 study with subcutaneous administration for treatment with lecanemab.
- BioArctic combines two early projects against Alzheimer's disease, AD-BT2802 and AD-BT2803, with its blood-brain barrier technology.
- BioArctic and Eisai present new data that strengthens earlier positive results for lecanemab at the AD/PD, AAIC and CTAD scientific congresses.
- New data for ABBV-0805 in Parkinson's disease is presented at the MDS congress, and preclinical data showing that ABBV-0805 selectively binds to soluble harmful aggregates of alpha-synuclein is published in Neurobiology of Disease.
- BioArctic also announced that its ND3014 drug candidate targets the development of selective antibody drugs with the protein TDP-43 for the treatment of the rare neurodegenerative disease ALS.

BIOARCTIC'S BUSINESS MODEL AND PROJECT PORTFOLIO

Current treatments of disorders of the central nervous system most often provide only mild relief of symptoms. To reduce the effects of these diseases on the lives of patients and their families, significant resources are being put into developing more effective drugs with the objective of being able to 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 is a specialist in the development of drugs for diseases of the brain, and the company'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 pharma 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 licensing and collaboration agreements can also provide significant operating revenue long before any market introduction of a approved drug takes place.

BioArctic's research portfolio consists of a large number of projects, from the early research stage through clinical Phase 3, that are being conducted to improve the treatment of Alzheimer's disease, Parkinson's disease, amyotrophic lateral sclerosis (ALS) and other disorders of the central nervous system. Moreover, the company is also developing a technology to facilitate improved uptake of biological drugs in the brain. Approximately 50 employees work on research and development at BioArctic's combined laboratory and head office in Stockholm, with the objective of continually enabling new scientific breakthroughs. In 2021, moreover, efforts to build an in-house sales and marketing organization began ahead of a potential introduction of the company's most advanced drug candidate, lecanemab, in the Nordic region.

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 PROJECT PORTFOLIO

BioArctic has a broad, diversified project portfolio that is focused on disorders of the central nervous system. The company has established partnerships with global pharma companies that are conducting and financing two clinical drug projects in Alzheimer's disease and Parkinson's disease. In addition to these projects, BioArctic is pursuing in-house development of additional drug candidates in the preclinical phase. All projects address significant medical needs and have great commercial potential. The combination of fully financed projects and in-house investments in new groundbreaking research and development provides a healthy balance in the company's portfolio.

	Project	Partner	Research	Preclinical	Phase 1	Phase 2	Phase 3
ALZHEIMER'S DISEASE	Lecanemab (BAN2401) Clarity AD	Eisai[1]	Early Alzheimer's disease[3]				
	Lecanemab (BAN2401) AHEAD 3-45	Eisai[1]	Preclinical (asymptomatic) Alzheimer's disease[4]				
	BAN2401 back-up	Eisai					
	AD1801						
	AD1502						
	AD1503						
	AD-BT2802						
	AD-BT2803						
	AD2603						
PARKINSON'S DISEASE	ABBV-0805[5]	AbbVie					
	PD1601	AbbVie					
	PD1602	AbbVie					
OTHER CNS DISORDERS	Lecanemab (BAN2401)		- Down's syndrome[5] - Traumatic brain injury[5]				
	ND3014		ALS				
BLOOD-BRAIN BARRIER	Brain Transporter (BT) technology						
DIAGNOSTICS	Biomarkers and diagnostics—Alzheimer's disease						
	Biomarkers and diagnostics—Parkinson's disease	AbbVie					

1) Partner with Eisai regarding lecanemab for treatment of Alzheimer's disease. Eisai has partnered with Biogen regarding BAN2401 (lecanemab) since 2014
2) AbbVie licensed BAN0805 in late 2018 and develops the antibody with the designation ABBV-0805
3) Mild cognitive impairment as a consequence of Alzheimer's disease and mild Alzheimer's disease
4) Normal cognitive function with intermediate or elevated levels of amyloid-beta in the brain
5) Dementia and cognitive impairment associated with Down's syndrome and with traumatic brain injury

THE YEAR IN BRIEF

BioArctic's most advanced drug candidate – lecanemab, against Alzheimer's disease – made great strides forward during the year when the company's partner, Eisai initiated a rolling submission of the application for market approval to the US Food and Drug Administration (FDA) under an accelerated pathway. Moreover, several new results of research for both Alzheimer's disease and Parkinson's disease were presented. BioArctic also announced that its ND3014 project was intended to develop new antibodies for treatment of ALS. In all, BioArctic has had a successful year in the battle against neurodegenerative disorders.

JANUARY
BioArctic was granted a patent by the European Patent Office (EPO) for new antibodies that could be developed into a treatment for Alzheimer's disease. The antibodies, linked to the company's AD1503 project, target a shortened (truncated) form of amyloid beta (pE3-Aβ). The patent expires in 2030.

MARCH
The enrollment of 1,795 patients with Alzheimer's disease in Clarity AD, a Phase 3 study of lecanemab, was completed. The results of the study are expected in late September 2022.

MARCH
BioArctic combines two early projects against Alzheimer's disease, AD-BT2802 and AD-BT2803, with its blood-brain barrier technology.

MARCH
BioArctic and its partner Eisai announced new data concerning their drug candidate lecanemab at the 15th International Conference on Alzheimer's and Parkinson's diseases and related neurological disorders (AD/PD™). The presentation included findings that showed that lecanemab could be of benefit to persons with Down's syndrome who display signs of functional or cognitive impairment.

MAY
Lotta Ljungqvist was elected as a new Board member at the virtual Annual General Meeting.

MAY
The Japan Patent office (JPO) granted the company's Japanese patent application for new antibodies that could be developed into a treatment for Alzheimer's disease. The antibodies, linked to the company's AD1503 project, target a shortened (truncated) form of amyloid beta (pE3-Aβ).

JUNE
Eisai announced that the US Food and Drug Administration (FDA) had granted lecanemab a breakthrough therapy designation. This is an FDA program intended to facilitate and accelerate the development and review of drugs for serious or life-threatening conditions. The advantages of obtaining this status include the possibility of more frequent guidance from the FDA for an efficient development program and the possibility of a rolling submission and review of the application for market approval as well as a potential priority review of the final application.

JULY
Data from the Phase 2b open-label extension study of lecanemab presented at the Alzheimer's Association International Conference provided further support for the clinical effects of the drug candidate. The baseline data for the Clarity AD and AHEAD 3-45 Phase 3 studies were presented at the same congress, as well as the possibility of using specific blood markers to monitor the effects of the drug in individual patients.

FINANCIAL OVERVIEW

	2021	2020
Net revenue, MSEK	23.1	62.3
Operating profit/loss, MSEK	-139.7	-85.0
Profit/loss for the year, MSEK	-119.8	-68.5
Cash flow from operating activities, MSEK	-140.5	-92.3
Equity/asset ratio, %	87.9	86.4
Return on equity, %	-14.13	-7.23
Earnings per share, SEK	-1.36	-0.78
Equity per share, SEK	8.96	10.30
Cash flow from operating activities per share, SEK	-1.60	-1.05
Share price at December 31, SEK	119.20	95.40
Cash and cash equivalents, net, MSEK	848.4	999.9

NET REVENUE

MSEK 23

BioArctic's net revenue in 2021 consists of remuneration for research collaboration with AbbVie and Eisai.

OPERATING RESULT

MSEK -140

The operating result during the financial year was lower than in the preceding year, which is primarily attributable to smaller milestone payments compared with the preceding year. Research is progressing according to plan, and the ongoing projects have the potential to create major increases in value over the long term.

PPOTENTIAL FUTURE REMUNERATION APPROXIMATELY

SEK 7 billion

The remaining potential remuneration 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.

SEPTEMBER

Eisai initiated a rolling submission of a Biologic License Application (BLA) to the US Food and Drug Administration (FDA) for market approval of lecanemab. The application was submitted for review under the accelerated approval pathway and is based primarily on clinical, biomarker and safety data from the Phase 2b study of lecanemab. The expected date for completion of the review will be set once all the parts have been submitted and the FDA has approved the completed application.

SEPTEMBER

BioArctic began the build-up of a Nordic sales and marketing organization to prepare for a potential launch of the company's most advanced drug candidate, lecanemab. The results from the Phase 3 study are expected in September 2022. Under the agreement with its partner Eisai, BioArctic has the rights to market and sell lecanemab in the Nordic region.

SEPTEMBER

New data for ABBV-0805 in Parkinson's disease is presented at the MDS congress. The results presented by AbbVie and BioArctic support continued development in Phase 2.

NOVEMBER

BioArctic provided an update on the company's development project, ND3014. The project aims to develop antibody treatments targeting TDP-43, a protein that is believed to play a crucial role in the development of the rare neurodegenerative disease ALS.

NOVEMBER

In November, BioArctic and Eisai held several presentations at the 14th Clinical Trials on Alzheimer's Disease conference (CTAD). New data for lecanemab was presented that reinforces the positive results previously demonstrated in a Phase 2b study and an open-label extension study of lecanemab. Moreover, data was presented that demonstrates the potential for using blood samples for p-tau181 and Aβ42/40 for the purpose of monitoring the treatment effect of lecanemab. The data presented also clarifies the similarities and differences in lecanemab's binding profile compared with other anti-amyloid antibodies against Alzheimer's disease that are in a late stage of development.

DECEMBER

Lecanemab was granted Fast Track designation by the US Food and Drug Administration (FDA), which supports expedited development of treatments for serious diseases with unmet medical need. Two of the three sections in the rolling submission for lecanemab had been submitted to the FDA.

NOVEMBER

Neurobiology of Disease published an article from BioArctic describing new preclinical data for the anti-αsynuclein antibody ABBV-0805. The publication contains data demonstrating ABBV-0805's ability to selectively target soluble toxic α-synuclein aggregates.

NOVEMBER

DIAN-TU (Dominantly Inherited Alzheimer Network Trials Unit) chose to include lecanemab as the background anti-amyloid agent in a clinical trial in combination with various tau treatments in patients with dominantly inherited Alzheimer's disease. The aim of the study is to assess the safety and tolerability of the drug candidates as well as their effect on biomarkers and cognition in patients with inherited Alzheimer's disease.

COMMENTS FROM THE CEO

2022 could be the most exciting year in the history of BioArctic's development. The results from the confirmatory Phase 3 study of lecanemab are approaching, and a rolling submission of the application for accelerated approval has already begun with the FDA. It is our hope that lecanemab will be first in a long line of potential drugs that, based on BioArctic's world-leading research, can provide patients suffering from neurodegenerative disorders with a better life.

In 2021, BioArctic and our partner Eisai generated additional data that emphasize the unique properties of lecanemab. In November, BioArctic's founder Professor Lars Lannfelt presented new preclinical data showing that lecanemab distinguished itself from other antibodies in the late development phase through its selective effect on the most toxic forms of amyloid beta, the protein that is believed to play a central role in the emergence and progression of Alzheimer's disease. At the same time, the results of the open-label extension study after Phase 2b were announced, which further strengthened lecanemab's clinical data. This data also supports the hypothesis that lecanemab's unique mechanism of action could have a slowing effect on the progression of the disease. Equally gratifying is the fact that the occurrence of the ARIA-E side effect remains low.

During the year, several crucial advances were made in the regulatory process. In June, lecanemab was granted Breakthrough Therapy designation by the US FDA, which provided scope for closer interaction with the agency and led to the possibility of applying for approval via an accelerated approval pathway with rolling submission. Our partner Eisai has submitted two parts of the application under the accelerated approval pathway, which provides the FDA with the possibility of reviewing the documentation on a rolling basis. Submission of the final part is planned for the second quarter of 2022, and accelerated approval could potentially be obtained already this year as well. A crucial part of the documentation consists of data from the Phase 2b study in 856 patients that demonstrated a robust elimination of amyloid plaque in the brain, decreased cognitive impairment from early Alzheimer's disease and a low frequency of ARIA-E. In parallel with the application process, a Phase 3 study in 1,795 patients intended to confirm the Phase 2b results is being concluded. Eisai expects to present data from the Phase 3 study in the autumn of 2022. The agreement with the FDA is that the results from the Phase 3 study, together with previous data, could form the basis for a potential full approval.

The major advances in research and in the regulatory procedure mean that lecanemab has the potential of becoming the first drug that modifies and slows the progression of the disease to obtain full approval in the US, and the first to reach the market in Europe. This could revolutionize the treatment of early Alzheimer's disease, which at the same would require a major transformation in health care. BioArctic has right to commercialize lecanemab in the Nordic region, and is now establishing an organization to enable a responsible market introduction of lecanemab after potential approval in the EU.

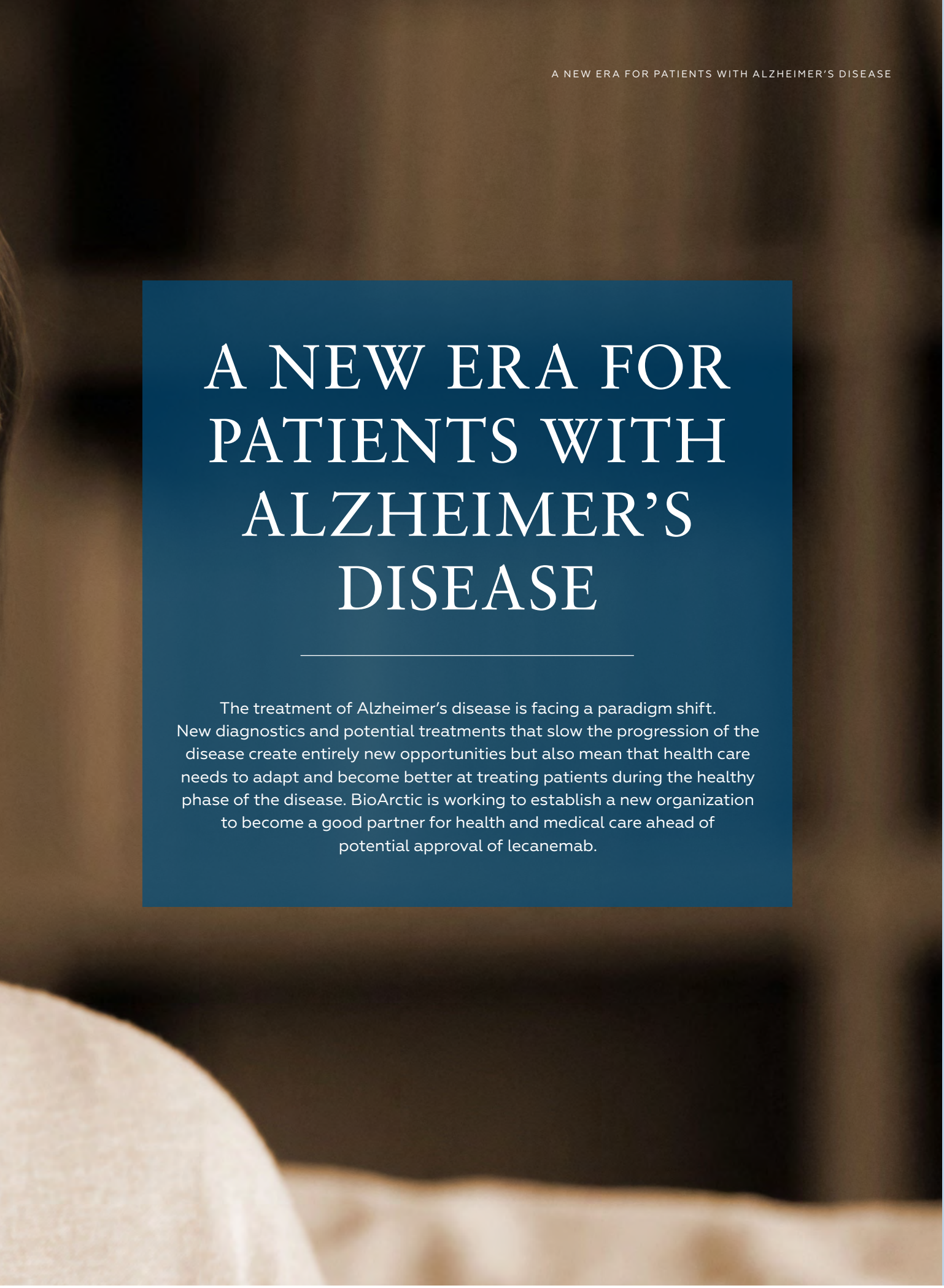
We are approaching a crucial phase in the work on offering a disease-modifying treatment for early Alzheimer's disease, but our ambitions are higher than that. We are investing major resources into our blood-brain barrier technology, which has the potential to facilitate the passage of biologics and other drugs into the brain and could be of use in both in-house projects and in partnership with other companies. In 2021, we presented our initiative to develop drugs for amyotrophic lateral sclerosis (ALS), and over the long term we hope that our efforts will lead to new treatments that improve life for these patients. It is also our hope that in 2022, our partner AbbVie will initiate a Phase 2 study with the drug candidate ABBV-0805 in patients with Parkinson's disease.

Everything we do at BioArctic is based on world-class research, and we keep the best interest of the patients and their families continually in mind. At the same time, we feel a great sense of social responsibility. For this reason, we are particular about conducting our operations with respect for our business environment and our employees. More information about our core values, sustainability initiatives and value-driven leadership model can be found further on in this Annual Report.

BioArctic's focus is on pursuing drug projects to facilitate improved treatments of neurodegenerative diseases, thereby providing patients with better lives. Since the company's founding in 2003, a research and development organization with world-leading competence has been built up. From the very beginning, there has been a strategic long-term ambition to establish a structure that can take responsibility for commercializing drugs in the Nordic region. I am proud of BioArctic's development, and I happily look forward to sharing the most exciting year in the company's history with our committed employees, shareholders and dedicated partners.

Gunilla Osswald
CEO, BioArctic AB

"A milestone in the treatment of patients with early Alzheimer's disease is coming closer. The results of the Phase 3 study of lecanemab – which has the potential of becoming the first disease-modifying drug with full approval in the US and the first to reach the market in Europe – are expected in the autumn."



A NEW ERA FOR PATIENTS WITH ALZHEIMER'S DISEASE

The treatment of Alzheimer's disease is facing a paradigm shift. New diagnostics and potential treatments that slow the progression of the disease create entirely new opportunities but also mean that health care needs to adapt and become better at treating patients during the healthy phase of the disease. BioArctic is working to establish a new organization to become a good partner for health and medical care ahead of potential approval of lecanemab.

Interview with Oskar Hansson

Better diagnostics an important part of health care of the future

In parallel with the development of new drugs, major advances are being made in diagnostics for Alzheimer's disease. Lund University professor of neurology Oskar Hansson and his research group are world leaders in the efforts toward simple and early identification of patients who will develop Alzheimer's disease through a blood test. The advances are significant for both patients and research.

What are the greatest advances in the diagnosis of Alzheimer's disease in the last few years?

"The fastest developments are in blood tests for diagnosis of Alzheimer's disease. We are most confident in phosphorylated tau as a blood marker since it displays a high degree of accuracy, especially in patients who have sought help because they have developed symptoms of mild dementia. In these patients, a blood test that specifically measures phosphorylated tau with 90 percent accuracy could separate out those who will develop Alzheimer's disease. Among the patients who are in even earlier stages of the development of the disease, the blood test needs to be combined with a few simple tests of cognition that take approximately fifteen minutes to complete. This replaces spinal fluid samples, which take time, are costly and cause patient discomfort."

What do these advances mean for the patients?

"Early diagnosis makes a big difference. It removes a great deal of uncertainty for both the sufferer and their family, and treatment and support can be brought in early. For patients whose blood tests show that they will likely not develop Alzheimer's disease, their doctors can try to find other causes of the cognitive impairment and address these instead. At present, these blood tests are used only at specialized memory clinics, but over the long term they could be used in primary care. We are now conducting a study where 20 health care clinics are using blood tests in combination with tests of cognition. The objective is to find the combination of blood tests and cognitive tests that are best suited for primary care. This has great potential for the future, but at the same time I hope that it is not implemented too quickly. It is important that we ensure the method actually works."

In future, how early on can attempts to diagnose Alzheimer's disease be made?

"The focus will remain on patients who display symptoms in order to bring in the right treatment and support early on. I don't believe there currently should be screening before symptoms appear. For this to be of interest, we will need to go much further with disease-modifying treatments, and this will require clear proof, both clinical and health economic, in individuals with Alzheimer's who have not yet developed symptoms. In addition, drugs used preventively – meaning before symptoms appear – must have a highly favorable side effect profile."

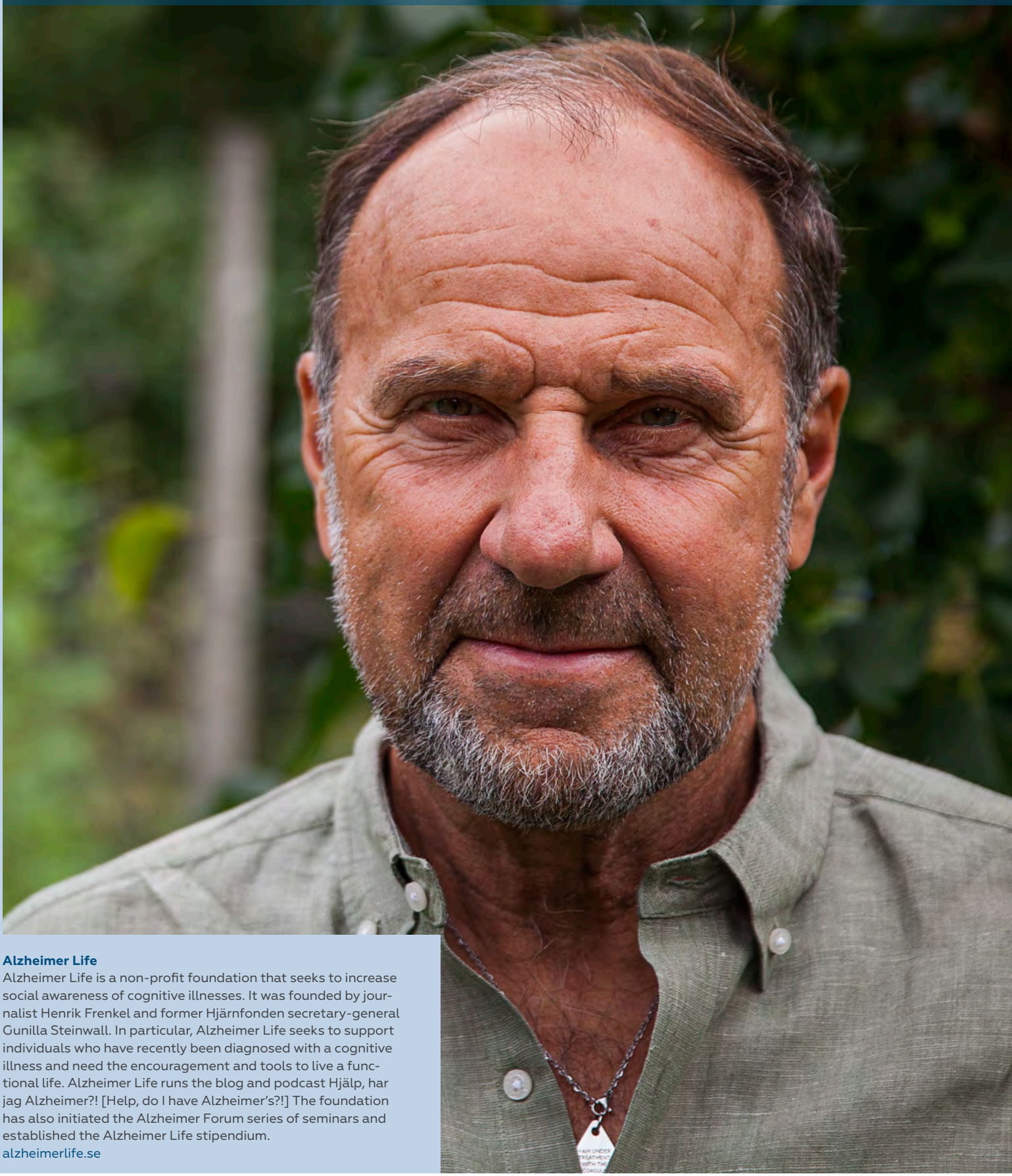
What do advances in diagnostics mean for research and development of new treatments?

"The advances in PET imaging of the brain are already of great significance since it allows the right patients to be included in the studies. Previously, around 20 to 30 percent of the participants did not have Alzheimer's disease, which obviously affects the results of the studies. Now that we are taking the next step and can monitor the progression of the disease in patients using blood tests, this provides increased possibilities for understanding the progression of the disease itself. What happens to the patients when amyloid levels decrease? When tau decreases? What does the link between amyloid and tau look like? There is still much we don't know, and more advanced diagnostics will be crucial to understanding why certain treatments work and others don't."

What is the next step in your research?

"We want to use this newly-gained knowledge in diagnostics to set up "trial ready" cohorts in Sweden, meaning we identify a group of cognitively healthy individuals with Alzheimer-induced changes in the brain who can be included in clinical drug trials. We want it to be easy to include Swedish patients in clinical trials of new treatments for Alzheimer's disease, and this is one way of lowering the threshold."

Interview with Henrik Frenkel



Alzheimer Life
Alzheimer Life is a non-profit foundation that seeks to increase social awareness of cognitive illnesses. It was founded by journalist Henrik Frenkel and former Hjärnfonden secretary-general Gunilla Steinwall. In particular, Alzheimer Life seeks to support individuals who have recently been diagnosed with a cognitive illness and need the encouragement and tools to live a functional life. Alzheimer Life runs the blog and podcast Hjälp, har jag Alzheimer?! [Help, do I have Alzheimer's?!] The foundation has also initiated the Alzheimer Forum series of seminars and established the Alzheimer Life stipendium.
alzheimerlife.se

We want to see greater focus on the healthy years

In the spring of 2019, business journalist Henrik Frenkel was diagnosed with cognitive failure, and likely Alzheimer's. It was the start of a long, winding and tumultuous journey in what he called "Alzheimer's land". After a year of further examinations, his diagnosis was suddenly changed to cognitive failure alone. Today, he runs the Alzheimer Life foundation, which works for better management of a patient's healthy years by both health care and society – an issue that is becoming more topical in pace with advances in research and an increase in the number of treatment alternatives.

What is the greatest challenge for patients who are diagnosed with a cognitive illness today?

"As things are today, being told "You have Alzheimer's" is devastating. It is not only a fatal disease. As a patient, it leads to the gradual loss of many of the abilities associated with being human.

Family, children, friends – maybe even employers – have to be informed immediately after the diagnosis. Everyone has their own idea of what it will be like to associate with a person who will develop dementia over the long term. Ultimately, it becomes a horrible cocktail of stigma and prejudice that has to be borne alongside the shock.

Health care today feels it is only responsible for you as a patient up to the diagnosis. Since physicians who specialize in cognitive illnesses have a nearly empty medicine cabinet at hand, patients are let loose to manage their devastating diagnosis on their own."

At Alzheimer Life, you focus on the healthy years. What can health care do to better contribute to those years?

"The answer is simple: everything! We think it should be self-evident that everyone with a recent diagnosis receive a customized individual healthcare plan with everything that could help you, as a patient, to stay healthy for as long as possible. First, the physician should meet frequently with their patient immediately after the diagnosis. The questions won't arise during the first meeting. They will emerge gradually.

Let the patient record their conversations with the physician. Responses and sensitive information can sink in only at home.

Give everyone five hours with a dietitian and assemble groups of patients with a personal trainer to start up with exercise while breaking through the loneliness.

Let the patient have ten hours with a therapist to work through their own shock, and have the chance to confront their illness before they need to shoulder responsibility for all the various feelings of everyone around them.

Guide the patient to various digital games that keep the brain in good form."

What can society in general do to contribute to these healthy years?

"Put more resources into prevention and relief immediately after diagnosis. This will pay off in the end by slowing down the more severe symptoms and pushing them into the future. The more the progression of the disease is slowed, the less help and health care the patient will need in the long run.

Put efforts into influencing public opinion. The day that real disease modifying drugs reach the patients – and that day is not far off – Alzheimer's may be perceived as a disease that many can live with.

And take that awful word "dementia" away. Only one third of all patients with Alzheimer's have dementia, in the strict sense of the word. The others can live a pleasant life to varying degrees. First, there is a stigma around the name Alzheimer. Then, the patient has to have the word "dementia" carved into their forehead."

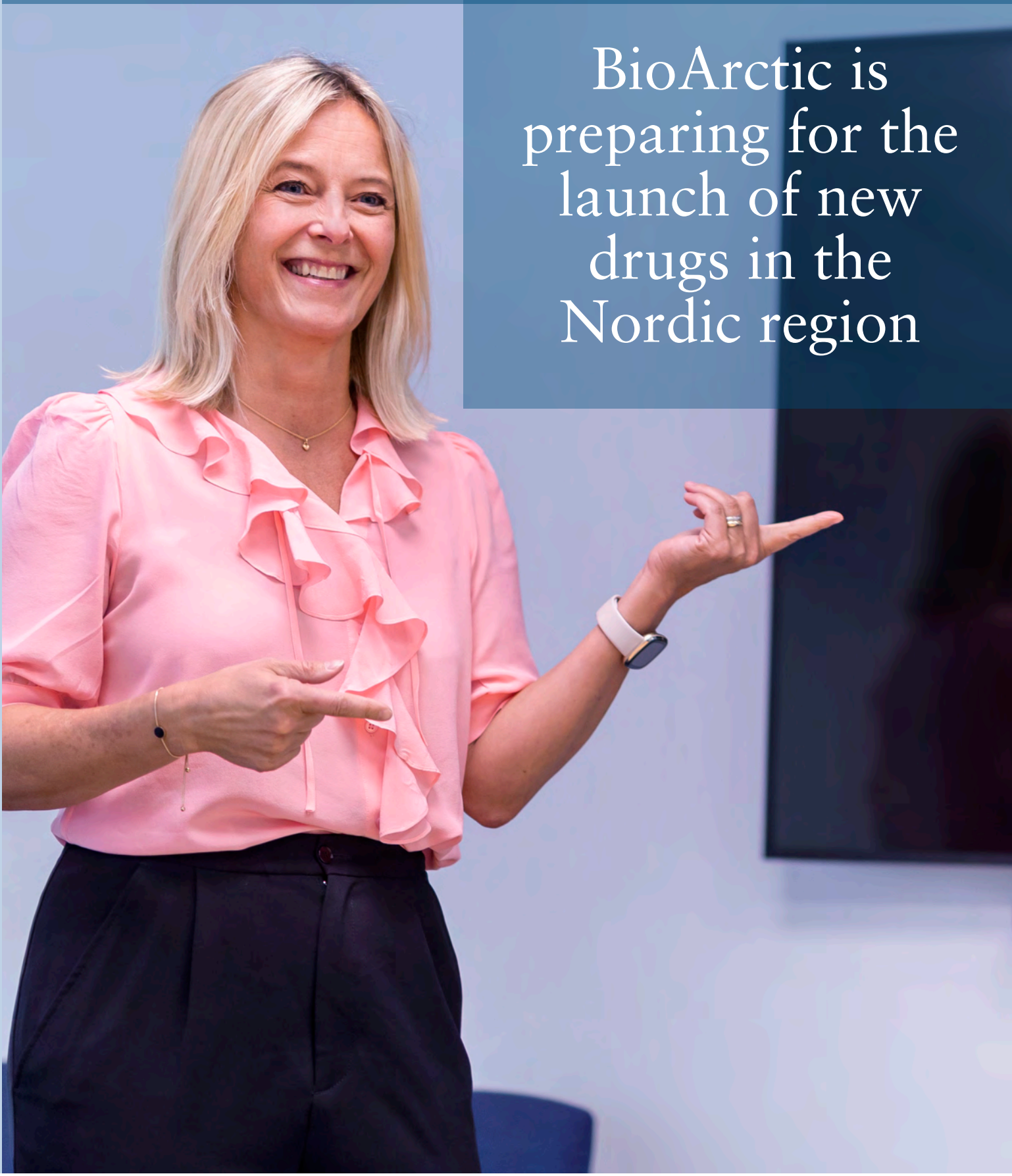
There is a great deal happening in research now, both in diagnostics and treatment. How can healthcare help patients navigate through all this new information?

"First, the profession needs to learn more about developments. I believe there is a great deal of confusion over what is happening around new and simple diagnoses through blood tests, and also regarding the development of new drugs. It is not impossible that we will have three or four disease modifying drugs on hand in a few years.

But patients and their families also have an obligation to keep themselves as well informed as possible about their illness. Three clicks on Google, and a whole world of knowledge opens up. People speak today of "lead patients" – experts in their own illness. The more knowledgeable you are as a patient, the greater respect you will be treated with by your physician."

Interview with Anna-Kaija Grönblad

BioArctic is preparing for the launch of new drugs in the Nordic region



BioArctic is preparing to take the step from being a typical research and development company to becoming an organization that can also take full responsibility for commercializing drugs in the Nordic region. In September 2021, Anna-Kaija Grönblad – the former CEO of Sanofi in Sweden – was hired and tasked with building up and leading the organization required to provide healthcare with the best conditions possible, after potential regulatory approval, for the introduction of new drugs.

Anna-Kaija Grönblad has over 20 years of experience from subsidiaries of global pharma companies in the Nordic region, where she was responsible for the launch of a broad range of drugs in the Nordic region and the Baltics. Now, she is fully focused on a potential introduction of lecanemab in the Nordic region while the company's partner, Eisai, is preparing potential launches in the rest of the world.

What convinced you to accept your new position?

"Primarily, the opportunity to contribute to a responsible introduction of a potentially new and groundbreaking drug for the treatment of Alzheimer's disease so that it would quickly be of use to the right patients. With nine previous launches behind me, I have accumulated a great deal of experience that I hope to benefit from, and building this type of organization from the ground up is an extremely exciting assignment. Doing so in a listed Swedish company with such strong core values makes it even more inspiring and instructive. I have gotten to know BioArctic through our CEO, Gunilla Osswald, who I've been in contact with previously, and am extremely impressed by both the innovative scientific power and sound leadership model that permeate the company."

What marks a first-class commercial organization in the pharma industry?

"The term 'commercialization' can have a negative ring to it, especially where drugs are concerned. In fact, it's a question of supporting healthcare in introducing and using a new treatment so that it is of use to the right patients at the right time in the progression of their disease. This is associated with a great deal of responsibility that places stringent demands on knowledge, integrity and sensitivity. Committed and competent employees are needed who not only understand the needs of the patients and their families but also the logistical and budgetary challenges of health care. At heart, it's a question of being a good partner for physicians, nurses and health care organizations that are responsible for providing their patients with the best care possible."

How are you tackling the task of preparing a potential launch of lecanemab in the Nordic region?

"Listening and learning are key right now. I take in the narratives of patients and their families, establish contacts with experienced physicians and nurses, and read up on the scientific literature. BioArctic's founder, Professor Lars Lannfelt, is a fantastic partner for dialogue now that I am getting into the field. We have already begun enrollment with several highly experienced colleagues, and another key task is establishing dialogues with all the instances that are responsible for pricing, subsidies and introducing new drugs in the Nordic region."

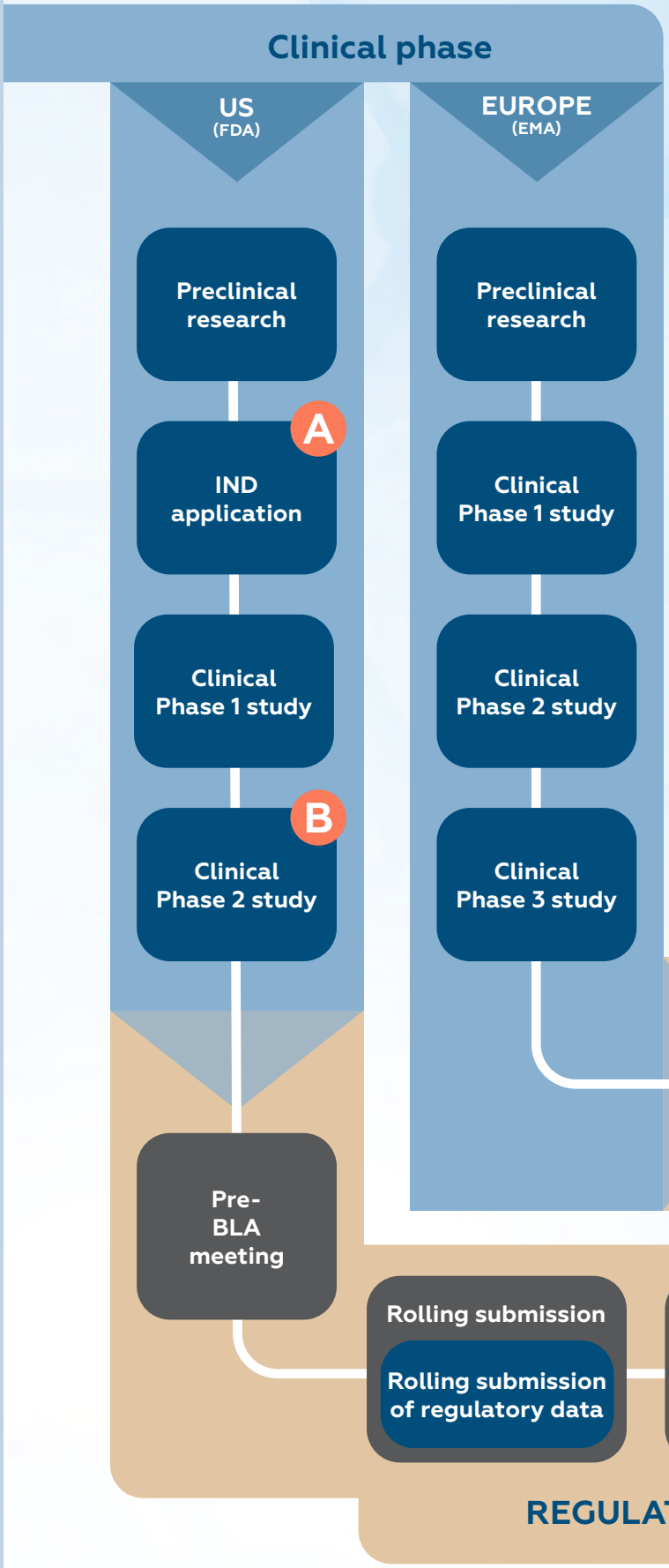
What opportunities and challenges do you see ahead of the introduction of a new drug for Alzheimer's disease?

"Naturally, the major opportunity is the potential for being able to help patients. The greatest challenge is preparing healthcare for the paradigm shift that could be facilitated through access to an effective pharmaceutical treatment. This will require major adjustments of the healthcare apparatus in order to benefit not only from the new generation of treatments, but also from the progress being made in diagnosing the illness. We must also put serious effort into highlighting the broad socioeconomic gains that the introduction of a new drug could bring. The treatment involves a significant cost to society over the short term, whereas the tremendous economic gains in slowing the disease will gradually emerge over several decades."

How large an organization will you need, and what types of competence are you looking for?

"We don't need a large organization and we will build it gradually, starting in Sweden. To meet the needs of health care, we need primarily individuals with solid medical competence and experience in reimbursement procedures and procurements as well as in interactions with medical product agencies and other stakeholders. We are recruiting people who share BioArctic's vision of improving life for patients and their families.

LECANEMAB'S JOURNEY TO POTENTIAL



PROCESS FOR US (FDA)

A **Investigational New Drug (IND)**
After the FDA approved lecanemab's IND application (BAN2401), BioArctic and Eisai could apply to conduct clinical trials in humans and further pursue the clinical development of the company's unique antibody treatment for Alzheimer's disease.

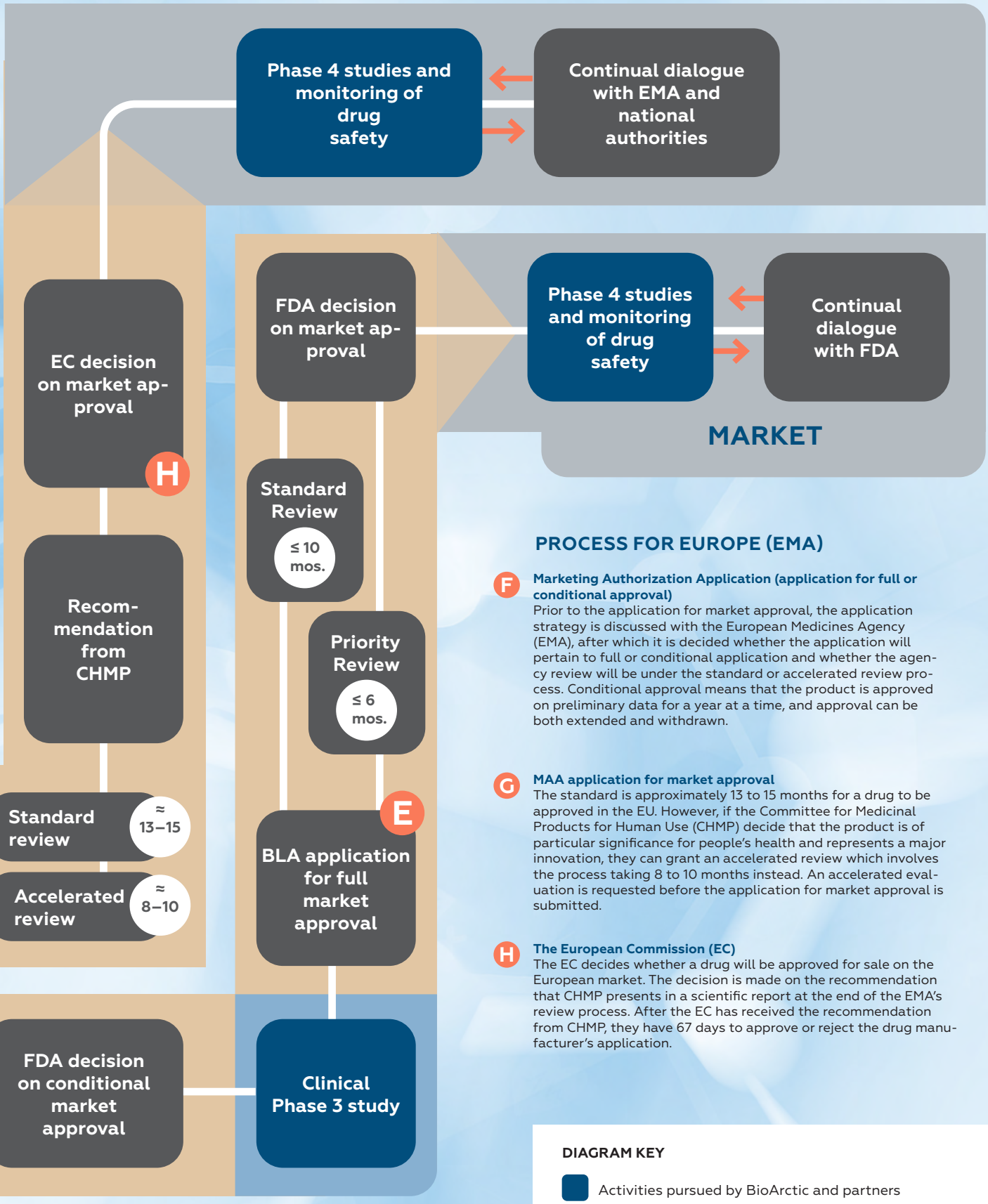
B **Breakthrough Therapy designation/Fast Track**
Based on clinical Phase 2b data, lecanemab received breakthrough therapy designation (BTD) in June 2021 and Fast Track in December from the FDA. This entails the possibility of more frequent guidance by the FDA and the rolling submission of data. The program is intended to accelerate the development and review of drugs for serious or life-threatening conditions.

C **Biologic License Application (BLA)**
In September 2021, Eisai began submitting a rolling application for market approval of lecanemab. Compared to the customary process, this involved the rolling submission of data for lecanemab to the FDA, which can then be reviewed on a continuous basis by the Administration. Potential approval under the accelerated approval process will be contingent on, and must be supplemented with, data after market introduction in order to receive full approval.

D **FDA review under the accelerated approval pathway**
In conjunction with the FDA receiving the final data package for lecanemab, the review of the BLA application will be initiated. From that date, the FDA has up to 60 days to determine whether the application is complete, and if so which review process will be used. Under the standard review process, the data review will then take up to ten months. For treatments that have the potential to treat severe illnesses where medical need is significant, the FDA can grant a priority review. The review period is then shortened to up to six months. Regardless of the type of review, the FDA indicates a date (PDUFA) for when a decision can be expected at the latest.

E **FDA review for full approval** From the date the supplementary data is submitted, it will take from six to ten months for the FDA to review the complete documentation.

MARKET APPROVAL



PROCESS FOR EUROPE (EMA)

F **Marketing Authorization Application (application for full or conditional approval)**
Prior to the application for market approval, the application strategy is discussed with the European Medicines Agency (EMA), after which it is decided whether the application will pertain to full or conditional application and whether the agency review will be under the standard or accelerated review process. Conditional approval means that the product is approved on preliminary data for a year at a time, and approval can be both extended and withdrawn.

G **MAA application for market approval**
The standard is approximately 13 to 15 months for a drug to be approved in the EU. However, if the Committee for Medicinal Products for Human Use (CHMP) decide that the product is of particular significance for people's health and represents a major innovation, they can grant an accelerated review which involves the process taking 8 to 10 months instead. An accelerated evaluation is requested before the application for market approval is submitted.

H **The European Commission (EC)**
The EC decides whether a drug will be approved for sale on the European market. The decision is made on the recommendation that CHMP presents in a scientific report at the end of the EMA's review process. After the EC has received the recommendation from CHMP, they have 67 days to approve or reject the drug manufacturer's application.

DIAGRAM KEY

Activities pursued by BioArctic and partners

Activities pursued by regulatory authorities

CORE VALUES AND CO-WORKERS

BioArctic's distinct core values and leadership model have made a vital contribution to the company's successful development. The collaboration among employees at all levels is facilitated by a shared approach, which has also proven valuable in creating and deepening relationships with external parties such as research groups and global pharma companies. The company has created a strong ability to attract, recruit, develop and retain skilled and creative employees, which is a condition for being able to develop new innovative drugs that could improve life for patients with central nervous system disorders.

BioArctic has been extremely successful in anchoring its core value initiatives and leadership throughout the organization in a way that makes a clear difference in its daily work. Employee surveys are conducted on a continual basis. During the year, nine surveys focused on internal management of the pandemic to ensure a safe work environment, and one survey of the psychosocial work environment was conducted. In the surveys related to the pandemic (which, on average, 70 percent of all employees responded to), an average of 98.5 percent of respondents felt that the internal guidelines were clear and the situation was properly managed. The survey of the psychosocial work environment showed that by and large, employees feel that they have the right competence and authority to perform their jobs. Moreover, the survey showed that no employees had experienced sexual harassment or victimization at the workplace, and no employees felt they had been discriminated against at the workplace. In 2022, BioArctic will continue conducting and following up on work environment issues through recurrent employee surveys.

Respect, commitment, collaboration and responsibility

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.

Leadership founded on shared values

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 resource and competence to projects. Successful project leadership requires open, honest and transparent communication based on constructive feedback as well as a goal- and solution-oriented approach.

A great deal of BioArctic's focus is on creating conditions for developing employee competence. Two management forums can be mentioned as examples of the development initiatives carried out during the year, with a focus on digital management, work environment training, project manager days, recruitment

training for directors and language lessons for employees whose native language is not Swedish. BioArctic regards the latter as a key component of the company's community involvement to ensure that all employees have the opportunity to become fully integrated into the communities where they are active. A good work environment is also given priority. During the year, seven meetings with occupational health and safety groups were held and two safety inspection tours were conducted. In 2022, BioArctic will continue its initiatives in employee competence development. This includes planning recurring management forums, a project manager training course and continuation of the Swedish language courses that were begun in 2021.

Strong partnerships increase the conditions for success

BioArctic's distinct core values and leadership model are an important explanation for why the company has been able to successfully establish and deepen its 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. To describe this, the company has adopted the phrase "happy-happy", which was coined by Lars-Johan Åge, a professor and Doctor of Economics at the Stockholm School of Business. An example of BioArctic's ability to establish value-generating partnerships is the multi-year collaboration with AbbVie, which is described in two publications: "How partnership should work to bring innovative medicines to patients" (Drug Discovery Today) and "Exemplary Alliance, Ordinary Practices" (The Rhythm of Business).

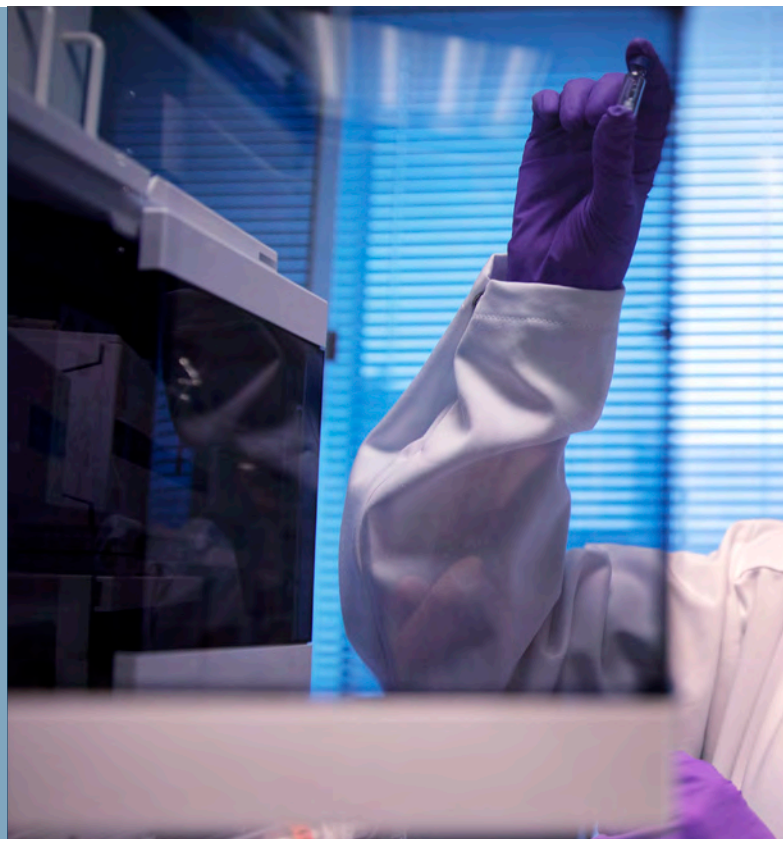
BioArctic's core values and the company's leadership model have been central for managing COVID

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. Over the past year, the daily efforts at proactively managing the potential impact of the pandemic on BioArctic's projects and work environment continued. Early on in the pandemic, in February 2020, a corona working group was created with members from management, and in 2021 this group met more than 20 times. The conclusion, based on employee surveys and after an evaluation of operations, is that the company and its employees have not been affected to any great extent by the pandemic. There were great successes in reconfiguring operations instead of shutting them down. Good planning, especially in the research organization, has been the key. The company has ensured that its employees had opportunities for work equipment and digital reviews of ergonomics at home. During the year, new digital forms of work were introduced to promote a continued strong sense of community and to encourage routine contact among employees. Examples of digital activities include weekly informal coffee breaks with the CEO, larger monthly informational meetings, a BioArctic Day, research days and team-building activities, lectures and physical fitness sessions. BioArctic's concern for the health of its employees and the company's efforts to promote the reduced spread of infection means that the company is at a higher level of preparedness and that its operations can be adjusted with relatively short turnaround times if the situation once again requires it.

From an employee perspective

Scientific curiosity is the engine

When Linda Söderberg began working at BioArctic in 2006, she was responsible for establishing a chemicals station. Since then, she has been part of developing several groundbreaking drug candidates, and the company has grown from five to approximately 65 employees. In her role as Principal Scientist, she now supports all ongoing projects, and states that scientific results are still the driver of the operations.



You have worked for BioArctic almost since the company was founded. How has your job changed over time?

"I came here immediately after my time as a Ph.D student. There were five of us in the company, and everything had to be built from the ground up. I had to place the first order for sodium chloride, and was made responsible for setting up a chemicals station. At the same time, I traveled to Japan to take part in the early collaborations with Eisai. We were completely focused on the research projects, and I had no idea what to actually expect from a workplace. The company developed over these years, and today all the structures are in place: there are distinct roles, sections and forms for performance reviews – things I really appreciate now. But the core is still the same. Despite the company's size there is still the same curiosity over science, and the results that are generated in the lab are the motor of everything we do."

What do you do at BioArctic today?

"On paper, I have had the same role since the beginning – I'm a researcher and project manager. But since the company has changed so much over this time, my role has changed as well. In the beginning, I was a project manager over myself but through the years I have led the work of groups whose sizes varied depending on what we were doing. For the last three years, I have been Principal Scientist, which means that I have been working in a more crossover role as regards projects and can provide support where it is most needed. This is a good way to make use of the experience I have accumulated by having been a part of this ever since lecanemab was in the early preclinical research phase."

You are now entering a new phase in which the company is building a commercial organization ahead of potential approval of lecanemab. What are your thoughts on this?

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

INPUT

SKILLED EMPLOYEES

COLLABORATION WITH EXTERNAL COMPANIES, PARTNERS AND ACADEMIC GROUPS

1 BioArctic generates innovative drug candidates...

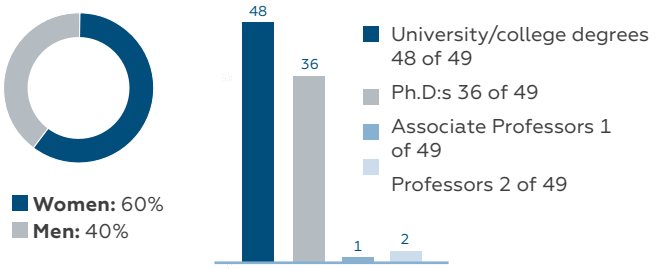
2 ...that are further developed by resource-rich global pharma companies...

STAFF FACTS[1)]

Gender distribution: women / men **61/39 %**

In the management group: **40/60 %**

In manager positions: Level of education:



The total number of employees at BioArctic was 49 (45) at year end. Of these, 82 per cent were employed in R&D.

1) All information is calculated on the total number of employees (49) at December 31, 2021. Consultants corresponding to 11 (12) full-time equivalents at year end are not included in the statistics above.

"Having been a part of developing the antibody from the start, this is naturally a tremendously exciting phase. If lecanemab becomes an approved drug, it will be a goal we have worked both long and hard to reach – producing a new treatment for patients with Alzheimer's disease. At the same time, my focus is on the next big breakthrough and the development of new groundbreaking antibodies in both Alzheimer's disease and other severe neurodegenerative disorders. This is what's stimulating about working at BioArctic: we have been building up our organization this entire time based on how we grow and develop as a company, but we have never loose focus on the science and the opportunities for enabling the next revolution in medicine."

Do you have any tips for anyone starting at BioArctic today?

"Not really. As long as you're comfortable working in groups, oriented on results and gladly share them, you'll do well here. We have a management that really appreciates creativity and new ideas, so you shouldn't be afraid of presenting new thoughts. If you discover something that can be developed further, you should highlight it. It's encouraged."

BioArctic is successful in a field of research where many others have had problems. What is that due to?

"I believe that the long-term partnership we've had with Eisai has been a success factor. Even if they are financing and driving the development of lecanemab, we have been highly involved and there has been a continuity and a quality that has benefited the project. And it should be remembered that a key factor behind the success is, quite simply, that lecanemab is an excellent antibody. We saw this fifteen years ago, and all the continued research into the antibody has reinforced this picture."

3

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

OUTPUT

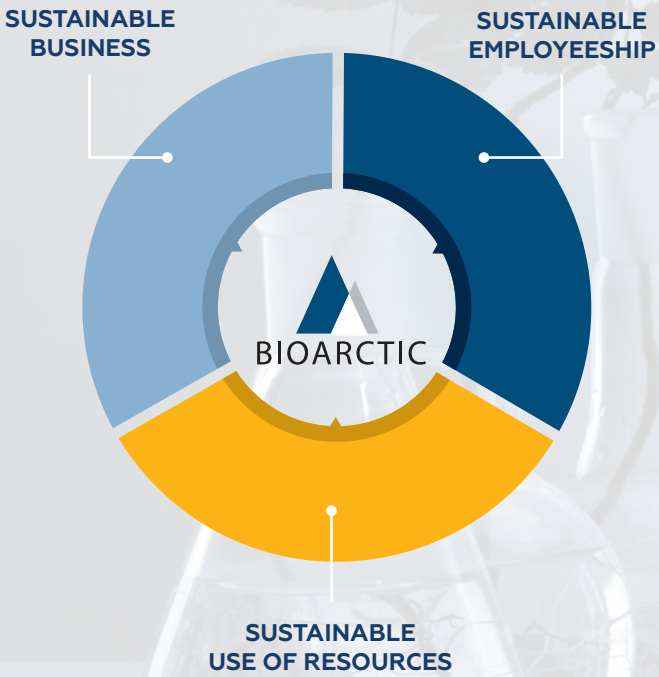
Licensing revenue and future sales revenue create value for the shareholders and provide opportunities for investments in new research.

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

BioArctic's sustainability initiatives

Based on the UN Sustainable Development Goals, BioArctic's sustainability initiatives are divided into three 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 promote a sustainable society and sustainable health, which falls under the UN SDG "Good Health and Well-Being". This is a strong starting point for the company's ambition of further developing its sustainability perspective in all branches of its operations.



BioArctic's key contribution to global sustainability

By ensuring successful development of 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

BioArctic works actively to promote a sense of long-term well-being and engagement in operations among its employees. This way, combined efforts are mobilized to contribute to overall innovation strength and the ability to develop drugs to improve the lives of patients and their families.

BioArctic promotes sustainable employeeship by:

- Ensuring market-based conditions of employment
- Guaranteeing a healthy physical and psychosocial work environment
- 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:

- Developing biological drugs that have less of an impact on the environment and nature than chemical drugs
- Ensuring good ethics and optimal consumption 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 thereby travelling, and ensuring coordinated and sustainable travel management
- Encouraging suggestions for sustainable solutions from employees
- Demanding supplier sustainability initiatives in conjunction with major procurements, in addition to GMP requirements that suppliers must meet 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 pharmaceutical 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 pharmaceutical 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

BioArctic's antibody lecanemab (BAN2401) has the potential to be one of the world's first drugs to slow the progression of Alzheimer's disease, an illness that over 30 million people worldwide suffer from. During the year, additional research has been presented that demonstrates the antibody's unique properties while the regulatory process towards market approval has been accelerated.

Even though a patient who is diagnosed with Alzheimer's disease today can have several healthy and functional years ahead of them, the outcome is ultimately always the same. Brain cells break down, and 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. Research has long faced major challenges in developing effective drugs against Alzheimer's disease, and patients have had to settle for treatments that only temporarily alleviated the symptoms. Over the past decade, science has made important discoveries that form the foundation for a new era of treatments that impact the very cause of the disease. BioArctic's research is on the very leading edge of this development, and the company's most advanced drug candidate lecanemab has the potential to become one of the world's first drugs that not only alleviate the symptoms but also slows the underlying progression of the disease.

The progression of the disease begins long before the symptoms

Alzheimer's disease often makes itself known through mild cognitive impairment, but since this can have different causes, additional examinations 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. Studies have shown that the course of the disease begins long before the first symptoms are displayed and, as the 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 (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 pre-stages prior to a diagnosis of dementia and the three later phases consist of mild, moderate, and severe illness. 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.

BioArctic's drug candidates demonstrate a slowing effect on the progression 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-modifying 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

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.

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 insoluble 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 accumulation 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 eight different drug projects for treatment of Alzheimer's disease, of which the drug candidate lecanemab, in the Charity AD and AHEAD 3-45 clinical trials, has come the farthest and is in Phase 3.

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 progression of the disease is slowed. The high degree of selectivity against oligomers and protofibrils specifically – the most harmful forms – 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 March 2021, the final patient was enrolled in Eisai's Phase 3 study with lecanemab for early Alzheimer's disease. The goal of the study, which goes under the name Clarity AD, is to confirm the positive results of a previously conducted Phase 2b study. 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.

The Phase 3 study is a global, placebo-controlled, double-blind, randomized parallel group study of approximately 1,795 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 obtain the topline results of the study by the end of September 2022. The Phase 3 study follows a Phase 2b study of 856 patients, the results of which were presented in 2018.

A subgroup of the patients included in the Phase 2b study are also taking part in an open-label extension study with lecanemab. Eisai routinely presents analyses from the study that show that the decrease of amyloid in the brain that occurred with treatment of 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 the check-ups that have been conducted to date. After the conclusion of treatment, the

ABOUT LECANEMAB

In studies, the drug candidate lecanemab has demonstrated:
- Good tolerability
  - low occurrence of the ARIA-E side effect
  - optimal dosage can be administered directly
- Possibility of administering a full dosage immediately yields a rapid establishing effect and a retained effect gain over time
- Rapid and robust removal of amyloid accumulations in the brain

patients deteriorated at the same rate as the placebo, but from a better level. This indicates a disease-modifying effect of the drug candidate, and that treatment should continue. Patients who previously received placebo in the Phase 2b study showed a rapid, continual and profound decrease of amyloid levels in the brain after three, six and twelve and eighteen months of treatment with lecanemab. After twelve months, the observable effect was comparable with the results in patients treated with this dosage of lecanemab in the Phase 2b study, when over 80 percent of the patients had normalized values of amyloid plaque. The study also shows a continued low frequency of side effects in the form of ARIA-E.

In June 2021, the FDA granted lecanemab breakthrough therapy designation, which is an FDA program intended to facilitate and accelerate the development and review of drugs for serious or life-threatening conditions. Based on the intensified dialogue between the FDA and Eisai that followed, in September Eisai was able to initiate a rolling submission of the application for market approval of lecanemab for early Alzheimer's disease. This application was submitted for review through an accelerated approval pathway and is based primarily on clinical, biomarker and safety data from lecanemab's Phase 2b study as well as blind safety data from the ongoing Phase 3 study. Submission of the third, and final, part of the application is planned for the second quarter of 2022. This could lead to an early accelerated approval of lecanemab for early Alzheimer's disease. Under the agreement with the FDA, the results from the ongoing Phase 3 study, Clarity AD, could be used to verify the clinical benefit of lecanemab to obtain full market approval.

In 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.

In November, the DIAN-TU research network decided to include lecanemab as the backbone treatment for dominently inherited Alzheimer's disease in a clinical study in combination with tau treatments. Tau is a protein that is linked with Alzheimer's disease.

In December, lecanemab was granted Fast Track status by the FDA.

In the autumn, Eisai conducted a Phase 1 study with subcutaneous administration of lecanemab and the results are now being analyzed to determine the right dosage for future subcutaneous treatments. The subcutaneous dosage will be studied further in the open-label extension study for Clarity AD.

AD1801, AD1502, AD1503, AD-BT2802, AD-BT2803 and AD2603

BioArctic has six additional projects against Alzheimer's disease in its project portfolio, all of which are in the research

phase. Based on their unique mechanisms of action, these antibodies have the potential to be developed into disease-modifying treatments. AD1801 is an antibody whose mechanism of action is linked to 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 AD1502 and AD2603 have not yet been disclosed. The AD-BT2802 and AD-BT2803 drug projects are two antibody projects against Alzheimer's disease that are being combined with BioArctic's blood-brain barrier technology – Brain Transporter, or BT – to facilitate uptake of antibodies in the brain. BioArctic fully owns the rights to all six projects.

A disease that costs society USD 1 trillion per year

Over 55 million people around the globe suffer from some form of dementia. 60 to 70 percent of these patients have 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 nearly 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, there are major costs for nursing care, specially adapted housing and the like. Globally, the total cost of these diseases is estimated at USD 1.3 trillion a year[2] and the cost is expected to rise to USD 2.8 trillion by 2030 in pace with an increase in diagnoses and overhead costs. 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[3]. 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.

Treatments to slow the progression of the disease are on the way

In June 2021, the FDA granted accelerated approval with additional requirements ahead of potential full approval of aducanumab, which was developed by Biogen/Eisai. This is the firsttime that a disease-modifying drug for Alzheimer's disease has been approved. The decision under the accelerated approval pathway was based on results from biomarkers that were deemed likely to predict a clinical effect. In late 2021, the European Medicines Agency (EMA) decided not to approve the drug for the European market.

Given that other, existing treatments available today only alleviate symptoms, the US approval of aducanumab is the first step towards a major shift in the market. Given the high costs of caring for patients with Alzheimer's disease, the willingness to pay for treatments that demonstrably delay and prevent development of the disease is expected to be high. Apart from aducanumab and lecanemab, there are a further two disease-modifying drug candidates in the late development phase: gantenerumab, which like lecanemab and aducanumab is an antibody against amyloid beta; and donanemab, which is an antibody against a shortened, or truncated, form of amyloid beta.

Lecanemab differs from competing drug projects in that the antibody binds most strongly to the harmful forms of abeta called oligomers and protofibrils, whereas other antibodies in clinical development bind more strongly to fibrils. Fibrils are an insoluble aggregated form that is likely 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 MEUR 222 (approximately SEK 2.3 billion) in milestone payments, of which to date approximately MEUR 66 (approximately MSEK 700) has been received. If the Phase 3 study confirms the results shown in the Phase 2b study, lecanemab could be the world's first approved disease-modifying drugs with documented clinical effect in the treatment of 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 and sell lecanemab for treatment of Alzheimer's disease in the Nordic countries.

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 MEUR 222 (approximately SEK 2.3 billion). To date, BioArctic has received MEUR 66 (approximately SEK 0.7 billion). In addition, the market potential for lecanemab indicates potentially substantial royalties for BioArctic.

1) World Health Organization (WHO) – Alzheimer's facts, September 2021
2) World Health Organization (WHO) – Alzheimer's facts, September 2021
3) Alzheimer's Association 2015: Changing the Trajectory of Alzheimer's Disease: How a Treatment by 2025 Saves Lives and Dollars

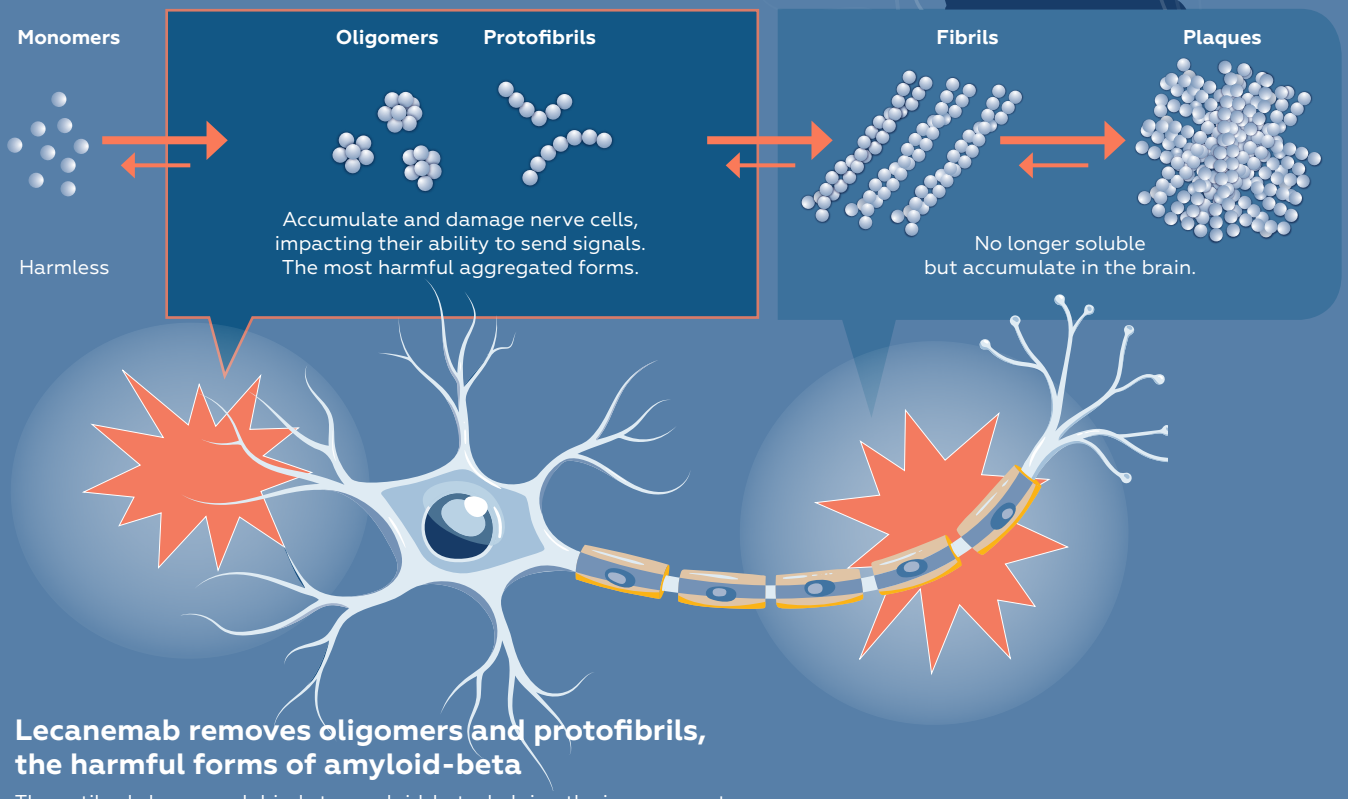
ALZHEIMER'S DISEASE

Nerve cells broken down

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

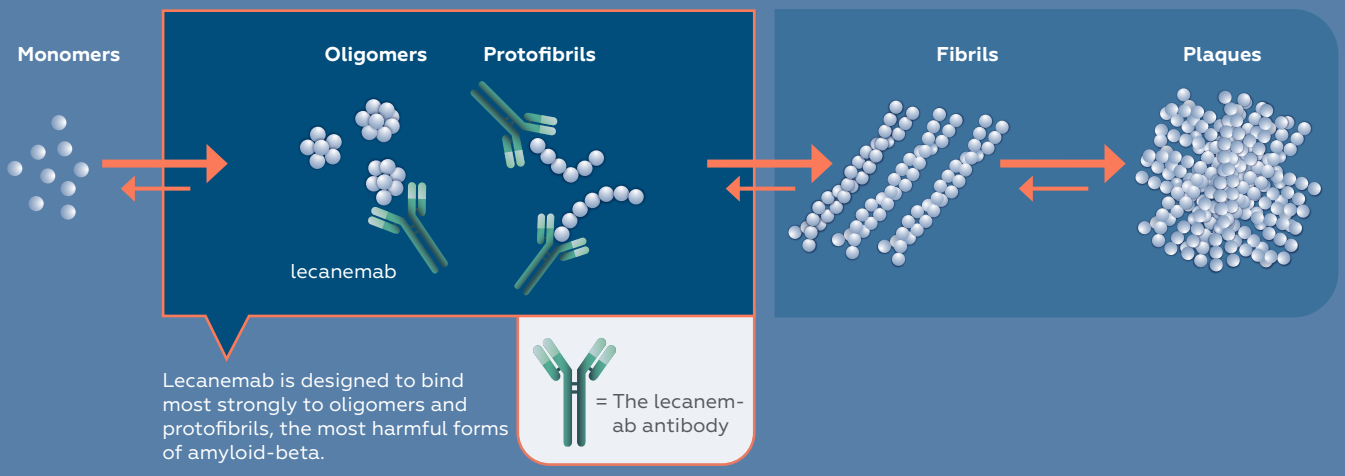
Accumulation of amyloid-beta damages cells

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.



PARKINSON'S DISEASE

Today, over ten million people around the world are living with Parkinson's disease. Today's treatments have an effect in the early years and alleviate the symptoms, but the effect wears off and the disease advances. The need for new drugs is therefore significant. BioArctic's selective antibody against harmful accumulations of alpha-synuclein has the potential to form one of the world's first disease-modifying drugs against Parkinson's disease.

Parkinson's disease destroys the nerve cells that produce the neurotransmitter dopamine. Consequently, the nerve cells can no longer transmit the correct signals and mobility is impaired. For patients, the initial symptoms are often sleep problems, vivid dreams, mild tremors in one hand or an impaired sense of smell. But in pace with the spread of the disease in the brain, the tremors worsen, movement slows and the body becomes stiff. Normally it takes from 15 to 20 years for Parkinson's disease to develop, and symptoms such as sleeping difficulties, 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 over 10 million people[1] who are living with Parkinson's disease will sooner or later be forced to live a very restricted life. The disease is normally detected in sixty-year-old patients, and approximately one percent of everyone over the age of 60 will be affected.

Current treatments for Parkinson's disease alleviate the symptoms by increasing the levels of dopamine in the brain. The effects of these treatments are positive in the beginning, but various troublesome side effects such as 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.

Accumulations of alpha-synuclein lie behind the disease

The progression of the underlying disease in Parkinson's disease resembles that of Alzheimer's disease: a protein begins accumulating in the cells and becomes harmful to the nerves. In Alzheimer's disease, the protein amyloid beta aggregates; in Parkinson's disease, it is instead 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 against alpha-synuclein

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 can thus slow the progress of the disease.

Preclinical research in animal models for Parkinson's disease has shown that treatment with BioArctic's antibodies leads to decreased levels of oligomers, protofibrils of 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 licensed 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.

In 2021, AbbVie presented the results from a Phase 1 study

1) Parkinson's Foundation - Understanding Parkinson's, Statistics 2020

of ABBV-0805 that showed favorable pharmacokinetics and a good safety profile for the antibody. During the year, promising preclinical data[1] was also presented showing that ABBV-0805 is an highly selective antibody that has a positive impact on the progression of the disease in preclinical models, and brain samples from patients with Parkinson's disease show that the antibody binds to pathological alpha-synuclein. In all, the Phase 1 results and new preclinical data support continued development of ABBV-0805, and AbbVie is coordinating plans for commencing a Phase 2 study.

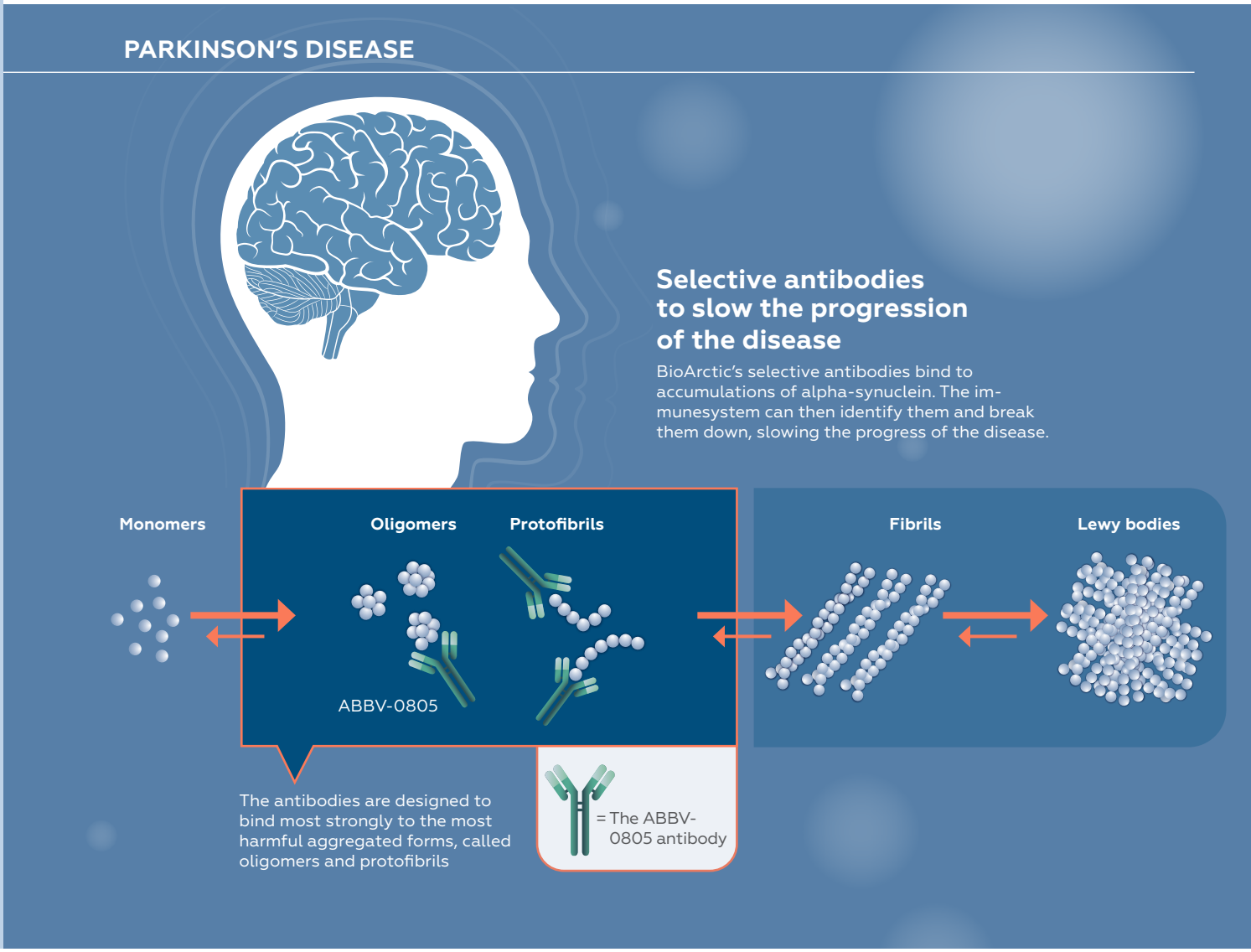
A growing market

The number of patients who are diagnosed with Parkinson's disease continues to grow from the current 10 million. The disease is already the second most-common neurodegenerative disease after Alzheimer's disease. The patient group that is diagnosed with Parkinson's disease is relatively young, and most are still of working age when they fall ill, resulting in significant costs to society. 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 over USD 54 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 paradigm shift facing the care of Parkinson's disease. Future 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

1) Data presented at the International Congress of Parkinson's Disease and Movement Disorders® (MDS), September 2021, and published in Neurobiology of Disease, November 2021
2) Yang, W. et al. Current and projected future economic burden of Parkinson's disease in the U.S. Npj Park. Dis. 6, 1–9, 2020



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.

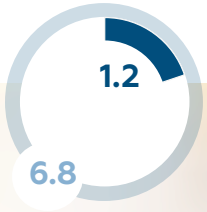
Licensing agreement with AbbVie worth over SEK 6 billion

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 license 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 (nearly SEK 7 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 BioArctic's entire portfolio of antibodies targeted at alpha-synuclein for treatment of all potential diseases.

ABOUT ABBVIE

AbbVie is a global biopharma company with approximately 48,000 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 targeted against alpha-synuclein is MUSD 755 (nearly SEK 7 billion), of which BioArctic has received MUSD 130 (approximately SEK 1.2 billion) to date. In addition, there are possibilities for substantial royalties.

RESEARCH FOR THE NEXT BIG BREAKTHROUGH

BioArctic's scientists are working systematically to solve the major challenges around disorders of the central nervous system. The project portfolio, for example, contains new antibodies against amyotrophic lateral sclerosis (ALS) and other CNS disorders. To increase accuracy and the quality of future treatments, the company's scientists are also pursuing efforts around diagnostics and are developing a new technology for transportation of drugs across the blood-brain barrier.

Antibodies against ALS and other CNS disorders

BioArctic's knowledge of how to develop antibodies against misfolded proteins can be used against several diseases, and the company is carrying out a number of early research projects to evaluate the possibility of producing new treatments for various CNS disorders.

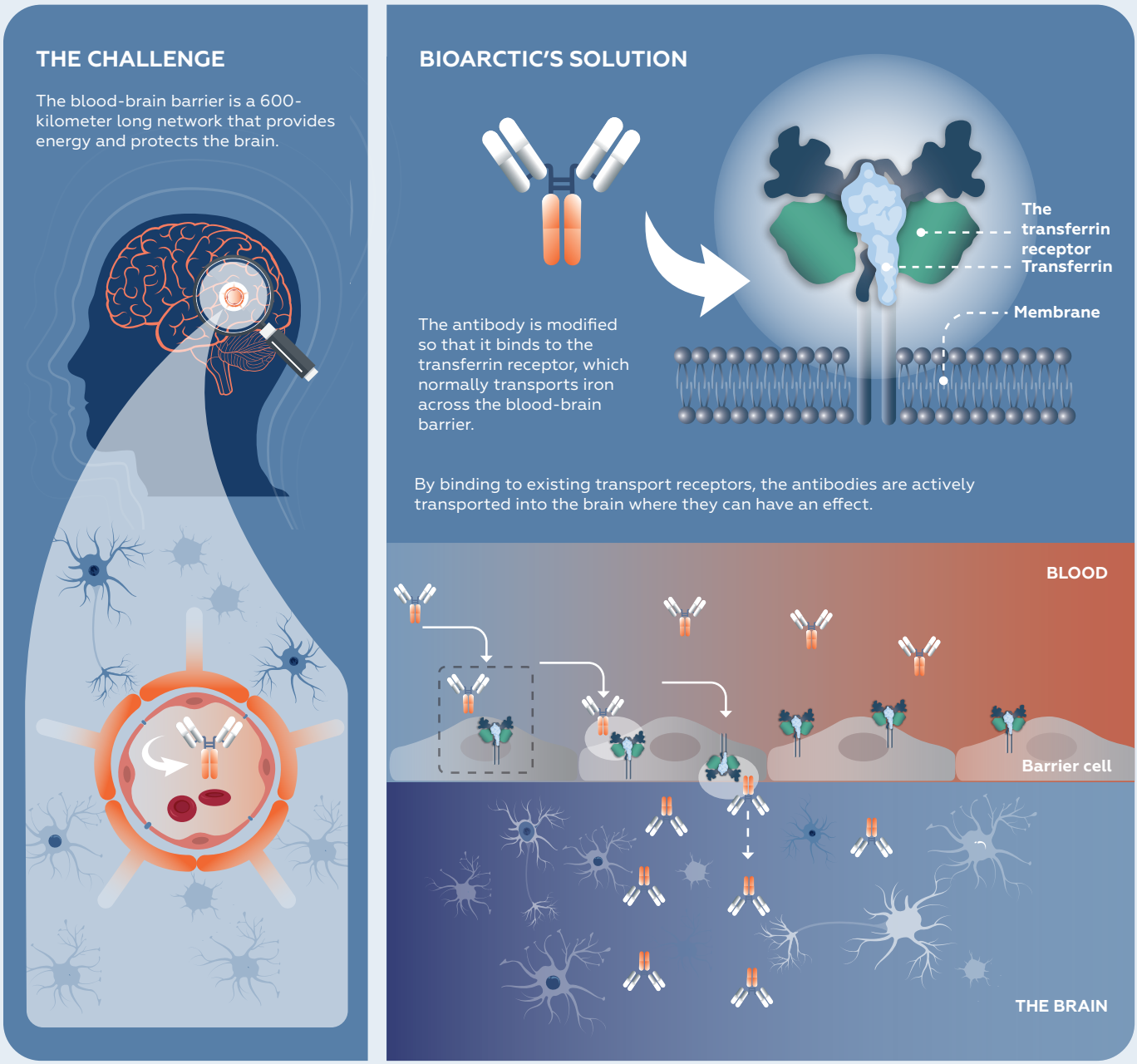
- The ND3014 drug project consists of selective antibodies against the protein TPD-43, which plays a key role in the development of the neurodegenerative disorder amyotrophic lateral sclerosis, or ALS. The accumulation of TDP-43 aggregates is a common clinical finding in ALS, and has been encountered in largely all patients in studies of brain tissue. Misfolded TDP-43 is also involved in the development of dementia in the front temporal lobe, and has been demonstrated in more than half of patients with Alzheimer's disease.

- The antibody lecanemab, which is being developed for treatment of early Alzheimer's disease, is also being evaluated in the preclinical phase as a potential treatment of cognitive impairment in Down's syndrome and traumatic brain injury. During the year, research results were presented showing that adults with Down's syndrome who have developed dementia have significantly elevated levels of the soluble form of amyloid beta – protofibrils – compared with control groups. The research thus provides some support for lecanemab also being of benefit to these individuals. 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. BioArctic's partner AbbVie owns the rights to all indications and areas of application for ABBV-0805.

Diagnostics that improve the accuracy of future treatments

BioArctic is working to develop new methods that could improve diagnostics and the evaluation of treatments for the company's projects in Alzheimer's disease and Parkinson's disease.



Blood-brain barrier technology facilitates transport of drugs to 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 it difficult for drugs to reach the brain. BioArctic is developing a blood-brain barrier technology that is built on modified antibodies that can actively be transported into the brain. A new version of this technology, which has already demonstrated a robust increase in antibodies and improved exposure in the brain, is under development. The new version is now being applied in the two drug projects against Alzheimer's disease, AD-BT2802 and AD-BT2803.

A BROAD PATENT PORTFOLIO PROTECTS OUR SCIENTIFIC ADVANCES

An active patent strategy is a precondition for protecting the value of the scientific advances that BioArctic delivers. 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. As of December 31, 2021, the patent portfolio encompassed 14 patent families with nearly 240 patents granted and 60 patent applications pending.

The patent protection for BioArctic's most advanced drug candidate – lecanemab, for the treatment of early Alzheimer's disease – runs through 2032, including patent term extensions in territories where they are 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 extensions in territories where they are 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, 2021 are shown in the table below.

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

Attractive projects for global pharma companies

BioArctic's groundbreaking research, patented technology and capacity for developing disease-modifying drug candidates has facilitated broad collaborations 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 is approximately SEK 1.9 billion.

A project portfolio standing on several pillars

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

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 under way and the company's partner, Eisai, expects the results from the study to be available in late September 2022. Provided that there is a positive outcome to the study, Eisai thereafter plans to apply for full market approval, which is already in progress. A rolling submission of the application for accelerated approval in the US is in progress.

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

A further comprehensive Phase 3 study is under way to evaluate the possibilities of using 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.

Right to market and sell lecanemab in the Nordic region

BioArctic has right to market and sell its drug candidate lecanemab for Alzheimer's disease in the Nordic market. The company has initiated an effort to build a commercialization organization in order to exercise these rights.

Planned start of a Phase 2 study in 2022 with a drug candidate for Parkinson's disease

AbbVie has licensed 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 demonstrated results that support further development in a Phase 2 study.

A strong financial position

BioArctic's business model, which generates revenue streams from signed collaboration agreements, brought BioArctic's cash balances to SEK 848 million at the end of 2021. 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 diseases of the brain where the aim is to slow down or, in the future, stop the 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 stock market performance during the year has been positive and its market capitalization totaled SEK 10.5 billion at year-end, which means that the share price during the year increased 25 percent. The number of shareholders in the company also increased year-on-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 37.8 million (26.7) B shares were traded at an aggregate value of approximately SEK 4.4 billion (2.3). The average daily volume during the year totaled MSEK 17.5 (9.0). The majority of volume in the share – approximately 62 percent – took place on Nasdaq Stockholm. In addition to trading on the Stockholm stock market, approximately 29 percent of trading took place on the Cboe marketplace, 5 percent on Aquis, nearly 3 percent in the LSE Group and 1 percent in other trading venues. The market value at year-end was SEK 10.5 billion (8.4).

Share performance in 2021

BioArctic's share rose 25 percent during the year, and the closing price on 30 December was SEK 119.20. The highest price paid – SEK 162.60 – was noted on September 30, 2021, and the lowest price – SEK 77.30 – was noted on May 19, 2021.

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 9,816 shareholders (8,589). Shareholding in Sweden totaled 92.0 percent of the capital and 96.8 percent of the votes. Of the total foreign ownership of 5.8 percent of the capital, shareholders in the US represented 2.2 percent, shareholders in Norway 1.7 percent and shareholders in Luxembourg 0.6 percent. The Swedish ownership is dominated by private persons and companies with 71.9 percent of the capital. Funds owned 8.3 percent, and insurance and pension companies each owned 9.6 percent of the capital. BioArctic's ten largest shareholders owned shares corresponding to 79.5 percent of the capital and 91.7 percent of the votes. The Board members in the company owned a total of 52,365,824 A shares and B shares (52,435,594) in BioArctic, while company management owned 217,041 B shares (219,341) 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 (59.8) 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, 2021

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	–	2,994,097	3.4	1.4
Swedbank Robur Fonder	–	2,984,683	3.4	1.4
Unionen	–	2,391,835	2.7	1.1
Handelsbanken Fonder	–	1,471,572	1.7	0.7
Investment AB Öresund	–	1,330,000	1.5	0.6
Wellington Management	–	1,240,709	1.4	0.6
SEB Fonder	–	1,154,633	1.3	0.5
Total	**14,399,996**	**55,581,882**	**79.5**	**91.8**

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 thegoals, scope and risks of the operations. For the 2022 AGM, the Board has proposed that no dividend be paid out for the 2021 financial year.

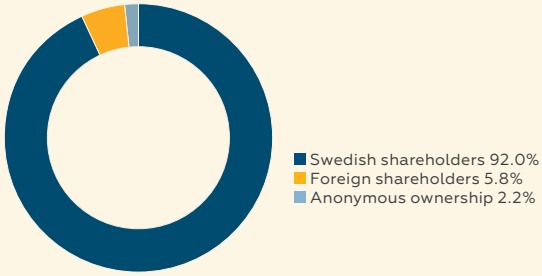
Share-based incentive programs

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, scientists 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 49 employees in total, includes a total of 1,000,000 warrants. Of these, 580,000 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.

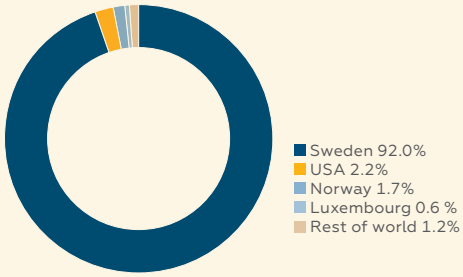
Financial calendar

Activity	Date
Interim Report January–March	April 28, 2022
2022 Annual General Meeting	May 5, 2022
Interim Report January–June	July 12, 2022
Interim Report January–September	October 20, 2022
Year-end Report January–December	February 3, 2023

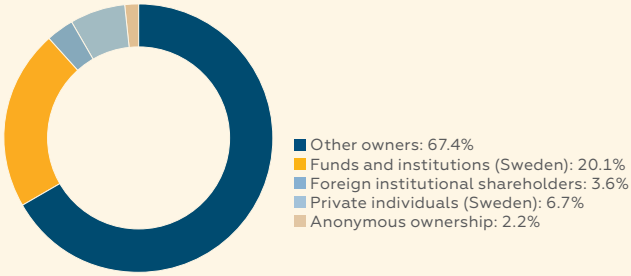
Distribution of Swedish and foreign shareholding at December 31, 2021



Distribution of capital by geography at December 31, 2021



Distribution of capital by ownership category at December 31, 2021

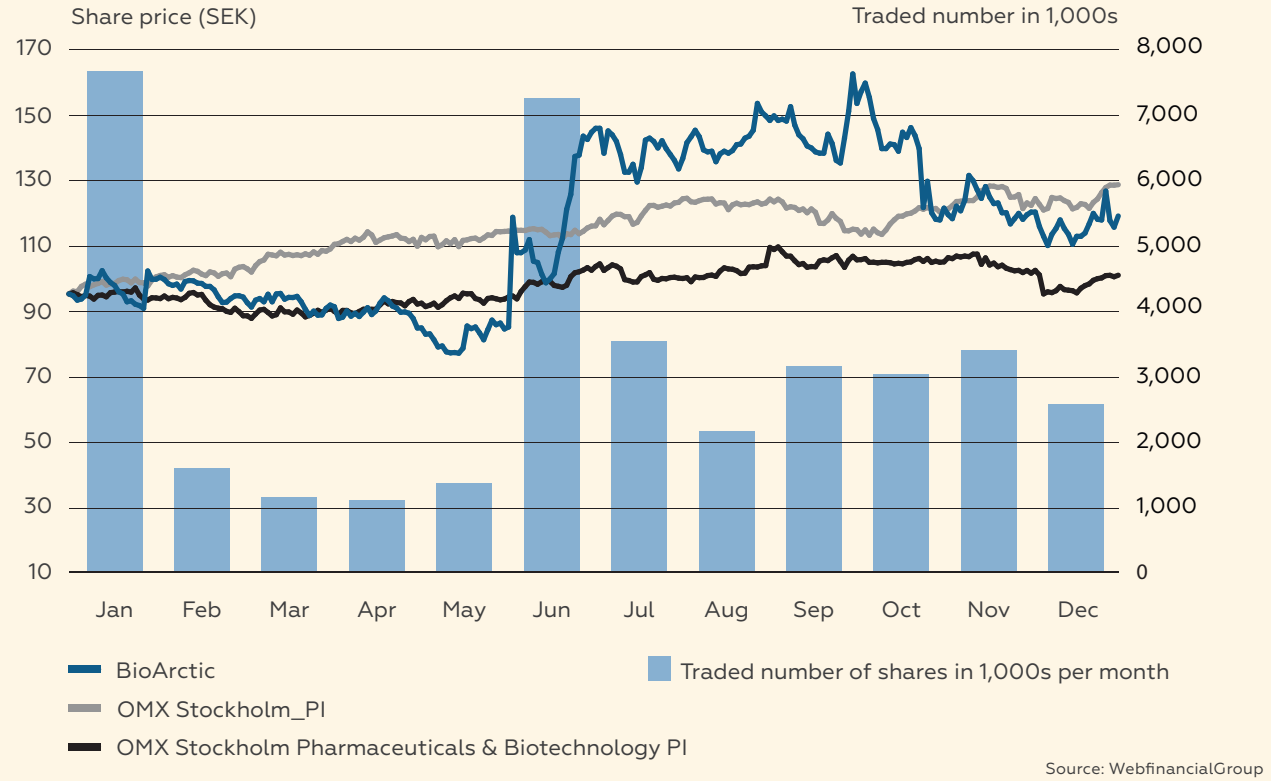


BioArctic share data	2021
Number of shares at year-end	88,059,985
Market value at year-end (SEK billion)	10.5
Price change since listing (%)	397
Number of shareholders	9,816
Share price at year-end (SEK)	119.20
Year high (SEK)	162.60
Year low (SEK)	77.30
Share of ownership, capital, 10 largest shareholders (%)	79.5

Share structure at December 31, 2021

Number of shares	Number of share-holders	A shares	B shares	Shares (%)
1–500	8,320	–	984,484	1.1
501–1,000	725	–	601,437	0.7
1,001–5,000	555	–	1,274,224	1.4
5,001–10,000	82	–	595,702	0.7
10,001–50,000	75	–	1,909,634	2.2
50,001–	59	14,399,996	66,336,746	91.7
Anonymous ownership	n/a	–	1,957,762	2.2
Total, December 31, 2021	**9,816**	**14,399,996**	**73,659,989**	**100.0**

Share price trends and volume, BioArctic 2021



Source: WebfinancialGroup

THE JOURNEY CONTINUES

Based on the company's 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 phases of development 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.

ALZHEIMER'S DISEASE

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

1. A rolling submission of registration application in the US under accelerated pathway for an accelerated approval (in progress)
2. Results from the confirmatory Phase 3 study (Clarity AD) of early Alzheimer's disease
3. Submission of registration applications and application for full approval in the US and other parts of the world
4. Potential market approvals
5. Global launch through partner. Launch in-house 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 approvals
4. Global launch through partner. Launch in-house in Nordic region

AD1801, AD1502, AD1503, AD2603, AD-BT2802, AD-BT2803

Continued development and potential new collaboration agreements

PARKINSON'S DISEASE

ABBV-0805 (with AbbVie)

1. Initiation of Phase 2 program
2. Conduct of pivotal studies
3. Submission of registration applications
4. Potential market approvals
5. Global launch through partner

PD1601 and PD1602

Continued development in partnership with AbbVie

GOOD HEALTH AND WELLNESS

- **Improved health for millions of patients**
- **An improved situation for families and caregivers**
- **Reduced costs for healthcare and the rest of society**

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 diagnostic tools rarely follows a straight line. Exactly what form the continued journey will take is difficult to foresee.

OTHER CNS DISEASES

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

ALS

Continued development ahead of potential collaboration with global pharma companies

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

Potential development of ABBV-0805 in partnership with AbbVie

BLOOD-BRAIN BARRIER TECHNOLOGY

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

DIAGNOSTICS

1. Continued development of improved diagnostics to support the company's own drug projects

VALUE CREATION FOR BIOARCTIC'S SHAREHOLDERS

- **A rich flow of milestones that increase value**
- **Remuneration from existing and new collaboration agreements**
- **Royalties and licensing revenue**
- **Revenue from in-house sales in the Nordic market**

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 2021 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 drug treatments for neurodegenerative disorders such as Alzheimer's disease, Parkinson's disease and ALS. The company is also developing a blood-brain barrier technology to facilitate the passage of biological drugs into the brain. 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 drugs that improve the life for patients with disorders of the central nervous system. Our 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 in-house and, once the project has reached a phase of development requiring more resources or competence, signing collaboration agreements 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 research partnership agreements and licensing agreements regarding the antibodies lecanemab and BAN2401 backup. Eisai conducts and funds the clinical trials, which means BioArctic incurs no costs for them and thereby assumes no financial risk. The global confirmatory Phase 3 study (Clarity AD) with lecanemab for patients with early Alzheimer's disease has been fully recruited. This study is based on the results of the Phase 2b study. Eisai expects to have the results in late September 2022. In addition to the Phase 3 study, there is an open-label Phase 2b extension study with lecanemab and a further Phase 3 study (AHEAD 3-45) in persons who have not yet developed symptoms of Alzheimer's disease but have intermediate or elevated amyloid levels in the brain.

BioArctic is also conducting research into generating 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 six additional antibody projects against Alzheimer's disease in its project portfolio, all of which are in the research phase. One of the six 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 could cause Alzheimer's disease. Late in the year, BioArctic also announced that its ND3014 project was targeting the rare neurodegenerative disease ALS through the development of selective antibody drugs against the protein TDP-43. The AD-BT2802 and AD-BT2803 drug projects are two antibody projects against Alzheimer's disease that are being combined with our blood-brain barrier technology – Brain Transporter, or BT – to facilitate uptake of antibodies in the brain.

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 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 early 2019. During the year, AbbVie and BioArctic presented data that supports continued investigation in a Phase 2 study.

Other CNS disorders

BioArctic's goal is to improve the treatments of a number of disorders of the central nervous system. The company is evaluating the possibility of developing both 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 could become a potential treatment that could slow or stop the progress of the neurodegenerative disorder ALS. 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 developed and expanded the research being conducted in this project.

Diagnostics

BioArctic is working to develop new methods that could improve diagnostics and the evaluation of treatments for the company's projects in Alzheimer's disease and Parkinson's disease. BioArctic is pursuing a number of projects in partnership with external commercial and academic partners. Furthermore, the company is active in a project to improve positron emission tomography (PET) imaging of the brains of patients suffering from Alzheimer's disease.

PROJECT PORTFOLIO

BioArctic has a well-balanced, competitive portfolio consisting of unique product candidates and a technology for facilitating the passage of drugs across the blood-brain barrier. 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.

BioArctic's project portfolio is in various stages – from the early research phase to the late clinical phase. At December 31, 2021, the portfolio comprised:

- Two drug candidates in the clinical phase: lecanemab 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 (between Phases 1 and 2)
- Two projects in the preclinical phase: lecanemab for indications such as Down's syndrome with dementia and BAN2401 backup for Alzheimer's disease
- Twelve projects in the research phase: six projects for Alzheimer's disease (AD1801, AD1502, AD1503, AD2603, AD-BT2802, AD-BT2803); two projects for Parkinson's disease (PD1601, PD1602); one project for ALS (ND3014), biomarkers and diagnostics for Alzheimer's disease and Parkinson's disease; and a blood-brain barrier technology for increased uptake of anti-bodies and other biological drugs in the brain.

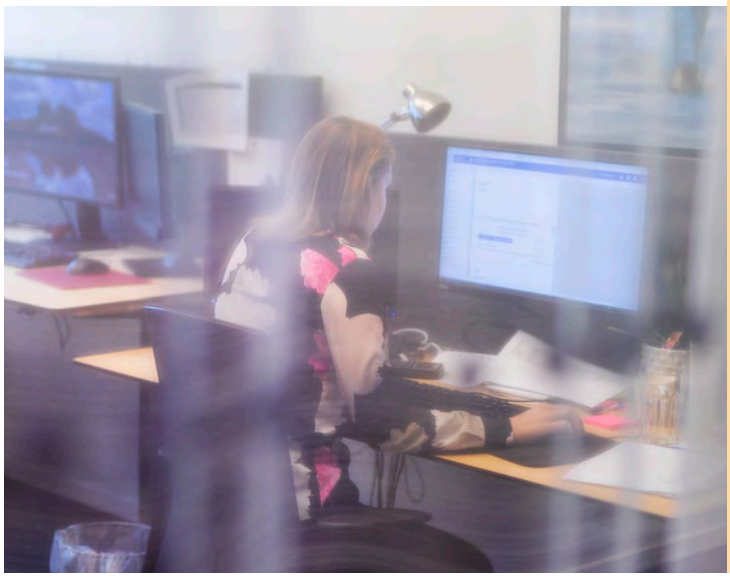
PARTNERSHIPS, COLLABORATION AND MAJOR AGREEMENTS

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 breadth 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 inaugurated its first 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 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 with Eisai totaling a potential value of MEUR 222 plus royalties. To date, approximately MEUR 66 has been received and recognized as revenue. In 2021, MSEK 14.7 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 2021, MSEK 8.5 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 2021, MSEK 0.8 from the Horizon 2020 grant was recognized as revenue.

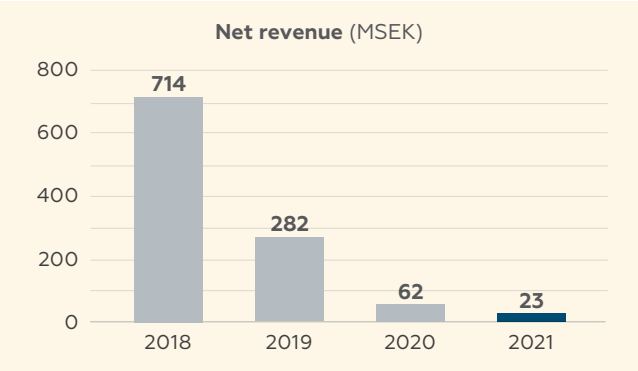
In 2019, BioArctic received research grants totaling MSEK 5 from Vinnova for continued research in the blood-brain barrier technology project in collaboration with Uppsala University. In 2021, MSEK 1.7 from the Vinnova grant was recognized as revenue.

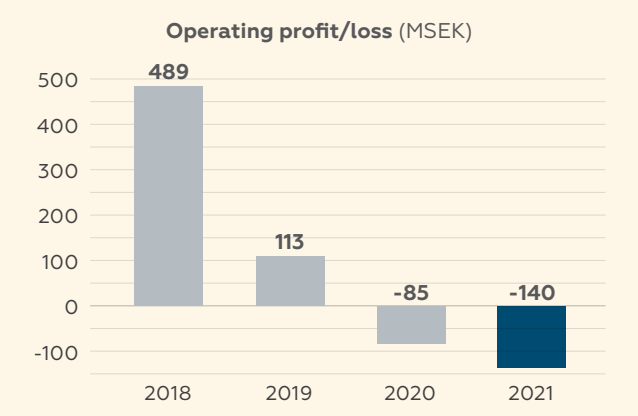
REVENUE AND OPERATING PROFIT

Currently, BioArctic does not have any drugs 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 2021 financial year totaled MSEK 23.1 (62.3). The decrease in revenue compared with the preceding year is due to non-recurring income of MSEK 22.8 attributable to a revaluation of the total costs of the Parkinson's program being recognized in the first quarter of the preceding year and the scope of the current research collaboration agreement with Eisai being smaller than the previous one. Other operating income pertaining to research grants and operational currency exchange gains totaled MSEK 3.5 (3.6). Total revenue during the financial year was thus MSEK 26.7 (65.9).

Total operating costs were MSEK 166.4 (151.0), an increase of MSEK 15.4. External project costs totaled MSEK 55.1 (50.2), which was an increase of MSEK 4.9 year-on-year. The increase is attributable to higher costs for in-house projects. Other external costs increased slightly during the year to MSEK 24.9 (23.4). Personnel costs increased to MSEK 72.5 (63.0) as a result of an increase in the number of employees as well as costs for bonuses. Depreciation of assets totaled MSEK 13.1 (11.0). Other operating costs totaled MSEK 0.9 (3.4) and consisted of realized operational exchange rate losses. Operating loss during the year totaled MSEK -139.7 (-85.0). The increase in losses year-on-year is due primarily to lower revenue from the Parkinson's program and from the research collaboration with Eisai as well as increased project costs and personnel costs.





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

The Group's net financial items for 2021 totaled MSEK -0.8 (-1.7). Financial income consisted of financial exchange rate gains, and financial costs consisted primarily of interest on lease liabilities. Loss before tax was MSEK -140.5 (-86.7).

Tax for the year totaled MSEK 20.7 (18.2), which corresponds to an effective tax rate of 14.7 percent (21.0).

Loss for the year totaled MSEK -119.8 (-68.5), corresponding to SEK -1.36 per share (-0.78) before and after dilution in 2021.

IMPACT OF COVID-19 ON THE GROUP

BioArctic had no disruptions to its operations in 2021 as a consequence of COVID-19 and the pandemic, and the impact on revenue and expenses was marginal.

Our approach to COVID-19 has been to closely monitor the course of events in the business environment and to follow

the guidelines issued by government authorities. To protect our 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 in which material, based on information from authorities, was provided to management as a basis for discussion and decisions. Employee surveys were conducted repeatedly around these questions. Information and recommendations have regularly been provided to employees via the company's intranet and routinely discussed at informational meetings. A risk analysis was 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 a Swedish company and reports its financial position and its earnings in Swedish kronor (SEK). BioArctic's revenue currently consists essentially of remuneration 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 also reconciles the company's currency exports during the year in order to balance the company's commitments.

FLUCTUATIONS CONCERNING REVENUE GENERATION

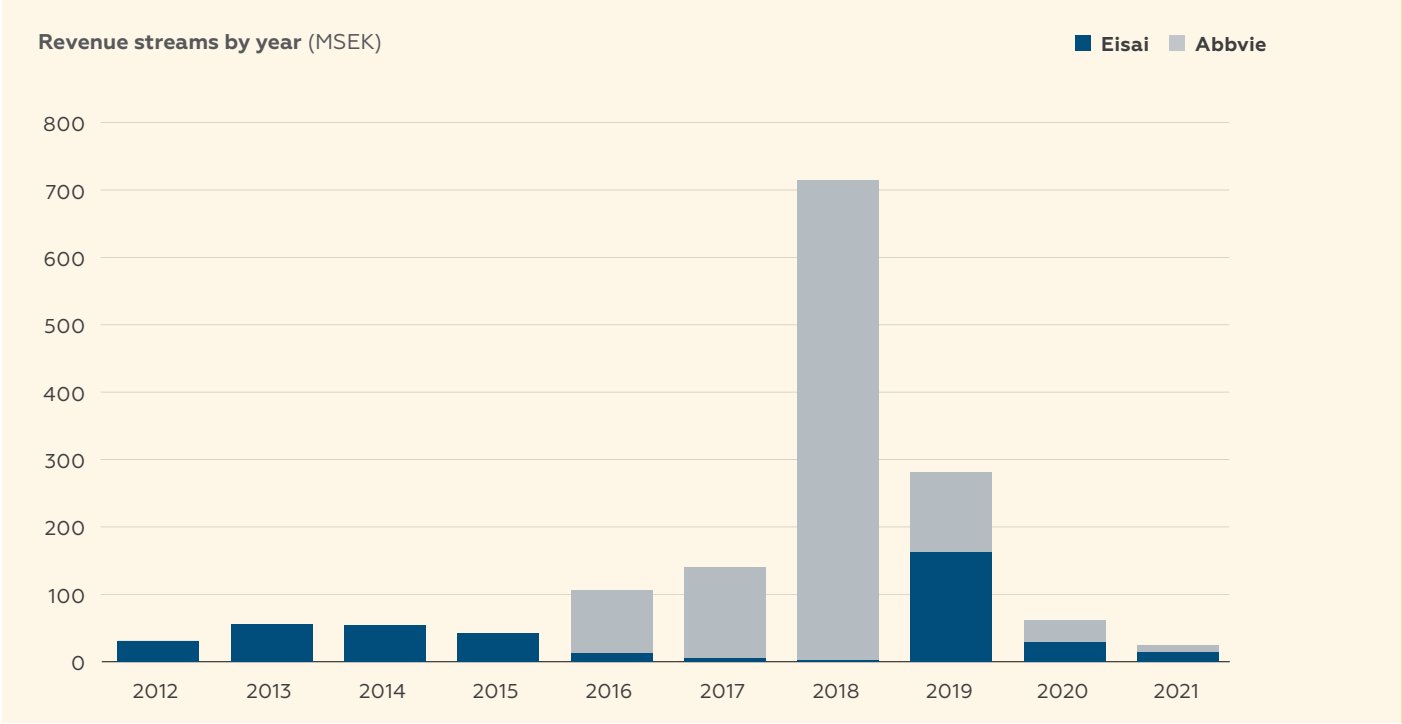
Currently, BioArctic does not have any products that are commercialized and sold. The company signs research and licensing agreements with partners and then receives remuneration for research as well as milestone payments and royalties, which the company uses to finance current and new projects. Milestone 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 governed by the advances made in the projects. See the diagram below 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 at 31 December 2021 was MSEK 897.7 (1,050.3), a decrease of 14.5 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 totaled MSEK 17.0 (18.1). These assets consisted primarily of laboratory equipment and improvement fees on other parties' property. BioArctic's



right-of-use assets totaled MSEK 16.8 (21.8). The decrease of MSEK 5.0 is attributable largely to amortizations, which are related primarily to the lease for the main office. The company's financial assets totaled MSEK 1.6 (1.6) 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 totaled MSEK 848.4 (999.9).

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 finance income and costs.

Investments

Investments for the year totaled MSEK 4.4 (12.5) and pertained primarily to scientific instruments.

Equity and liabilities

Equity as of December 31, 2021 totaled MSEK 788.7 (907.3), corresponding to a decrease of MSEK 118.6. Equity per share outstanding totaled MSEK 8.96 (10.30). The equity/asset ratio at December 31 was 87.9 percent (86.4). Lease liabilities of MSEK 15.9 (20.8) are related to right-of-use assets. No loans had been taken out as of December 31, 2021, and the Group has no other credit or 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, totaling MSEK -135.4 (-118.9). Cash flow from operating activities after changes in working capital totaled MSEK -140.5 (-92.3).

Cash flow from investing activities during the year totaled MSEK -4.4 (-12.5).

Cash flow from financing activities during the year totaled MSEK -7.4 (-6.6) and pertained to amortization of lease liabilities.

Cash flow for the year totaled MSEK -152.3 (-111.5), attributable to the deficit for the year.

EMPLOYEES

As of December 31, 2021, BioArctic had 49 employees (45). The average number of employees at BioArctic during the year was 46 (44), 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 2021, 30 employees (27) – 61 percent – were women and 19 employees (18) – 39 percent – were men. Of the total number of employees, 82 percent (82) 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 2021 was 60 (57).

BioArctic strives to offer competitive salaries and benefits, and applies an individually adjusted wage structure adapted

KEY EVENTS DURING FINANCIAL YEAR 2021

FIRST QUARTER, JANUARY–MARCH 2021

- Results presented by BioArctic at the AD/PD conference support the development of lecanemab into a disease-modifying treatment for adults with Down's syndrome with dementia.
- New preliminary results presented by Eisai at the AD/PD conference from the ongoing open-label extension of the Phase 2b study in early Alzheimer's disease indicated continued support for the effect of lecanemab on reducing brain amyloid levels.
- Eisai expanded the number of participants in Clarity AD, the confirmatory Phase 3 study with lecanemab, by approximately 200 patients in order to ensure a robust dataset. The results of the study are expected in September 2022. Enrollment was concluded with 1,795 patients.

SECOND QUARTER, APRIL - JUNE 2021

- The US Food and Drug Administration (FDA) granted Breakthrough Therapy designation for lecanemab for Alzheimer's disease. The program is intended to facilitate and accelerate the development and review of drugs for serious or life-threatening conditions.
- The results of the Phase 2b study of lecanemab for early Alzheimer's disease were published in the journal Alzheimer's Research & Therapy.
- BioArctic supported research into physical activity and brain health in an eight-year research project being conducted by the Swedish School of Sport and Health Sciences, in partnership with several companies and non-profit organizations.

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 61–71 and to Note 7.

The Board of Directors has reviewed the guidelines for remuneration to senior executives that were adopted by the 2020 AGM and has found that the guidelines should be adapted to the company's existing and future milestone-related rewards programs. In brief, the proposed changes to the guidelines mean that remuneration in accordance with existing and future milestone-related rewards programs will not be included in the guidelines on the share of variable remuneration in relation to fixed salary and that certain clarifications will be made.

LONG-TERM 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 performance.

BioArctic has three rewards programs: two 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 and regulatory milestones.

To read more about the programs, refer to page 66–68 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 of 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 promotes 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

THIRD QUARTER, JULY–SEPTEMBER 2021

- BioArctic began the build-up of a Nordic sales and marketing organization. The company has hired Anna-Kaija Grönblad, the former General Manager of Sanofi in Sweden, as Chief Commercial Officer.
- Data from the Phase 2b open-label extension study of lecanemab presented at the Alzheimer's Association International Conference provided further support for the clinical effects of the drug candidate. The initial values for the Clarity AD and AHEAD 3-45 Phase 3 studies were presented at the same congress, as well as the possibility of using specific blood markers to monitor the effects of the drug in individual patients.
- BioArctic presented new preclinical data for ABBV-0805, an anti-alpha synuclein antibody under development, at the International Congress of Parkinson's Disease and Movement Disorders (MDS). The presentation contained data that demonstrated the ability of ABBV-0805 to selectively target soluble toxic alpha-synuclein aggregates. AbbVie presented data from the Phase 1 trial that supported continued study in Phase 2.

FOURTH QUARTER, OCTOBER–DECEMBER 2021

- BioArctic announced that its ND3014 drug candidate targeted the rare neurodegenerative disease ALS through the development of selective antibody drugs with the protein TDP-43.
- BioArctic and the company's partner, Eisai, held several presentations during the Clinical Trials on Alzheimer's Disease (CTAD) conference that provided support for the positive results that had previously been demonstrated, and clarified the similarities and differences in the binding profiles compared to other anti-amyloid antibodies.
- Eisai initiated a rolling submission to the US Food and Drug Administration (FDA) for market approval of lecanemab under an accelerated approval pathway.
- Lecanemab was granted Fast Track designation by the US FDA, which supports expedited development of treatments for serious illnesses with significant medical need.

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 2021.

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 2021 financial year totaled MSEK -45.7 (-4.4).

GROUP

The BioArctic Group includes the parent company, BioArctic AB (publ) and the dormant subsidiary LPB Sweden AB.

SHARE CAPITAL AND OWNERSHIP

BioArctic's B share is listed on Nasdaq Stockholm Mid Cap. The market value at year end totaled SEK 10.5 billion (8.3). BioArctic's share rose 25 percent during the year. The share price peaked at SEK 162.60 on September 30, 2021, and its lowest price, SEK 77.30, was noted on May 19, 2021. The share price was SEK 119.20 (95.40) on December 31, 2021. At the end of 2021, BioArctic had 9,816 shareholders (8,589). Swedish owners represented 92.0 percent of the capital and 96.8 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

- The first individual in the Tau NexGen study was included in January 2022 (DIAN-TU, a US-based network for clinical studies of dominant hereditary Alzheimer's disease, has chosen to include lecanemab as a base treatment in the study).
- Eisai announced in March that the submission of lecanemab data had commenced in Japan for preliminary review, with the objective of obtaining early regulatory approval.
- Russia's invasion of Ukraine is a tragedy, above all for the people in the war zone or who have been forced to flee. There is a great deal of uncertainty regarding how the situation will develop and how it will impact the global economy over both the short and long term. BioArctic is closely observing the course of events in our business environment and at present is of the opinion that the invasion does not have any direct impact on our operations.

FUTURE PROSPECTS

In BioArctic's opinion, the operating expenses for financial year January–December 2022 will total MSEK 220–260, compared with the outcome for 2021 which totaled MSEK 166, and the average operating expense level per year over the last three years of approximately MSEK 170. The build-up of the commercial organization prior to the potential launch of lecanemab, and costs for the expanded in-house project portfolio, explain the expected higher level of costs for 2022. 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 research into ALS and other CNS disorders are areas that currently lack effective treatments and have great market potential. The company's ambition is to generate the drugs of the future that improve life for people with disorders of the central nervous system. 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 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 has been 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 2021 financial year.

APPROPRIATION OF PROFITS

The Board proposes that the consolidated income statement and balance sheet be presented to the AGM on May 5, 2022 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	272,458,813
Profit/loss for the year	-45,670,020
Total	**786,806,766**

Five-year summary

Amounts in MSEK	2021	2020	2019	2018 [1]	2017 [1]
Income statement					
Net revenue	23.1	62.3	281.8	714.0	140.7
Other operating income	3.5	3.6	14.8	16.3	19.0
Expenses	-166.4	-151.0	-184.1	-241.4	-140.5
Operating profit/loss	-139.7	-85.0	112.5	488.8	19.3
Profit/loss for the year	-119.8	-68.5	88.6	381.6	15.2
Operating margin, %	neg	neg	39.9	68.5	13.7
Consolidated balance sheet					
Non-current assets	35.9	42.0	39.0	11.0	10.0
Current assets excl. cash and cash equivalents	13.4	8.4	31.6	464.8	20.1
Cash and cash equivalents	848.4	999.9	1,112.8	917.3	1,110.4
Equity	788.7	907.3	974.6	1,017.7	636.1
Deferred tax liabilities	–	20.7	38.7	32.5	5.5
Non-current liabilities	7.8	13.6	20.9	–	–
Current liabilities	101.3	108.7	149.2	342.8	498.9
Cash flow					
From operating activities	-140.5	-92.3	327.2	-200.1	-135.3
From investing activities	-4.4	-12.5	-3.3	-3.1	-2.8
From financing activities	-7.4	-6.6	-138.5	–	560.2
Cash flow for the year	-152.3	-111.5	185.4	-203.1	422.1
Key ratios					
Equity/asset ratio, %	87.9	86.4	82.4	73.1	55.8
Return on equity, %	-14.1	-7.3	8.9	46.1	4.3
Data per share, SEK					
Earnings per share, before and after dilution	-1.36	-0.78	1.00	4.33	0.22
Equity per share	8.96	10.30	11.07	11.56	7.22
Cash flow from operating activities per share	-1.60	-1.05	3.72	-2.27	-1.99
Share price at December 31 [1]	119.20	95.40	94.90	82.00	26.00

[1] IFRS 16 was not applied in 2017 and 2018. Its impact on earnings was marginal.

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 and preventing risks, as well as preparing action plans that facilitate limiting any damage if an undesirable event should occur.

RISKS

One condition for a company's successful operation and development is a clear, well-supported strategy that is routinely monitored and evaluated. Moreover, a company's ability to achieve established goals is impacted by the routine efforts to identify and prevent risks. A risk is defined as the greater or lesser probability of the occurrence of a harmful 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 annual integrated risk assessment in which risks that could impact the company's possibility of achieving its goals are identified and assessed.

RISK MANAGEMENT

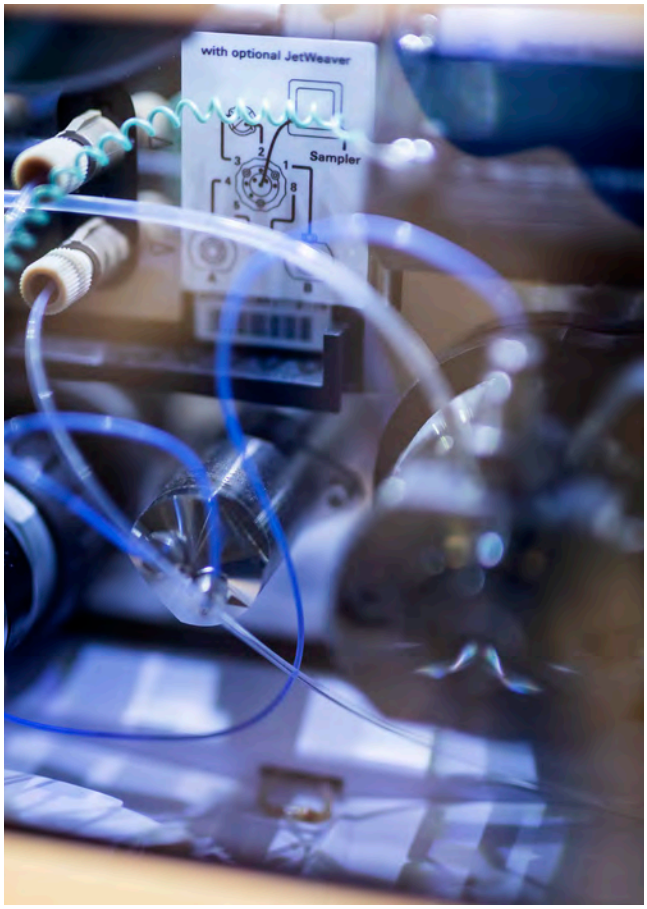
Risk management is intended to provide against, prevent and limit the effects of events that could negatively impact operations. BioArctic's management has identified possible events and scenarios that could negatively impact the company's operations. These events have been evaluated and compiled into a net list of the risks deemed to be the most relevant. For each risk, measures have been established that are intended to counter, limit, control and manage the risk. The risk owners are the members of management who routinely work on identifying, managing and preventing risks, both over the long term and in their daily operations. The risks are evaluated and managed on a quarterly basis in the management group as well as annually in the Audit Committee, which prepares Group-level risks for the Board.

Control and follow-up

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 works over the long term to create the best conditions for successfully safeguarding the company's operations. BioArctic has well-documented crisis management plans with the objective of minimizing negative impact in situations not covered by 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 lead to a finished drug. A large portion of the total number of 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 has concluded Phase 1. A significant portion of the value of BioArctic is linked to the outcomes of these projects. The projects have been outlicensed to external partners: lecanemab to Eisai and ABBV-0805 to AbbVie, who are also paying for the clinical studies. In September 2021, Eisai initiated a rolling application to the FDA for lecanemab in early Alzheimer's disease under an accelerated market approval pathway.

(A 3) Projects conducted in-house and under own development
BioArctic has a broad, well-balanced research portfolio in the CNS field. The company conducts in-house research on disorders of the central nervous system, and is developing a blood-brain barrier technology. The 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 the patient groups. Competition in these areas is 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 pointing out differences and more favorable efficacy 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
Hacking into the company's IT security could lead to unauthorized access to critical data and/or loss of sensitive data, which could have the consequence of making company secrets available to unauthorized persons. 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 for redundancy. Clear contingency plans and supplementary security storage through offsite server rooms have been implemented.

(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. BioArctic is highly dependent on partners who are significantly larger than BioArctic. 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.

(G) Patents, intangible assets and government decisions
BioArctic's success depends 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. The company's goal is to offer competitive conditions and remuneration in order to attract and retain competence.

(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 70-71.

STRATEGIC AND OPERATIONAL RISKS

RISK	DESCRIPTION OF RISK	MANAGEMENT
A	Negative outcome in the project portfolio, divided into:	
(A 1)	Overall portfolio strategy	The risk is managed using a well-differentiated and well-balanced project portfolio focused on central nervous system disorders. The company routinely evaluates various business opportunities to strengthen the potential of 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, high level 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-documents patent strategy and in-house patent counsel. Routine monitoring of developments in the intellectual property 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

2021 was an exciting and successful year for BioArctic, with continued progress and interesting news in several of our drug projects. At the same time, the pandemic continued to impose demands on the capacity for a rapid response and innovation, and the constant uncertainty has been difficult to navigate for all of us, at both a professional and private level. I am impressed by how BioArctic's employees managed the challenges and succeeded in finding new ways to build and develop an operation in the future that is both growing and sustainable over the long term.

It is gratifying to be able to state that BioArctic has made great strides in its efforts to create disease-modifying treatments for disorders of the central nervous system. Results from the pivotal Phase 3 study of the drug candidate lecanemab in patients with early Alzheimer's disease are expected in the autumn of 2022. The company's partner, Eisai, has already begun a gradual submission of the application for market approval to the FDA through an accelerated process. At the same time, we look forward to the expectation of AbbVie commencing the Phase 2 study in Parkinson's disease next year, which means that BioArctic's selective antibody has the potential to become one of the world's first disease-modifying drugs. Our own project portfolio has made great strides as well during the year, and we announced that one of our research projects is targeted on producing selective antibody drugs for the rare neurodegenerative condition ALS. During the year, the Board took a decision on further investments to accelerate the efforts in specific areas in BioArctic's own project portfolio, in order to further boost the company's future growth potential and development opportunities.

When I think of the future, I feel a great sense of optimism. The Board, together with the management of BioArctic, has taken the next step to fulfill the plan and strategy set by founders Lars Lannfelt and Pär Gellerfors at the start of BioArctic in 2003, to develop BioArctic from a dedicated research and development organization into a company that over the long term can also take full responsibility for commercializing drugs in the Nordic region. The mandate that the Board gave to management is to build up the organization required to provide health care with the best conditions possible, after potential regulatory approval, for the introduction of lecanemab as an entirely new treatment of Alzheimer's disease. Having the opportunity to offer these patients a better life through efficient drug treatment would mean a tremendous paradigm shift in society and healthcare. The expansion of operations in BioArctic puts demands on the Board in terms of innovation and new fields of knowledge. Over the last two years, BioArctic's Nomination Committee has worked to satisfy these new needs through the appointment of Håkan Englund and Lotta Ljungqvist, both of whom have experience in commercialization, the market and sales.

The Board's work has proceeded smoothly over the past year. One recurring key area for the Board is BioArctic's sustainability initiatives and its long-term sustainability strategy. I am pleased to be able to state that the goals the Board resolved on for 2021 have been implemented and fulfilled. The sustainability initiatives will continue in 2022, and new goals have been prepared. It is important that sustainability is an integral part of BioArctic's operations and business model, and it is clear that the company's most important contribution to a globally sustainable future lies in the development of safe and effective drugs against disorders of the central nervous system.

On behalf of the Board, I would like to extend our sincerest and warmest thanks to CEO Gunilla Osswald, and BioArctic's fantastic employees, for their efforts during the year. I would also like to thank my colleagues on the Board, with whom it has been a pleasure to collaborate, and to our shareholders, who support our long-term vision.

Stockholm, March 30, 2022

Wenche Rolfsen
Chairman of the Board

Corporate Governance Report

Active control of risks and a well-functioning corporate culture promote the creation of value for stakeholders. 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. At December 31, 2021 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 9,816 (8,589) and the ten largest shareholders owned 91.7 percent of the votes and 79.5 percent of the capital in the company. Swedish owners represented 96.8 percent of the votes and 92.0 percent of the capital.

As of December 31, 2021 the following shareholders had a holding in BioArctic representing at least 10 percent of the voting power of all shares in the company:

	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 42–44 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 consolidated 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 in 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.

Resolutions at the 2021 AGM included:

- that no dividend would be paid for the 2020 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 2020 financial year
- the re-election of Board members Wenche Rolfsen (chairman), Ivar Verner (deputy chairman), Håkan Englund, Pär Gellerfors, Lars Lannfelt, Mikael Smedeby and Eugen Steiner; the election of Lotta Ljungqvist 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
- to decide on approval of the remuneration report pertaining to the 2020 financial year
- to decide on authorization for share issues

The Annual General Meeting of BioArctic was held on May 6, 2021. As a measure to reduce the spread of the coronavirus, the Board of Directors of BioArctic decided that the AGM would be conducted solely through the postal voting method of advance voting. The minutes and other documentation from the general meeting are available on BioArctic's website, www.bioarctic.com.

2022 ANNUAL GENERAL MEETING

The 2022 AGM will be held on Thursday, May 5, 2022. As a consequence of the coronavirus, 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.

Shareholders registered in the share register maintained by Euroclear Sweden as of April 27, 2022 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 4, 2022 at the latest.

Important dates for the 2022 AGM:

April 27	record date for the 2022 AGM
April 27	final reporting date for participation in the AGM

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 via postal voting at the AGM of BioArctic on May 6, 2021, the members of the Nomination Committee for the 2022 AGM shall be appointed following a process in which 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, 2021 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, 2021 the three largest shareholders were Demban AB, Ackelsta AB and the Fourth Swedish National Pension Fund.

The Nomination Committee for the 2022 AGM consists of Margareta Öhrvall (Demban AB), Claes Andersson (Ackelsta AB) and Jannis Kitsakis (Fourth Swedish National Pension Fund). The company's Chairman of the Board, Wenche Rolfsen, has been co-opted onto the Nomination Committee. The Nomination Committee appoints a Chairman from among its members, and Jannis Kitsakis 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 (2) 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 6, 2021. 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 Par 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. There is a consultancy agreement between Per Gellerfors's company, Ackelsta AB, and BioArctic AB regarding support in contract issues and patents. Ackelsta AB submitted invoices during the year totaling MSEK 0.1 (0.1) for market-based remuneration of consultant services. During the year, remuneration was also paid to Rolfsen Konsulting, the company of BioArctic's Chairman of the Board Wenche Rolfsen, for consultant services above and beyond the normal tasks of the Board. The remuneration totaled MSEK 0.1 (–).

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 72–73.

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 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 and future potential opportunities to sell on the Nordic market, as well as the subsequent need to build a sales and marketing organization, were also discussed. Development of the company's project portfolio, collaboration with current and potential partners, the organization and competence needs were also taken up. The company's auditor participated in the meeting concerning the annual accounts as well as three Audit Committee meetings. The Board and the auditor thus had the opportunity to jointly discuss operations, accounting issues and audit work.

In 2021, the Board held 15 (13) meetings, one of which was an inaugural meeting in connection with the AGM on May 6, 2021. 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 6, 2021, it was resolved that the total fees to Board members, including committee work, would remain unchanged at SEK 2,410,000 and allocated as follows:

- Fees to Chairman of the Board Wenche Rolfsen totaling SEK 500,000 and fees to Deputy Chairman Ivar Verner totaling SEK 300,000
- For regular Board members not employed by the Company (i.e. five members excluding Lars Lannfelt) fees totaling SEK 250,000 each
- Fees in the Audit Committee totaling SEK 100,000 to the Chairman and SEK 60,000 to the other non-executive committee members
- Fees in the Remuneration Committee totaling 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, internalaudits 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, 2021–2022

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

The Audit Committee met 5 (4) times. The company's auditor participated in three 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, 2021–2022

- Wenche Rolfsen (Chairman)
- Eugen Steiner (member)
- Lotta Ljungqvist (member)

The Audit Committee met 3 (3) times.

Remuneration and attendance	Wenche Rolfsen	Ivar Verner	Håkan Englund	Pär Gellerfors	Lars Lannfelt	Lotta Ljungqvist [1)]	Mikael Smedeby	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	No	No	Yes	Yes	Yes
Independent in relation to primary owners	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Attendance, Board meetings (15)	14	15	14	14	15	10	15	14
Attendance, Audit Committee mtgs (5)	–	5	–	–	–	–	5	5
Attendance, Remuneration Committee mtgs (3)	3	–	–	–	–	2	–	3
Attendance, Research Committee mtgs (8)	–	–	–	–	8	–	–	–

[1)] Lotta Ljungqvist was elected to the Board and to the Remuneration Committee at the AGM on May 6, 2021

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 Science 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, 2021–2022
- Lars Lannfelt (Chairman)

The Research Committee met 8 (8) 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 2022 Annual General Meeting, and Mia Rutenius is the auditor in charge. An 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 2021 Annual Report.

9 CEO AND MANAGEMENT

The senior management of BioArctic comprises the CEO and nine other persons. The group, six members of which are men and four women, includes:
- Gunilla Osswald, CEO
- Gunilla Andersson, Senior Director HR
- Oskar Bosson, Vice President Investor Relations & Communications
- Johanna Fälting, Vice President Head of Research
- Anna-Kaija Grönblad, Chief Commercial Officer
- Lars Lannfelt, Senior Vice President University Collaborations
- 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

For a summary and presentation of senior management, see pages 74–75.

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 guidelines are described below and the figures are presented in Note 7.

The guidelines apply to new agreements or changes to existing agreements that are signed after the AGM. 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 the life for patients with disorders of the central nervous system. Our work is based on groundbreaking scientific discoveries, and the company's researchers collaborate with strategic partners such as research groups at universities and major 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 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 is to be market-based and competitive and should 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 must 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 programs, 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 reasonableness 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 signinga certain agreement in a shorter time and on better terms than predicted, or the company increasing in value or increasing its sales 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 5, 2022, 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 option 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 49 employees in total, includes a total of 1,000,000 warrants. Of these, 580,000 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.

REWARDS PROGRAMS

BioArctic has three rewards programs linked to the clinical research programs. Two are linked to the drug candidate lecanemab for Alzheimer's disease with Eisai, and one to 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 (including 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 annually reassesses the need for a separate internal audit function. BioArctic has a review function performed by an external party that is appointed by the Board. 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 the company's decision-making paths, authority and responsibility in the organization, as well as making governing documents in the form of policies, instructions 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. Governing documents for accounting and financial reporting are the areas of particular importance for ensuring complete and correct reporting and information disclosure.

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 the Company's internal controls through 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 – 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.

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, spot checks, reconciliation and reviews.

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
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 values. Active internal work, in which information is routinely communicated via the company's communication platform and in conjunction with joint staff meetings, is carried out to achieve the goal of keeping employees up to date.

Monitoring
The internal control work constitutes support for the Board, the Audit Committee 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.

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 2022 AGM
- Reports on the incentive programs
- The Board's evaluation of guidelines for remuneration to senior executives
- Remuneration report

Board of Directors


WENCHE ROLFSEN


IVAR VERNER


HÅKAN ENGLUND


PÄR GELLERFORS


LARS LANNFELT


LOTTA LJUNGQVIST


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 and InDex Diagnostics 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, Denator AB and Aprea Personal 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, Craft Software Holding 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 B shares, privately and through Förvaltningsaktiebolaget Kanalen.

HÅKAN ENGLUND

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 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, Immuneed 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
CEO and Board member of Swenora Biotech AB. Founder and CEO of MPG Medical AB. Board member of Ackelsta AB, LPB Sweden AB and Sigrid Therapeutics AB.

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

LOTTA LJUNGQVIST

Assignment and year elected
Board member since 2021. Member of the Remuneration Committee.

Education
Degree in biochemistry from KTH Royal Institute of Technology in Stockholm. Sweden. Doctorate in biochemical technology.

Other assignments
CEO of Testa Center, Cytiva (formerly GE Healthcare Life Sciences). Board member of Atlas Antibodies AB, Genovis AB and Arocell AB. Chairman of the Royal Swedish Academy of Engineering's (IVA) Division X, Biotechnology, and chairman of SwedenBio; Board member of Vinnova and SciLifeLab.

Experience and prior assignments
Executive roles as CEO, head of business area, head of research and project manager for biopharma projects at GE Healthcare Life Sciences, Biovitrum and Pharmacia.

Total holdings*
0 shares.

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, Coeli Investment Holding AB, Salléngruppen AB, Navinci Diagnostics AB and Rarity Bioscience AB. Board member of Sirius Fotboll and 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 degree and doctoral thesis at Karolinska Institutet, Stockholm, Sweden, and specialist in clinical pharmacology.

Other assignments
Chairman of the Board of Spago Nanomedical AB and Empros Pharma AB. Board member of A3P Biomedical AB, Inbox Capital AB, Karolinska Institutet Holding AB, Karolinska Instituted Innovations AB 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. Member of Royal Swedish Academy of Engineering (IVA) and deputy chairman of its Division X, Biotechnology.

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


ANNA-KAIJA GRÖNBLAD


LARS LANNFELT


JAN MATTSSON


MIKAEL MOGE


CHRISTER MÖLLER


TOMAS ODERGREN

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.

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 biotechnics and bachelor's degree in business administration from Uppsala University.

Other assignments
—

Experience and prior assignments
Nearly 20 years of experience globally in communications. Has held senior positions in companies such as Sobi, Ovako and most recently Elekta.

Total holdings* and warrants
3,621 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
Over 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)

ANNA-KAIJA GRÖNBLAD

Position and role
Chief Commercial Officer. Employed since 2021. Contracted since 2020.

Education
B.Sc. in business administration from Uppsala University.

Other assignments
—

Experience and prior assignments
More than 25 years of experience from the pharma industry and private health care. Has worked in several fields of therapy in various commercial roles, in Sweden and the Nordics/Baltics. Comes most recently from the role of CEO for Sanofi AB and General Manager, Nordics & Baltics General Medicines.

Total holdings* and warrants
700 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.

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 as 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
Over 20 years of experience in drug development and 20 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
Over 20 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, comprehensive academic experience from 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
6,200 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.

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Consolidated income statement

Amounts in kSEK	Note	2021	2020
Net revenue	5	23,146	62,347
Other operating income	6	3,542	3,597
Operating income		**26,688**	**65,943**
Project expenses		-55,067	-50,242
Other external expenses	8.9	-24,852	-23,370
Personnel expenses	7	-72,499	-62,977
Depreciations of tangible assets	14	-13,107	-11,013
Other operating expenses	10	-885	-3,353
Operating loss		**-139,723**	**-85,012**
Financial income	11	194	7
Financial expenses	11	-984	-1,686
Loss after financial items		**-140,512**	**-86,691**
Tax	12	20,723	18,174
Loss for the year		**-119,789**	**-68,517**
Loss for the year attributable to owners of the Parent Company		-119,789	-68,517
Earnings per share			
Basic earnings per share	13	-1.36	-0.78
Diluted earnings per share	13	-1.36	-0.78

Consolidated statement of comprehensive income

Amounts in kSEK	Note	2021	2020
Loss for the year		-119,789	-68,517
Other comprehensive income		–	–
Comprehensive income for the year attributable to owners of the Parent Company		**-119,789**	**-68,517**

Consolidated balance sheet

Amounts in kSEK	Note	December 31, 2021	December 31, 2020
ASSETS			
Tangible assets	14	16,963	18,120
Right-of-use assets	14	16,785	21,820
Deferred tax assets	12	608	452
Other non-current financial assets	16	1,588	1,562
Total non-current assets		**35,944**	**41,953**
Trade receivables		2,839	–
Current tax assets	12	1,557	1,346
Other current receivables	17.18	4,648	4,255
Prepaid expenses and accrued income	17.19	4,337	2,819
Cash and cash equivalents	17.20	848,405	999,940
Total current assets		**861,786**	**1,008,360**
TOTAL ASSETS		**897,730**	**1,050,313**
EQUITY AND LIABILITIES			
Share capital	21	1,761	1,761
Reserves		958	958
Other contributed capital		560,018	560,018
Retained earnings		225,939	344,562
Total equity		**788,676**	**907,299**
Deferred tax liabilities	12	–	20,666
Non-current lease liabilities	24	7,785	13,627
Total non-current liabilities		**7,785**	**34,293**
Current lease liabilities	24	8,092	7,141
Accounts payable	17	11,818	14,311
Current tax liabilities	12	–	–
Other current liabilities		3,919	3,576
Accrued expenses and prepaid income	17.26	77,438	83,692
Total current liabilities		**101,268**	**108,721**
TOTAL EQUITY AND LIABILITIES		**897,730**	**1,050,313**

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, 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**
Dividends paid		**—**	**—**	**—**	—	0
Share-based payments	7	**—**	**—**	**—**	1,319	1,319
Closing balance at December 31, 2020		**1,761**	**958**	**560,018**	**344,562**	**907,299**
Opening balance at January 1, 2021		**1,761**	**958**	**560,018**	**344,562**	**907,299**
Correction of opening balance[1]					-402	-402
Loss for the year		—	—	—	-119,789	-119,789
Other comprehensive income		—	—	—	—	0
Consolidated comprehensive income		**0**	**0**	**0**	**-119,789**	**-119,789**
Share-based payments	7	**—**	**—**	**—**	1,568	1,568
Closing balance at December 31, 2021		**1,761**	**958**	**560,018**	**225,939**	**788,676**

1) A minor error was discovered at the transition to the new system for translation under IFRS 16, which impacted the opening balance for equity by MSEK 0.4, corresponding to 0.05%.

Consolidated cash flow statement

Amounts in kSEK	Note	2021	2020
Operating loss		-139,723	-85,012
Adjustment for non-cash items	28	5,230	-19,991
Interest received		388	7
Interest paid		-984	-1,686
Income tax paid		-309	-12,217
Cash flow from operating activities before change in working capital		**-135,397**	**-118,899**
Increase (-) / Decrease (+) in operating receivables		-5,122	23,086
Increase (+) / Decrease (-) in operating liabilities		62	3,472
Cash flow from operating activities		**-140,457**	**-92,341**
Investments in tangible assets	14	-4,386	-12,473
Change in non-current financial assets		-27	-51
Cash flow from investing activities		**-4,412**	**-12,524**
Amortization of liability	25	-7,389	-6,598
Dividend		—	—
Cash flow from financing activities		**-7,389**	**-6,598**
Cash flow for the year		**-152,257**	**-111,463**
Cash and cash equivalents at January 1		999,940	1,112,770
Exchange rate differences in cash and cash equivalents		723	-1,367
Cash and cash equivalents at December 31	20	**848,405**	**999,940**

Parent Company income statement

Amounts in kSEK	Note	2021	2020
Operating income, etc.			
Net revenue	5	23,146	62,347
Other operating income	6	3,542	3,597
Operating income		**26,688**	**65,943**
Operating expenses			
Project expenses		-55,067	-50,242
Other external expenses	8.9	-33,223	-31,161
Personnel expenses	7	-72,499	-62,977
Depreciations of tangible assets	14	-5,605	-3,829
Other operating expenses	10	-885	-3,353
Operating loss		**-140,591**	**-85,618**
Profit from financial items			
Financial income	11	194	7
Financial expenses	11	-145	-707
Loss after financial items		**-140,542**	**-86,318**
Appropriations			
Reversal, tax allocation reserve		94,809	83,400
Change in accelerated depreciation		—	-1,535
Loss before tax		**-45,734**	**-4,453**
Tax	12	63	75
Loss for the year		**-45,670**	**-4,378**

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, 2021	December 31, 2020
ASSETS			
Non-current assets			
Tangible assets			
Leasehold improvements	14	1,569	1,891
Equipment	14	15,394	16,229
		16,963	**18,120**
Financial assets			
Shares in subsidiaries	15	50	50
Other non-current financial assets	16	1,588	1,562
Deferred tax assets	12	388	325
		2,026	**1,936**
Total non-current assets		**18,989**	**20,056**
Current assets			
Short-term receivables			
Trade receivables		2,839	–
Current tax assets	12	1,557	1,346
Other current receivables	18	4,648	4,255
Prepaid expenses and accrued income	19	6,310	4,281
		15,353	**9,882**
Cash and cash equivalents	20	**848,359**	**999,892**
Total current assets		**863,713**	**1,009,775**
TOTAL ASSETS		**882,702**	**1,029,831**

Parent Company balance sheet *cont.*

Amounts in kSEK	Note	December 31, 2021	December 31, 2020
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	272,459	275,270
Loss for the year	22	-45,670	-4,378
		786,807	**830,910**
Total equity		**789,526**	**833,629**
Untaxed reserves	23	**–**	**94,809**
Current liabilities			
Accounts payable		11,818	14,311
Current tax liabilities	12	–	–
Other current liabilities		3,919	3,391
Accrued expenses and prepaid income	26	77,438	83,692
Total current liabilities		**93,176**	**101,394**
TOTAL EQUITY AND LIABILITIES		**882,702**	**1,029,831**

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**	**Total equity**
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						
Dividends paid		—	—	—	—	0
Share-based payments	7	—	—	—	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**
Opening balance at January 1, 2021		**1,761**	**958**	**560,018**	**270,892**	**833,629**
Comprehensive income						
Loss for the year		—	—	—	-45,670	-45,670
Total comprehensive income		**0**	**0**	**0**	**-45,670**	**-45,670**
Transactions with shareholders						
Dividends paid		—	—	—	—	0
Share-based payments	7	—	—	—	1,568	1,568
Total transactions with shareholders		**0**	**0**	**0**	**1,568**	**1,568**
Closing balance at December 31, 2021		**1,761**	**958**	**560,018**	**226,789**	**789,526**

Parent Company cash flow statement

Amounts in kSEK	Note	2021	2020
Operating loss		-140,591	-85,618
Adjustment for non-cash items	28	-2,272	-27,165
Interest received		194	7
Interest paid		-145	-702
Income tax paid		-210	-12,217
Cash flow from operating activities before change in working capital		**-143,025**	**-125,696**
Increase (-) / Decrease (+) in operating receivables		-3,914	21,736
Increase (+) / Decrease (-) in operating liabilities		-1,099	5,036
Cash flow from operating activities		**-148,038**	**-98,924**
Investments in tangible assets	14	-4,386	-12,473
Change in non-current financial assets		-27	-15
Cash flow from investing activities		**-4,412**	**-12,489**
Dividend		—	—
Cash flow from financing activities		**—**	**—**
Cash flow for the year		**-152,450**	**-111,413**
Cash and cash equivalents at January 1		999,892	1,112,672
Exchange rate differences in cash and cash equivalents		917	-1,367
Cash and cash equivalents at December 31	20	**848,359**	**999,892**

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 väg 35, SE-112 51 Stockholm, Sweden.

The annual accounts and consolidated financial statements were approved by the Board of Directors on March 30, 2022 and have been submitted for ratification at the Annual General Meeting on May 5, 2022.

NOTE 2 Summary of significant accounting policies

The main accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies 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 2017–2018 on page 55 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 at December 31, 2021. 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 financial statements have also been prepared in accordance with the assumption of a going concern and with the application of the accrual basis of accounting. 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 policies. 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 2021

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 2022 ONWARD

A number of new standards and changes to interpretations of existing standards will enter force for financial years beginning after January 1, 2022, 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 recognised 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

Note 2, cont.

for recognizing it as revenue are fulfilled are recognized as liabilities.

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 initial 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 and lease liabilities are recognized separately in the balance sheet.

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 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.

Note 2, cont.

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 32. 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 POLICIES

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 2021 totaled kEUR 851 (1,007), kUSD 675 (934), kGBP 474 (531) and kCHF 99 (157). Revenue in foreign currencies for 2021 totaled kEUR 1,451 (2,702) and kUSD 0 (0). The table below shows the material balance sheet items in foreign currencies that the Group had as of December 31, 2021 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 2021 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, 2021						
Currency	Trade receivables	Cash and cash equivalents	Accounts payable	Net per currency	10%	Before tax	After tax
CHF	0	5	0	5	+/-	0	0
EUR	278	2,517	-2,018	777	+/-	78	62
GBP	0	3,705	0	3,705	+/-	370	294
USD	0	3,505	-1,562	1,943	+/-	194	154
Total	**278**	**9,732**	**-3,580**	**6,430**	**+/-**	**643**	**511**

	Amounts in kSEK per Dec. 31, 2020						
Currency	Trade receivables	Cash and cash equivalents	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. At December 31, 2021, the Group had cash and cash equivalents of kSEK 848,405 (999,940). A change of 0.5 percentage points in the interest rate would entail an annual impact on earnings of kSEK 4,242 (5,000) before tax and kSEK 3,368 (3,930) after tax. The majority of the balances bear no interest. As of December 31, 2021 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.

Note 3, cont.

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
Credit risk is the risk that a counterparty does not fulfill an obligation toward the company. 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.

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 that the Group has identified are related to outcomes in outlicensed projects being conducted by partners, and projects being conducted in-house. In addition, there are risks in the 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, or alternately pay a dividend to its shareholders.

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 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 the COVID-19 pandemic. 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 2021 includes MSEK 8.5 (33.8) that was recognized in deferred income at the start of the financial year. Revenue by geographic market and method of recognition is as follows.

	Group		*Parent Company*	
Amounts in kSEK	**2021**	**2020**	**2021**	**2020**
Net revenue by geographic market				
Europe	8,466	33,805	8,466	33,805
Asia	14,681	28,541	14,681	28,541
Total net revenue	**23,146**	**62,347**	**23,146**	**62,347**
Net revenue by type				
Milestone payments, recognized at a given point in time	–	–	–	–
Income from research agreements, recognized over time	23,146	62,347	23,146	62,347
Total net revenue	**23,146**	**62,347**	**23,146**	**62,347**

For the financial year, two individual customers represented more than 10 percent each of revenues. For the 2020 financial year as well, two individual customers represented more than 10 percent of revenues.

The Group routinely evaluates projects. In conjunction with a restatement of the total costs of the Parkinson's program in light of better performance that originally planned, a positive lump sum of MSEK 22.8 in revenue was recorded in the first quarter of 2020. As of December 31, 2021, MSEK 643.2 for the research collaboration agreement with AbbVie was recognized as revenue over time, and MSEK 58.5 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 at December 31, 2021 are shown below. This amount is included in deferred income; refer to Note 26.

Amounts in kSEK	**2022**	**2023 and onward**	**Total**
Expected revenue, unfulfilled performance obligations	17,158	41,320	58,478

NOTE 6 Other operating income

	Group		Parent Company	
Amounts in kSEK	**2021**	**2020**	**2021**	**2020**
Operational foreign exchange gains	1,016	659	1,016	659
EU grants	847	1,052	847	1,052
Vinnova grants	1,670	1,808	1,670	1,808
Other items	9	77	9	77
Total other operating income	**3,542**	**3,597**	**3,542**	**3,597**

NOTE 7 Employees

AVERAGE NUMBER OF EMPLOYEES

	Group		Parent Company	
Number	**2021**	**2020**	**2021**	**2020**
Women	28	27	28	27
Men	17	17	17	17
Total	**46**	**44**	**46**	**44**

BOARD MEMBERS AND SENIOR EXECUTIVES

	2021		2020	
Number	**Balance sheet date**	**Of whom women**	**Balance sheet date**	**Of whom women**
BioArctic AB				
Board members	8	2	8	1
CEO and other senior executives	9	4	10	5

SALARIES, REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

	Group		Parent Company	
Amounts in kSEK	**2021**	**2020**	**2021**	**2020**
Salaries and remuneration				
Board of Directors, CEO and other senior executives [1]	23,510	21,635	23,510	21,635
(of which, variable)	(2,585)	(2,550)	(2,585)	(2,550)
Other employees	26,442	23,147	26,442	23,147
Total salaries and remuneration	**49,952**	**44,782**	**49,952**	**44,782**
Social security contributions	12,201	10,027	12,201	10,027
Pension costs	8,614	6,887	8,614	6,887
(of which Board of Directors, CEO and other senior executives)	(4,250)	(3,683)	(4,250)	(3,683)
Total salaries, remuneration and social security contributions	**70,767**	**61,696**	**70,767**	**61,696**

[1] This amount for 2021 includes invoiced fees of kSEK 2,097 (3,485).

The company has no outstanding pension obligations.

REMUNERATION AND OTHER BENEFITS, 2021

Amounts in kSEK	Fixed salary/ Fees	Variable remuneration	Pension	Share-based remuneration	Total
Board of Directors					
Wenche Rolfsen (chairman)	626	–	–	–	626
Lars Lannfelt [1, 6]	1,975	–	606	–	2,581
Pär Gellerfors	366	–	–	–	366
Eugen Steiner	350	–	–	–	350
Ivar Verner	400	–	–	–	400
Hans Ekelund [2]	116	–	–	–	116
Mikael Smedeby	315	–	–	–	315
Håkan Englund	250	–	–	–	250
Lotta Ljungqvist [3]	169	–	–	–	169
Senior executives					
CEO Gunilla Osswald	3,182	891	1,059	277	5,409
Other senior executives (8 persons) [1, 5]	12,457	1,694	2,584	443	17,178
Total remuneration and other benefits	**20,206**	**2,584**	**4,250**	**720**	**27,760**

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	146		–		146
Ewa Björling [4]	104	–	–	–	104
Senior executives					
CEO Gunilla Osswald	2,856	789	1,004	253	4,903
Other senior executives (9 persons) [1, 5]	11,079	1,761	2,557	405	15,802
Total remuneration and other benefits	**18,427**	**2,550**	**3,683**	**658**	**25,318**

[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] Hans Ekelund was a Board member until May 6, 2021
[3] Lotta Ljungqvist has been a Board member since May 6, 2021
[4] Ewa Björling was a Board member until May 7, 2020
[5] This amount includes invoiced fees of kSEK 1,915 (3,360)
[6] Of kSEK 606 in pension costs, kSEK 212 is attributable to 2020

Note 7, cont.

CEO Gunilla Osswald received remuneration of kSEK 3,182 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 2021, 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 2021, 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 option program covers at most 1,000,000 stock warrants. The maximum dilution effect of the 2019/2028 employee stock option 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, 580,000 stock warrants had been allocated. The allocation of employee stock warrants yields a dilution effect corresponding to 550,000 (or 0.6 per cent) of the shares at the end of the period, in accordance with IAS 33.47. However, these options are not included in the calculation of earnings per share after dilution since the company is reporting negative earnings.

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 at January 1, 2020	480,000
Granted	65,000
Forfeit/Redeemed/Due	-5,000
Outstanding as of December 31, 2020	**540,000**
Outstanding as of January 1, 2021	540,000
Granted	40,000
Forfeit/Redeemed/Due	–
Outstanding as of December 31, 2021	**580,000**
Redeemable as of December 31, 2020	0
Redeemable as of Dec. 31, 2021	**0**

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	3.2 years	430,000	62.90	17.20	83.60
Allocation 2	Sep. 11, 2019	Sep. 11, 2024	3.2 years	25,000	62.90	17.46	82.46
Allocation 3	Dec. 31, 2019	Dec. 1, 2024	3.4 years	20,000	98.00	47.14	67.75
Allocation 4	Feb. 3, 2020	Feb. 3, 2025	3.6 years	5,000	86.90	26.14	105.37
Allocation 5	May 4, 2020	May 4, 2025	3.8 years	25,000	67.15	26.62	60.19
Allocation 6	Dec. 7, 2020	Dec. 7, 2025	4.4 years	35,000	94.20	34.01	94.19
Allocation 7	Jan. 15, 2021	Jan. 15, 2026	4.5 years	10,000	100.30	35.74	101.76
Allocation 8	Aug. 15, 2021	Aug. 15, 2026	5.1 years	30,000	135.80	52.74	124.80

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 per cent. The risk-free interest rate during the period has been fixed at 0 per cent, and no dividend has been assumed. Apart from the above, no other assumptions have been taken into account when calculating the fair value. In 2021, kSEK 1,568 was recorded as personnel expenses.

NOTE 8 Remuneration to the auditors

	Group		Parent Company	
Amounts in kSEK	2021	2020	2021	2020
Grant Thornton				
Audit engagement	521	500	521	500
Audit services in addition to audit engagement	110	110	110	110
Tax advisory service	53	192	53	192
Other services	22	25	22	25
Total remuneration to Grant Thornton	**706**	**827**	**706**	**827**

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 primarily to a general audit of interim financial statements.

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 2021 pertain only to the Parent Company and to rent for office premises and lease payments for company cars under non-cancelable operating leases where the remaining term of the lease is between 1 and 2 years.

EXPENSED MINIMUM LEASE PAYMENTS

	Parent Company	
Amounts in kSEK	2021	2020
Lease fees, premises	8,814	8,533
Lease fees, vehicles	1,115	406
Total	**9,929**	**8,938**

FUTURE MINIMUM LEASE PAYMENTS FOR NON-CANCELABLE OPERATING LEASES

	Parent Company	
Amounts in kSEK	2021	2020
Within one year	10,290	7,651
Later than one year but not later than five years	8,248	14,505
Later than five years	–	–
Total	**18,538**	**22,156**

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 58.5 M (66.9) remained to be recognized at the reporting date; refer also to Note 26. 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	2021	2020	2021	2020
Loss on disposal of property, plant and equipment	8	209	8	209
Operational foreign exchange losses	877	3,145	877	3,145
Total other operating costs	**885**	**3,353**	**885**	**3,353**

NOTE 11 Financial income and costs

	Group		Parent Company	
Amounts in kSEK	2021	2020	2021	2020
Interest charged	–	7	–	7
Foreign exchange gains	194	–	194	–
Total financial income	**194**	**7**	**194**	**7**
Non-current lease liabilities	-838	-984	–	–
Foreign exchange losses	–	-588	–	-588
Financial expenses	-145	-114	-145	-118
Total financial expenses	**-984**	**-1,686**	**-145**	**-707**
Total financial income and expenses	**-790**	**-1,679**	**49**	**-700**

NOTE 12 Tax

Amounts in kSEK	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Current tax	–	0	–	0
Deferred tax	20,723	18,174	63	75
Total tax on profit for the year	**20,723**	**18,174**	**63**	**75**

RECONCILIATION OF EFFECTIVE TAX

In the table below, reported tax is reconciled against tax based on the Swedish tax rate of 20.6% (21.4%).

RECONCILIATION OF EFFECTIVE TAX

Amounts in kSEK	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Loss before tax	-140,512	-86,691	-45,734	-4,453
Tax under applicable tax rate, 20.6% (21.4%)	28,946	18,552	9,421	953
Non-deductible expenses	-150	-155	-150	-155
Standard income on tax allocation reserve	-94	-187	-94	-187
Adjustment, tax allocation reserve reversal	–	–	-1,013	-535
Revaluation of deferred tax	123	-35	–	–
Tax effect on loss carry-forward not capitalized [1]	-8,101	–	-8,101	–
Total tax	**20,723**	**18,174**	**63**	**75**
Effective tax, %	14.7%	21.0%	0.1%	1.7%

[1] Taxable loss for 2021 was MSEK 39.3 (0.1).

CURRENT TAX ASSETS

Amounts in kSEK	Group Dec. 31, 2021	Group Dec. 31, 2020	Parent Company Dec. 31, 2021	Parent Company Dec. 31, 2020
Current tax assets	1,557	1,346	1,557	1,346
Total current tax assets	**1,557**	**1,346**	**1,557**	**1,346**

CURRENT TAX LIABILITIES

Amounts in kSEK	Group Dec. 31, 2021	Group Dec. 31, 2020	Parent Company Dec. 31, 2021	Parent Company Dec. 31, 2020
Current tax liabilities	–	–	–	–
Total current tax liabilities	**0**	**0**	**0**	**0**

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

Amounts in kSEK	Group Dec. 31, 2021	Group Dec. 31, 2020	Parent Company Dec. 31, 2021	Parent Company Dec. 31, 2020
Leasehold improvements	388	325	388	325
Deferred tax, IFRS 16	219	128	–	–
Total deferred tax assets	**608**	**452**	**388**	**325**
Tax allocation reserve	–	-19,958	–	–
Accelerated depreciation	–	-707	–	–
Total deferred tax liabilities	**0**	**-20,666**	**0**	**0**
Total net deferred tax	**608**	**-20,214**	**388**	**325**

CHANGE IN DEFERRED TAX

	Group			Parent Company		
Amounts in kSEK	Jan. 1, 2021	Recognized in profit or loss	Dec. 31, 2021	Jan. 1, 2021	Recognized in profit or loss	Dec. 31, 2021
Leasehold improvements	325	63	388	325	63	388
Deferred tax, IFRS 16	128	92	219	0	–	0
Total deferred tax assets	**452**	**155**	**608**	**325**	**63**	**388**
Tax allocation reserve	-19,958	19,958	0	0	–	0
Accelerated depreciation	-707	707	0	0	–	0
Total deferred tax liabilities	**-20,666**	**20,666**	**0**	**0**	**0**	**0**
Total net deferred tax	**-20,214**	**20,821**	**608**	**325**	**63**	**388**

	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**

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, 580,000 warrants had been allocated, and these yield a dilution effect corresponding to 550,000 (or 0.6 per cent) of the shares at the end of the period.
NOTE 13

	Group	
Amounts in kSEK	2021	2020
Loss for the year attributable to owners of the Parent Company, kSEK	-119,789	-68,517
Weighted average number of shares outstanding before dilution	88,059,985	88,059,985
Weighted average number of shares outstanding after dilution	88,579,985	88,181,985
Earnings per share before dilution, SEK	**-1.36**	**-0.78**
Earnings per share after dilution, SEK[1]	**-1.36**	**-0.78**
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	580,000	540,000

1) No dilution effect since the company reported negative earnings.

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, 2021	4,067	35,645	39,712	35,242
Acquisitions	261	4,194	4,456	2,881
Sale/disposal	–	-70	-70	–
Cost at December 31, 2021	**4,328**	**39,769**	**44,097**	**38,123**
Depreciations at January 1, 2021	-2,176	-19,416	-21,592	-13,423
Sale/disposal	–	62	62	–
Depreciations	-584	-5,021	-5,605	-7,915
Depreciations at December 31, 2021	**-2,760**	**-24,375**	**-27,135**	**-21,338**
Carrying amount at January 1, 2021	**1,891**	**16,229**	**18,120**	**21,820**
Carrying amount at December 31, 2021	**1,569**	**15,394**	**16,963**	**16,785**

	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**

	Parent Company		
Amounts in kSEK	**Leasehold improvements**	**Equipment**	**Total**
Cost at January 1, 2021	4,067	35,645	39,712
Acquisitions	261	4,194	4,456
Sale/disposal		-70	-70
Cost at December 31, 2021	**4,328**	**39,769**	**44,097**
Depreciations at January 1, 2021	-2,176	-19,416	-21,592
Sale/disposal	–	62	62
Depreciations	-584	-5,021	-5,605
Depreciations at December 31, 2021	**-2,760**	**-24,375**	**-27,135**
Carrying amount at January 1, 2021	**1,891**	**16,229**	**18,120**
Carrying amount at December 31, 2021	**1,569**	**15,394**	**16,963**

	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	–	321	321
Depreciations	-510	-3,226	-3,735
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**

NOTE 15 Shares in subsidiaries

	Parent Company	
Amounts in kSEK	**Dec. 31, 2021**	**Dec. 31, 2020**
Opening cost	50	100
Acquisition/Sale	–	-50
Closing cost	**50**	**50**

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	-1

[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, 2021**	**Dec. 31, 2020**	**Dec. 31, 2021**	**Dec. 31, 2020**
Deposit	1,588	1,562	1,588	1,562
Total other non-current financial assets	**1,588**	**1,562**	**1,588**	**1,562**

Pertains to deposit for rental contract in the form of restricted cash; refer to Note 27.

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, trade receivables, other current receivables, trade payables and contractual accrued expenses. The Group has no foreign exchange contracts or listed securities.

Dec. 31, 2021 Amounts in kSEK	Note	Amortized cost	Fair value through profit or loss	Fair value through other comprehensive income
Financial assets				
Trade receivables		2,839		
Other current receivables	18	397	–	–
Cash and cash equivalents	20	848,405	–	–
Total financial assets		**851,641**	**0**	**0**
Financial liabilities				
Accounts payable		-11,818	–	–
Contractual accrued expenses	26	-3,758	–	–
Total financial liabilities		**-15,576**	**0**	**0**
Total financial instruments (assets + / liabilities -)		**836,065**	**0**	**0**

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	0	0
Total financial assets		**999,940**	**0**	**0**
Financial liabilities			–	–
Accounts payable		-14,311	–	–
Contractual accrued expenses	26	-3,035	0	0
Total financial liabilities		**-17,346**	**0**	**0**
Total financial instruments (assets + / liabilities -)		**982,593**	**0**	**0**

THE GROUP'S MATURITY STRUCTURE FOR UNDISCOUNTED FINANCIAL LIABILITIES

Amounts in kSEK	2022	2023	2024	2025	2026
Accounts payable	11,818	–	–	–	–
Lease liabilities	10,290	8,167	81		–
Contractual accrued expenses	3,758	–	–	–	–
Total	**25,866**	**8,167**	**81**	**–**	**–**

NOTE 18 Other current receivables

	Group		*Parent Company*	
Amounts in kSEK	**Dec. 31, 2021**	**Dec. 31, 2020**	**Dec. 31, 2021**	**Dec. 31, 2020**
VAT receivables	2,531	4,255	2,531	4,255
Tax account	1,720	–	1,720	–
Other	397	–	397	–
Total other current receivables	**4,648**	**4,255**	**4,648**	**4,255**

NOTE 19 Prepaid expenses and accrued income

	Group		*Parent Company*	
Amounts in kSEK	**Dec. 31, 2021**	**Dec. 31, 2020**	**Dec. 31, 2021**	**Dec. 31, 2020**
Prepaid rent	497	704	2,470	2,167
Other prepaid expenses	3,841	2,115	3,841	2,115
Total prepaid expenses and accrued income	**4,337**	**2,819**	**6,310**	**4,281**

NOTE 20 Cash and cash equivalents

	Group		*Parent Company*	
Amounts in kSEK	**Dec. 31, 2021**	**Dec. 31, 2020**	**Dec. 31, 2021**	**Dec. 31, 2020**
Cash and bank balances	848,405	999,940	848,359	999,892
Total cash and cash equivalents	**848,405**	**999,940**	**848,359**	**999,892**

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 786,806,766 be disposed of as follows:

Amounts in SEK	Dec. 31, 2021
Carried forward	786,806,766
Total	**786,806,766**

NOTE 23 Untaxed reserves

	Parent Company	
Amounts in kSEK	Dec. 31, 2021	Dec. 31, 2020
Tax allocation reserve, 2018	–	62,803
Tax allocation reserve, 2019	–	28,700
Total tax allocation reserve	**0**	**91,503**
Accelerated depreciation	–	3,306
Total untaxed reserves	**0**	**94,809**

NOTE 24 Lease liabilities

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

	Group	
Amounts in kSEK	**Dec. 31, 2021**	**Dec. 31, 2020**
Current	8,092	7,141
Non-current	7,785	13,627
Total lease liabilities	**15,878**	**20,768**

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	3	1–2 years	2 years	3	0	3	0
Garage spaces	1	1 year	1 year	1	0	1	0
Employee vehicles	9	0–3 years	2 years	9	9	0	0

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. The Group did not have any short-term leases in either 2021 or 2020. Furthermore, the recognition of certain lease fees as lease liabilities is not permitted, which is why they are also routinely expensed.

NOTE 25 Reconciliation of liabilities attributable to financing operations

Amounts in SEK	**Lease liabilities**
Jan. 1, 2021	**20,768**
Cash items	
Amortization	-7,389
Non-cash items	
Fair value	–
Cost	2,498
Dec. 31, 2021	**15,878**

Amounts in SEK	**Lease liabilities**
Jan. 1, 2020	**27,366**
Cash items	
Amortization	-6,598
Non-cash items	
Fair value	–
Cost	–
Dec. 31, 2020	**20,768**

NOTE 26 Accrued expenses and prepaid income

	Group		Parent Company	
Amounts in kSEK	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Accrued personnel expenses	15,229	12,669	15,229	12,669
Contractual accrued expenses	3,758	3,035	3,758	3,035
Prepaid income	59,119	67,554	59,119	67,554
Prepaid EU grants	–	433	–	433
Other accrued expenses and prepaid income	-667	–	-667	–
Total accrued expenses and prepaid income	**77,438**	**83,692**	**77,438**	**83,692**

In 2021, SEK 8.5 M (33.8) 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 2022 to 2023; refer to Note 5 for further information.

NOTE 27 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, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Restricted cash	1,500	1,500	1,500	1,500
Deposit, lease	88	62	88	62
Total pledged assets	**1,588**	**1,562**	**1,588**	**1,562**

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 2020.

NOTE 28 Disclosures on the cash flow statement

ADJUSTMENT FOR NON-CASH ITEMS

	Group		Parent Company	
Amounts in kSEK	2021	2020	2021	2020
Depreciations of tangible assets and right-of-use assets	13,045	10,920	5,543	3,735
Profit (-) / loss (+) on disposal of property, plant and equipment	–	209	–	219
Prepaid income	-8,466	-33,805	-8,466	-33,805
Unrealized foreign exchange gains (-) / losses (+)	-917	1,367	-917	1,367
Share-based remuneration	1,568	1,319	1,568	1,319
Total adjustment for non-cash items	**5,230**	**-19,991**	**-2,272**	**-27,165**

NOTE 29 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 1.2 (0.4). Board member Pär Gellerfors submitted invoices totaling MSEK 0.1 (0.1) via Ackelsta AB for consultant services during the January–December period. Wenche Rolfsen, the Chairman of the Board, submitted invoices totaling MSEK 0.1 (—) via Rolfsen Consulting AB for consultant services during the January–December period. Anna-Kaija Grönblad has been part of BioArctic's Management Group since January 2021. She worked as a consultant for BioArctic until August 2021, after which she signed an employment contract with BioArctic. Remuneration to Anna-Kaija Grönblad's company, Saimi AB, through August totaled MSEK 1.0. Remuneration has been paid for consultant services provided, with a focus on market access, launch preparations and organizational development. Christine Lind, who was a member of BioArctic's management group until April 2021 and has not been 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 0.9 M (3.4) in 2021. Remuneration has been paid for consultant services provided in the fields of investor relations and communication. All services invoiced to related parties are based on normal market prices.

Apart from the remuneration to Advokatfirman Lindahl KB, Ackelsta AB, Rolfsen Consulting AB, Saimi AB and Lind Growth Strategy 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 30 Events after the balance sheet date

BioArctic received patent approval for antibodies against 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 and Eisai presented findings suggesting that lecanemab could be of potential benefit for adults with Down's syndrome with dementia. Preliminary results presented from the ongoing open-label extension of the Phase 2b study in early Alzheimer's disease continue to support the effect of lecanemab on amyloid levels in the brain.

NOTE 31 Information on purchases and sales within the Group

No purchases or sales occurred within the Group.

NOTE 32 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

Note 32, cont.

Amounts in kSEK	2021	2020	2019	2018	2017
Operating margin					
Operating profit/loss	-139,723	-85,012	112,538	488,794	19,294
Net revenue	23,146	62,347	281,772	713,970	140,706
Operating margin, %	**neg**	**neg**	**39.9%**	**68.5%**	**13.7%**
Basic earnings per share					
Profit/loss for the year	-119,789	-68,517	88,468	381,602	15,157
Weighted average number of shares outstanding before dilution[1]	88,059,985	88,059,985	88,059,985	88,059,985	68,059,985
Earnings per share before dilution, SEK	**-1.36**	**-0.78**	**1.00**	**4.33**	**0.22**
Diluted earnings per share					
Profit/loss for the year	-119,789	-68,517	88,468	381,602	15,157
Weighted average number of shares outstanding after dilution[1]	88,579,985	88,177,985	88,059,985	88,059,985	68,059,985
Earnings per share after dilution, SEK	**-1.36**	**-0.78**	**1.00**	**4.33**	**0.22**
Equity per share					
Equity	788,676	907,299	974,497	1,017,736	636,134
Number of shares outstanding[1]	88,059,985	88,059,985	88,059,985	88,059,985	88,059,985
Equity per share	**8.96**	**10.29**	**11.07**	**11.56**	**7.22**
Cash flow from operating activities per share					
Cash flow from operating activities	-140,457	-92,341	327,165	-200,057	-135,327
Weighted average number of shares outstanding before dilution[1]	88,059,985	88,059,985	88,059,985	88,059,985	68,059,985
Cash flow from operating activities per share	**-1.60**	**-1.05**	**3.72**	**-2.27**	**-1.99**
Equity/asset ratio, %					
Adjusted equity	788,676	907,299	974,497	1,017,736	636,134
Balance sheet total	897,730	1,050,313	1,183,332	1,393,042	1,140,483
Equity/asset ratio, %	**87.9%**	**86.4%**	**82.4%**	**73.1%**	**55.8%**
Return on equity					
Profit/loss for the year	-119,789	-68,517	88,468	381,602	15,157
Average adjusted equity	847,988	940,898	996,116	826,935	348,447
Return on equity, %	**-14.1%**	**-7.3%**	**8.9%**	**46.1%**	**4.3%**

[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

Stockholm, March 30, 2022

Wenche Rolfsen
Chairman of the Board

Ivar Verner
Deputy Chairman

Håkan Englund
Board member

Pär Gellerfors
Board member

Lars Lannfelt
Board member

Lotta Ljungqvist
Board member

Mikael Smedeby
Board member

Eugen Steiner
Board member

Gunilla Osswald
CEO

Our audit report was submitted on March 30, 2022

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 2021, with the exception of the Corporate Governance Report on pages 61-71. The annual accounts and consolidated accounts of the company are included on pages 48-102 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, 2021 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, 2021 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 61-71. 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 at December 31, 2021 is kSEK 26 688, and mainly includes compensations related to research collaborations. The reporting of revenue related to compensations 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 policies 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 recognised 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,
- 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.

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 2-47. The other information also consists of the renumeration report, which we have had access to prior to the date of this audit report. The Board of Directors and the Managing Director 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 Managing Director

The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director intends to liquidate the company, to cease operations, or has 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 responsibility

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 policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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.
- 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 Managing Director 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 Managing Director 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 Managing Director

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 Managing Director 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 responsibility

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 Managing Director 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.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for BioArctic AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report 8f3037383b956a09324e eed0ff9ae569b57b128eb480dbf3c51e67e7025a0d85 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section.

We are independent of BioArctic AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also includes an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Auditor's report on the corporate governance statement

It is the board of directors who is responsible for the corporate governance statement found on pages 61-71 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 statement 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, Kungsgatan 57 SE 103 94 Stockholm, was appointed auditor of BioArctic AB (publ) by the general meeting of the shareholders on the May 6, 2021 and has been the company's auditor since the June, 22 2016.

Stockholm March 30, 2022
Grant Thornton Sweden AB

Mia Rutenius
Authorized public accountant
Auditor in charge

Therese Utengen
Authorized public accountant

Glossary

A

Accelerated approval
A process that provides the possibility of early approval of a drug candidate, where the company will later present additional data that verifies clinical efficacy in order to obtain full market approval.

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.

ALS (amyotrophic lateral sclerosis)
A rare and difficult neurodegenerative illness that impacts the body's ability to control muscular activity.

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

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

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

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.

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.

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
A drug whose components have been manufactured in or extracted from a living cell (e.g. amyloid beta or alpha-synuclein) that the antibody binds to.

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.

Breakthrough Therapy designation
The breakthrough therapy designation is an FDA program intended to facilitate and accelerate the development and review of drugs for serious or life-threatening conditions.

C

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

CHMP
The Committee for Medicinal Products for Human Use.

Clinical studies
Drug trials performed in human subjects.

D

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

Disease-modifying treatment
Treatment that intervenes in the processes of the disease and changes it in a positive way.

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
Umbrella term for mild cognitive impairment due to Alzheimer's disease and mild Alzheimer's disease.

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

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

EMA
The European Medicines Agency.

F

FDA
The US Food and Drug Administration.

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 using a syringe or cannula.

L

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

Licensing
Agreement under which 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 disorders
Disorders that entail a gradual breakdown and degeneration in brain and nervous system function.

O

Oligomer
Molecules consisting of a few monomers.

Open-label extension study
Clinical study conducted after a completed randomized and placebo-controlled study in which all patients receive an 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 candidate in a limited number of healthy volunteers or patients.

Phase 2 study
Studies the safety and efficacy of a drug candidate 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
Confirmatory study of the safety and effect of a drug candidate in a large number of patients.

Placebo-controlled
A study design in research 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 on 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 that gives rise to Alzheimer's disease, or a harmful aggregation of alpha-synuclein formed in the brain that 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.

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.

S

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

T

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

Truncated amyloid beta
Truncated forms of the amyloid beta protein

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