2021

ANNUAL REPORT – PHARMACOLOG I UPPSALA AB

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PHARMACOLOG IN BRIEF

Pharmacolog is active in the field of medical technology and develops systems and solutions that aim to optimize and ensure correct and effective treatment with injectable drugs. The company offers three different solutions, where **DrugLog®** and **PrepLog®** offer fast and cost-effective quality control of prepared drugs prior to patient administration. **WasteLog®** is used to prevent drugs from falling into the wrong hands and is primarily intended for the North American market. In addition to three different measuring instruments, Pharmacolog also provides **Pharmacolog Dashboard™**, which is a web-based tool for the analysis and verification of quality controls performed on prepared drugs.

Pharmacolog also manages development projects in collaboration with clinical partners with the aim to expand the product portfolio of products and services. One of these projects is aimed at making the use of intravenous antibiotics more effective. The goal is to offer the intensive care field a system that quickly provides the responsible physician information whether a patient with sepsis or severe infection has the optimal antibiotic levels in the blood during ongoing treatment. This will not only maximize the efficacy of the medication, but also reduce the risk of developing resistant bacterial strains.

Production: Pharmacolog i Uppsala AB
Graphic design: Komson AB
Photographers/image agencies: Göran Ekeberg, Shutterstock etc.

Mats Högberg, CEO

CEO'S INTRODUCTION

We have now put yet another challenging year, strongly marked by the pandemic, behind us. Despite major challenges, sales for 2021 show that Pharmacolog has definitely broken through the ice and begun the journey towards increased growth and profitability. Sales during the year landed at SEK 8,816k, which is an increase of 364% compared to 2020. It is important to emphasize that the team has achieved this despite the restrictions we had to deal with during the year. I am incredibly impressed with my colleagues and our strategic partners who, despite these limitations, have succeeded in reaching the market with our offers.

Another factor that has indirectly led to increased interest in our DrugLog® and PrepLog® systems, both from customers and potential partners, is the increased demands from authorities for improved routines when preparing drugs. Within the EU, UK and USA, several directives have been published in 2021, which emphasize the need for qualified quality control in drug preparation. A telling example that the new guidelines mean a change in the market is that B. Braun UK has recently set up a separate business area that offers Aseptic Consulting Services. The purpose is to offer both services and products that help hospital pharmacies and wards to live up to the new requirements regarding drug preparation.

Our collaborations with Codonics and B. Braun are going very well, and B. Braun Spain has started 2022 with three installations of DrugLog® during the first three months of the year. Our discussions with B. Braun Global are ongoing, with the aim of identifying additional suitable markets for expansion. During the latter part of 2021, Codonics launched a comprehensive campaign related to WasteLog®, and has introduced DrugLog™ to selected reference customers; activities that will yield results in 2022. Furthermore, Codonics commenced the launch of WasteLog™ in China and Mexico in 2021, with good results, meaning we also expect to see sales in those territories during the year.

In addition to the expansion via our existing partners, we have also initiated a collaboration with Business Sweden in Tokyo to establish Pharmacolog in Japan. Japan has a strong tradition in the area of quality control, especially within healthcare, and our solutions have sparked interest from companies active in Japan. The goal is to establish ourselves by forging closer ties with a strategic partner who is well established in the Japanese market.

In order to manage increased volumes and develop our service offers, we have appointed Lars Gusch as Chief Operating Officer. I am extremely pleased that Lars accepted the role, as he is well acquainted with Pharmacolog and our solutions through his previous role as Development Manager at the company during 2019 and 2020. Lars also has valuable experience when it comes to developing service offers and scaling up production capacity.

As one aspect of our preparations for larger volumes, 2021 saw us initiate the work of developing the next generation hardware platform. The purpose is to improve margins, achieve a more appealing design and make the system future-proof by upgrading certain key components. The next generation platform was presented at the EAHP (European Association of Hospital Pharmacists) congress in March 2022, which was very well received. In parallel, we are also continuously working on developing our software in order to offer our customers more advanced service products, and launched Pharmacolog Dashboard™, a new and unique web-based tool for the analysis and verification of quality controls performed on prepared drugs, at the EAHP congress. Together with Pharmacolog's products DrugLog®, PrepLog® and WasteLog®, Pharmacolog Dashboard™ offers a completely new opportunity to obtain an overview of the drug preparations carried out, and the potential to adjust routines in order to ensure maximum patient safety.

As we now sum up 2021, I am extremely proud that we have succeeded in a commercial breakthrough despite the pandemic. All my colleagues have worked tirelessly, despite restrictions and a very challenging market environment.

Methods and tools designed to reduce the risk of incorrect medication are needed now more than ever and the demand for products that can perform quick quality control of prepared medication is ever increasing. With proven, effective, and well-functioning solutions, Pharmacolog is ready to meet this increased demand. We are just in the beginning of a significant expansion and look forward to an exciting and intense 2022.

> We have broken through the ice and begun the journey towards increased growth and profitability.

MILESTONES 2021

CODONICS ORDERS EIGHT SYSTEMS AND ENTERS ADDITIONAL MARKETS

In December 2020, Codonics Inc. and Pharmacolog signed a long-term partnership agreement regarding sales in the US market. Already in January 2021, Codonics placed a first order of a total of eight devices. The WasteLog® systems were equipped with the new software which the Companies jointly developed in the fall of 2020 to create an efficient workflow when controlling returned narcotic medication. During the year, the partnership agreement between Pharmacolog and Codonics have been expanded to also include the sale of WasteLog™ in the Chinese and Mexican market.

NEWYORK PRESBYTERIAN EXPANDS TO NINE UNITS

NewYork Presbyterian (NYP), one of America's most prestigious hospital chains with 10 hospitals located in New York city, chose to purchase a total of 5 DrugLog™ units in April 2019 for their facilities in New York. The systems are an essential part of NYP's overall Drug Diversion Prevention Program. During the year, NYP decided to purchase four additional WasteLog® systems and to convert the existing DrugLog™ systems to WasteLog®. WasteLog® has a specially developed software that offers a customized workflow with functionality specifically intended for so-called Waste Screening.

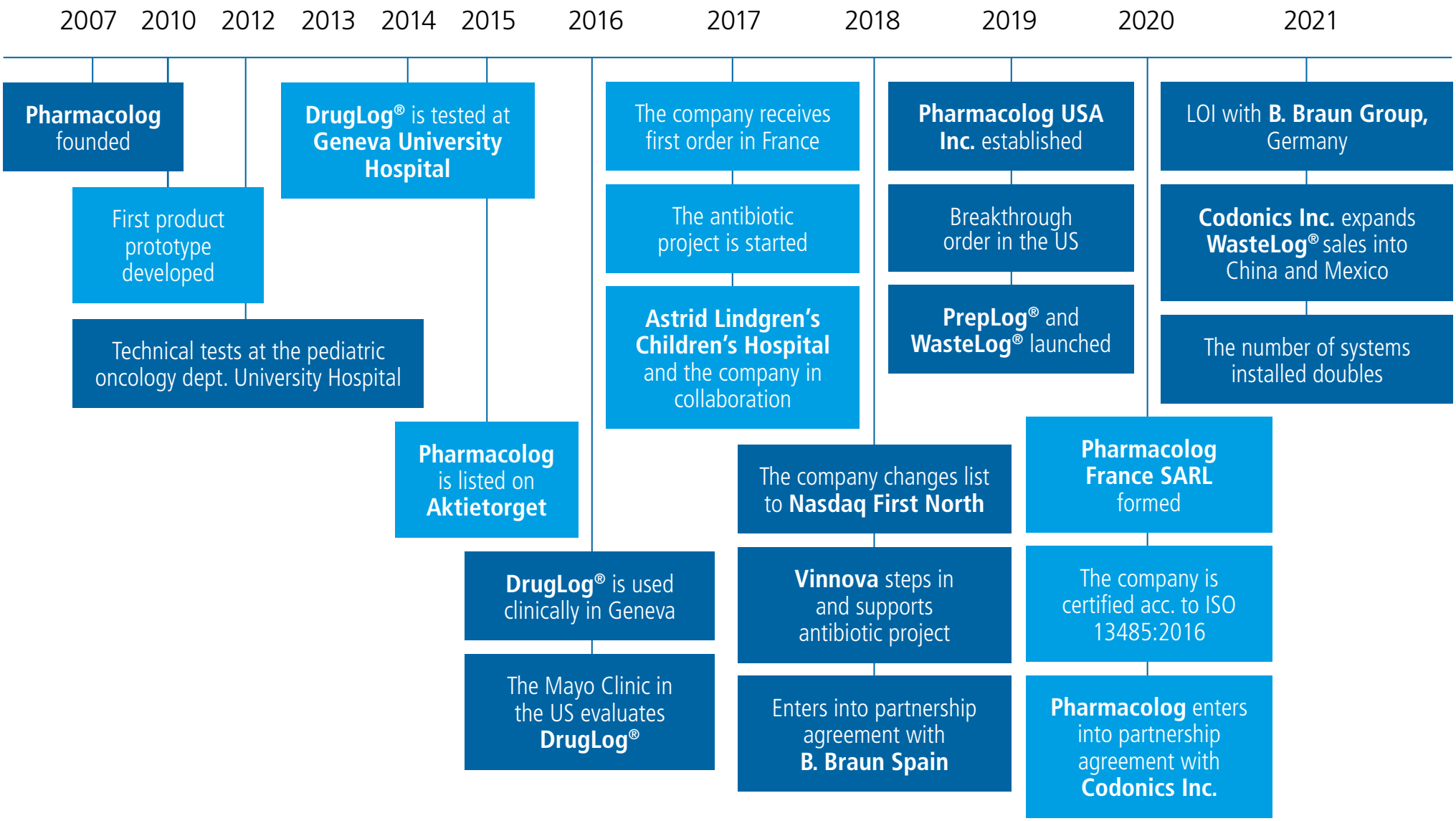
PHARMACOLOG AND B. BRAUN INTENSIFIES THE COLLABORATION

Pharmacolog AB and B. Braun Group, one of the world's leading manufacturers of medical technology products and pharmaceutical products, announced that they intend to intensify their partnership. The parties are working on establishing a formal commercial partnership agreement regarding Pharmacolog's DrugLog® and PrepLog® systems with the perspective of a global rollout. Pharmacolog and B. Braun started the collaboration around technological development and integration in 2018 and have since successfully launched DrugLog® and PrepLog® on the Spanish market.

DRUGLOG™ LAUNCHED IN THE USA

During the month of July, Pharmacolog completed the registration of DrugLog™ at FDA and can thereby sell and deliver systems on the American market. In connection with the registration, Pharmacolog and Codonics decided to extend their existing partnership agreements to also include DrugLog™. As a result of the agreement, Codonics will sell both WasteLog® and DrugLog™ on the US market.

TIMELINE PHARMACOLOG



ABOUT THE BUSINESS

Pharmacolog is active in the field of medical technology and develops systems and solutions that aim to optimize and ensure correct and effective treatment with injectable drugs. The company offers three different solutions, where DrugLog® and PrepLog® offer a fast and cost-effective quality control of prepared drugs before they are given to the patient. WasteLog® is used to prevent drugs from falling into the wrong hands and is specially adapted to meet the significant demand found in the North American market.

PrepLog® och DrugLog® are aimed at a large number of treatment areas, such as; oncology, infectious diseases, and intensive care, where drugs are administered intravenously by infusion or injection. Pharmacolog's system reduces the risk of medical errors by ensuring that the patient receives the correct medication and the right dose. Overdose, too low a dose, or the use of the wrong drug, can have serious consequences for the patient.

Pharmacolog Dashboard™ is a new and unique web-based tool for the analysis and verification of quality controls performed on prepared drugs.

PHARMACOLOG PRODUCTS AND DEVELOPMENT PROJECTS

The company's three products offered to the market are all based on the same technology, however, each individual product has specially developed software for managing the specific workflows found in each segment.

WasteLog®

WasteLog® is a system that efficiently manages the workflow when analyzing returned narcotic drug preparations within so-called Drug Diversion Prevention programs and is specially developed for the American market. Narcotic medications that have only been partially used during an operation shall be discarded under controlled conditions, however, before this is done, the remaining drug is checked to ensure it has not been replaced or tampered with, so-called Waste Screening.

VISION

Pharmacolog's vision is individually tailored medication with injectable drugs where the goal is to optimize the effect of treatment and minimize side effects for patients with severe diseases.

MISSION

Pharmacolog's mission is to be a leading supplier of products that optimize medication with injectable drugs, and contribute to increased patient safety and reduced healthcare costs.

PrepLog®

PrepLog® is an integrated solution for the control of drugs prepared at hospital pharmacies and care wards, where the expected substance and concentration are imported automatically. The result after the measurement is performed is also sent to an electronic prescription system or patient record to ensure full traceability.

DrugLog®

DrugLog® is offered to those customers who need a stand-alone instrument for the quality control of the preparation of drugs or process control, for example when checking preparation robots.

Pharmacolog Dashboard™

Together with Pharmacolog's products DrugLog®, PrepLog® and WasteLog®, Pharmacolog Dashboard™ provides a completely new potential to obtain an overview of the preparation of drugs carried out, and the possibility to adjust routines in order to ensure maximum patient safety. Pharmacolog Dashboard™ offers several valuable tools, including for preparing reports and statistics on measurements performed, or providing the possibility for a senior pharmacist to assist a colleague in the preparation room during a complicated preparation, without being on site in the pharmacy. Installation of Pharmacolog Dashboard™ at the customer is expected to be possible during the second half of 2022.

Development project for effective antibiotic treatment

The development work is being carried out together with Uppsala University and the University Hospital, where financial support was received in 2018 from Vinnova. The project aims to develop a system that makes it possible to carry out near-patient analysis of the antibiotic concentration in the bloodstream. This quick method, intended for patients with severe infections, would provide an indication whether they are being treated with the optimal amount of antibiotics at any given time. A recently published study shows that up to 45% of those treated urgently with antibiotics receive too low a dose, which leads to complications in terms of recovery. Pharmacolog's goal is to develop a method that enable rapid correction of the antibiotic concentration in order to achieve optimal treatment results. The method will also result in reduced overuse of antibiotics, and as such counteract the development of antibiotic-resistant bacteria.

MARKET POTENTIAL

The market for Pharmacolog's launched products, WasteLog®, PrepLog® and DrugLog®, is extensive. The market potential in the area of Drug Diversion, which is the target market for WasteLog®, and primarily focused on the US market, is described below, as well as the potential in the market for quality control of processed and prepared drugs. The DrugLog® and PrepLog® products are both focused on the latter market segment. The market for systems intended for more effective antibiotic use is also briefly described below.

OPIATE EPIDEMIC IN THE UNITED STATES AND DRUG DIVERSION

During 2021, nearly 75 000 people in the United States died as a result of overdoses with opiate-based drugs. This means that overdose is currently the most common cause of death among Americans under the age of 50. The US Center for Disease Control and Prevention estimates that the cost of the opiate crisis is $ 78.5 billion a year in the United States alone. This has resulted in the healthcare system being placed under enormous demands from the authorities to control their handling of narcotic drug preparations, in order to prevent so-called Drug Diversion.

Drug Diversion relates to how controlled substances, such as narcotic and other prescription drugs, that are legally held end up in illegal channels, where they are sold or used for drug abuse. This includes, among other things, healthcare professionals who misappropriate drugs or swap out narcotic drug preparations with, for example, ordinary saline solution. An estimated 92% of incidents involve opioids.

The most common situation is that the drugs which are misappropriated are for personal use rather than being resold. Surveys carried out in the United States show that 10–15% of healthcare workers will abuse narcotic drugs or alcohol at some point during their employment. Here, hospitals account for the majority (37%) of the reported cases of Drug Diversion, which is mainly a consequence of being better prepared to detect this type of activity due to greater resources.

It is worth highlighting that data relating to Drug Diversion is difficult to compile in order to obtain a true overview. It is often said that the figures which can be reported are only the tip of the iceberg, for two main reasons. First and foremost, many incidents that healthcare organizations detect are not reported further. These cases are resolved internally within the organization and its licensing board, without involving the judicial system. The second reason is due to the fact that only a fraction of all Drug Diversion is detected. Hospitals at present find this difficult to monitor and control.

NEED FOR SYSTEMS FOR QUALITY CONTROL OF PREPARED DRUGS

Pharmacolog's market, the preparation control of intravenous drugs in wards and pharmacies, is in an early phase, but with an expressed need, and clear signs that demand is starting to pick up. Several countries, including Sweden, have initiated national programs to improve drug management in general, and more specifically within pediatric care.

When it comes to the preparation control of cytotoxic drugs, development has advanced furthest in France, where an active, competitive market has already been established, with a defined price structure and an understanding of the benefits of the control of intravenous drugs before being given to the patient. An analysis of the French market concluded that there are approximately 200 hospitals and processing centers for cytotoxic drugs of interest in France, of which about 50 at present have implemented a solution for the safety control of substance and concentration, to a value of 500–600 thousand SEK per system. The company's estimate, as such, is that the total French market amounts to approximately 110 million SEK, plus annual service, as well as consumables comprising an estimated 20% of the installed value. As the French market, according to the company's calculations, constitutes around 17% of the Western European market, which in turn is estimated to be 25% of the global market, this creates an aggregated market of 650 million SEK in Western Europe, and around 2,6 billion SEK globally. Furthermore, the company believes that the market for preparation control of drugs prepared in hospital wards is 2–3 times greater than that.

The customers in the field of preparation control for cytostatics are found in larger healthcare institutions, hospitals and hospital pharmacies, and, in addition to France, the demand for systems for preparation control is also increasing significantly in the rest of Europe. University hospitals play a particularly important role in the stage in which the company and the market currently find themselves, as the conclusions and reports resulting from the various research collaborations are important for increasing the awareness of relevant stakeholders and, as such, continued market development.

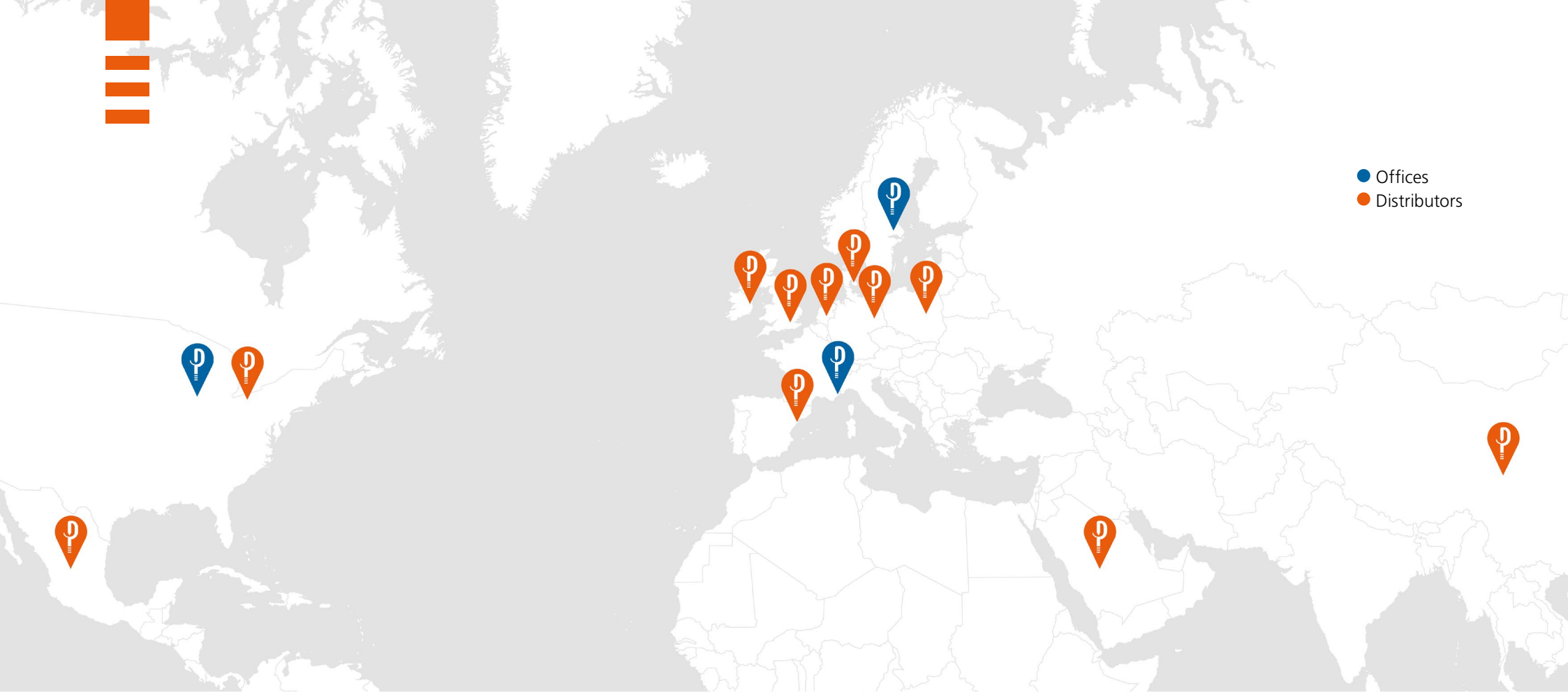
NEED FOR MORE EFFECTIVE ANTIBIOTIC TREATMENT

The market for traditional microbial infection diagnostics was valued at SEK 32 billion for 2018, and is expected to grow up to 2023, with an average annual growth rate of 4%, to SEK 40 billion. Simple and fast systems for controlling the concentration of antibiotics in the blood are currently lacking, and are an important step towards optimizing the effect of medication and preventing the development of resistant bacterial strains.

Resistance to antibiotics is one of the absolute greatest threats to global health, food safety, and development. Antibiotics are used to treat bacterial infections. Resistance occurs when bacteria adapt and become resistant to antibiotics. It is therefore the bacterium that becomes immune, and not the human or the animal. The consequences can be devastating, as it becomes much more difficult to treat very serious diseases, such as the treatment of pneumonia, tuberculosis, gonorrhea and salmonella.

At present, approximately 700 000 people die each year globally as a result of resistance to antibiotics. Resistance leads to longer hospital stays, higher medical costs, and increased mortality. The United Nations Interagency Coordination Group on Antimicrobial Resistance (IACG) estimates that, by 2050, 10 million lives per year, and $100 trillion cumulatively, will be at risk if the world does not find solutions to the overuse of antibiotics.

When it comes to treatments with antibiotics, correct dosing is critical. For example, sepsis is a serious medical condition in which prompt and correct treatment with antibiotics is essential for recovery. In the United States, sepsis, when aggregated, is calculated to be the most expensive condition to treat, and around 30 million people globally are estimated to be affected each year. These patients must quickly undergo a course of antibiotics, and, at present, the dose determination is very uncertain, and there are currently no methods that are speedy in order to correctly verify the quantity of drugs in the patient's blood. In addition, sepsis is only a fraction of all antibiotic use where control of the antibiotic concentration in the blood is necessary.



OFFICES

Pharmacolog AB
Sweden, Denmark and Finland

Pharmacolog SARL
France

Pharmacolog Inc.
North America

DISTRIBUTORS

CODONICS
North America

CODONICS
Latin America

CODONICS
Middle east

CODONICS
China

B.BRAUN ESPAÑA
Spain

MEDIM Co. Ltd.
Poland

ADDED PHARMA
Germany and Denmark

ADDED PHARMA
UK and Ireland

ADDED PHARMA
The Netherlands

10 LARGEST SHAREHOLDERS 2021-12-31

Ägare	No. of shares	Votes and capital
Avanza Pension	1 364 654	8,88%
Nolsterby Invest AB[1]	1 251 662	8,14%
Nordnet Pensions	1 055 083	6,86%
Gunvald Berger	664 936	4,19%
Bjarke Iversen	333 333	2,17%
Hans Dahlin[2]	264 340	1,72%
Bo Millstam	250 000	1,63%
Karl Mats Peter Fredriksson	241 814	1,57%
Mats Ekberg	240 121	1,56%
Kenneth Ögren	191 500	1,25%
Other	9 537 307	62,03%
Total number of shares	**15 374 750**	**100,00%**

1) 80% owned by Erik Hedlund, Chairman of the Board in Pharmacolog AB

2) Owns 69 620 shares private and 272 340 shares through the wholly owned company Helax Medical AB.

MARKET TREND 2021

ADMINISTRATION REPORT

The Board of Directors and the CEO of Pharmacolog i Uppsala AB (publ) hereby submit the following annual report and consolidated financial statements for the financial year 2021. The annual report has been prepared in Swedish kronor, SEK. Unless otherwise stated, all amounts are reported in full kronor (SEK). Information in parentheses refers to the previous year.

INFORMATION ABOUT THE BUSINESS

Pharmacolog is a medical technology company, and develops systems and solutions that aim to optimize and ensure correct and effective treatment with injectable drugs. The company was founded in 2007 by Hans Dahlin and Kjell Westerlund, with the objective of developing fast and easy working systems for safer and more effective drug management. The product development began in earnest around 2010, whereupon several prototypes were produced, and the technology was verified through studies at, among others, the University Hospital in Geneva (HUG).

In 2015, Pharmacolog's share was introduced onto Aktietorget (now Spotlight), and the following year the first system of DrugLog® was installed at the University Hospital in Geneva, for the purpose of controlling preparations of toxic drugs. In conjunction with a private placement in 2017, Erik Hedlund became the company's largest owner, and shortly afterwards joined as the Chair of the Board. In the same year, Mats Högberg, the company's current CEO, took office.

In May 2018, the company changed its trading venue, and has since traded on Nasdaq First North. Later that year, Pharmacolog USA Inc., based in Chicago, was formed. In 2019, the company decided to expand its product portfolio with two further products, WasteLog® and PrepLog®. Both are based on the technology found in the existing DrugLog® but have newly developed software to better meet the healthcare requirements in each application area.

In 2020, the company announced a change in its sales strategy, which meant it would, to a greater extent, focus on direct sales via its own subsidiaries and deeper partner collaborations. A consequence of the new strategy was the establishment of a subsidiary in France. The company also carried out certification of its quality system in accordance with ISO 13485:2016. The product DrugLog® was also registered with the US Medicines Agency as a medical device in 2021.

The company has its registered office in Uppsala.

RESEARCH AND DEVELOPMENT

Development work is continually carried out on the company's launched products; WasteLog®, PrepLog® and DrugLog®, with the aim of developing new functionality and improved integration, as well as faster and more stable software. In addition to the launched products, development work is also being carried out to be able to launch a system for near-patient control of intravenous antibiotic treatment. In July 2018, the project was

granted a research grant from Vinnova, and is run in collaboration with Uppsala University and the University Hospital.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

January

Codonics Inc. orders eight WasteLog® systems equipped with modified software to read barcodes created by the Codonics Safe Label System.

February

American subsidiary Pharmacolog Inc. receives orders for two WasteLog® systems from Southern Illinois Healthcare. The systems will be used to control the return of narcotics at two of Southern Illinois Healthcare's hospitals.

Centre Hospitalier Universitaire, Angers, France orders a PrepLog® system to be used for the final control of cytotoxic drugs at the hospital pharmacy, and will be integrated with the hospital's prescription system. The agreement is concluded with the French subsidiary Pharmacolog France SARL.

March

Private pharmacy, Obertor Apotheke, in Esslingen, Germany, orders a DrugLog® system. The system will be used for the final control of ophthalmic drugs. The transaction was carried out by Pharmacolog's distributor in Germany, AddedPharma GmbH.

The company held an Extraordinary General Meeting on 23 March 2021, which resolved, in accordance with the Board of Directors' proposal, to adopt a personnel option program 2021/2026 through a private placement of 636 185 subscription warrants to the company itself.

April

Clinique universitaires Saint-Luc in Brussels orders a DrugLog® system that will be used for final control of cytotoxic drugs at the hospital pharmacy. The agreement is concluded with Pharmacolog France SARL, and is the first installation of DrugLog® in Belgium.

May

Pharmacolog and Lund-based AcouSort AB sign a letter of intent for a long-term collaboration focused on investigating the potential of integrating AcouSort's technology into Pharmacolog's products. The aim is for the collaboration to result in the development of a new product for determining the concentration of antibiotics in the blood of critically ill patients.

Pharmacolog appoints new Marketing Director with extensive experience in marketing and business development in the Life Science industry.

Pharmacolog approves the DrugLog® and WasteLog® version 4.7 software for official release. The software has undergone extensive development, and includes a number of new features and an enhanced workflow. The software improves the user experience, workflows, quality control of reference measurements, and integration of Codonics SLS.

June

New York Presbyterian, one of America's most prestigious hospital chains, with 10 hospitals in New York City's districts, purchases three more WasteLog® systems as part of an expanded Drug Diversion Prevention Program. Following installation and upgrading, New York Presbyterian will have a total of eight WasteLog® systems, all contracts signed with Pharmacolog Inc.

Pharmacolog Inc. also receives an order for a WasteLog® from Bronson Methodist Hospital Kalamazoo, Michigan. The system will be used to control the return of narcotics at the care group's main trauma center.

July

The company announces that Nolsterby Invest AB, majority owned by Pharmacolog's Chair of the Board, Erik Hedlund, intends to subscribe for its 154 165 allotted subscription warrants, and that they have recently purchased another 18 340 subscription warrants of series TO1.

Pharmacolog's partner, Codonics, supplies a prominent university hospital on the west coast of the United States with four WasteLog® units.

Pharmacolog registers DrugLog™ with the US Food and Drug Administration.

Pharmacolog and Codonics extend existing partnership agreements to include DrugLog™. As a result, Codonics will sell both WasteLog® and DrugLog™ in the US market.

August

Pharmacolog's partner, Codonics, signs another contract with a leading hospital chain, TriHealth Good Samaritan Hospital in Ohio, relating to WasteLog®.

The outcome from the exercise of the TO1 series subscription warrants amounted to 94.1 per cent of outstanding options with a subscription price of SEK 8.06 per Series B share. Through the exercise of the TO1 series subscription warrants, Pharmacolog received approximately MSEK 21.4, before issue costs.

September

Pharmacolog and Codonics expand their existing partnership agreement to include sales of WasteLog® in the Chinese market.

B. Braun Spain receives delivery of its first DrugLog® system. The delivery is the result of a major launch campaign initiated by B. Braun.

October

New York Presbyterian buys another WasteLog® system, and has a total of nine WasteLog® systems after installation.

Pharmacolog recruits a Chief Operating Officer (COO) with extensive experience of organizational development in service and supply chain management.

November

B. Braun Group Melsungen and Pharmacolog enter into an in-depth collaboration with the aim of establishing a formal commercial partnership agreement relating to Pharmacolog's DrugLog® and PrepLog® systems with the prospect of a global rollout.

December

Pharmacolog SARL receives an order for a DrugLog® system, to be located at Hôpital Saint Camille in Bry sur Marne, France.

Pharmacolog and Codonics are expanding their existing agreement to cover the sale of WasteLog™ and related services to Mexico and the Middle East region.

Codonics Inc. is ordering a further eight WasteLog® systems from Pharmacolog for immediate delivery.

EXPECTED FUTURE DEVELOPMENTS, AND SIGNIFICANT RISKS AND UNCERTAINTIES

During the financial year, Pharmacolog has, in all material aspects, developed according to plan under the conditions resulting from the restrictions attributable to the outbreak of Covid-19. The company's sales development is expected to follow the positive trend that emerged during the latter part of 2021, and has continued into 2022.

Another factor that creates heightened interest in the company's products, both from customers and potential partners, is the increased requirements from the authorities for improved procedures when preparing medicines. Within the EU, UK, and USA, several directives have been published in 2021 that emphasize the need for qualified quality control in drug preparation.

Key individuals

Pharmacolog is a small and knowledge-intensive company, and is dependent on a number of key individuals in order to achieve success. If one or more key individuals leave Pharmacolog it may have negative impacts on the business and results.

Distributors, suppliers and other collaboration partners

Pharmacolog bases its strategy on, among other things, development and sales, together with distributors and strategic partners, or in-house. If existing or future collaborations cannot be established, cannot be achieved, or do not function as intended, then Pharmacolog's commercialization opportunities may be adversely affected. Phamacolog also collaborates with suppliers. If one or more of these players chooses to suspend their collaboration, it would have a negative impact on the business.

Technology and product development

Pharmacolog's products are in a commercialization phase. Although a significant amount of work has been done to ensure the technology used, it cannot be completely ruled out that complementary or alternative technical solutions will be necessary. This would mean that development work, in addition to what is already planned, must be carried out.

Financing and working capital needs, as well as financing risk

The company is in an establishment phase, where expected revenues do not cover planned costs. There is a risk that Pharmacolog may also need to raise additional capital in the future. Access to additional financing is affected by a number of factors, such as market conditions, general availability of credit, and Pharmacolog's creditworthiness and credit capacity. Disruptions and uncertainty in the capital and credit markets may also limit access to the capital required to conduct operations.

In the event that Pharmacolog fails to raise the necessary capital on reasonable terms for the company in the future, its operations, financial position, and results may be adversely affected. To the extent that Pharmacolog obtains additional financing by issuing shares or share-related instruments, Pharmacolog's shareholders will be subject to dilution, insofar as such new issues take place with deviation from the shareholders' preferential rights.

MULTI-YEAR OVERVIEW (KSEK)

GROUP

	2021	2020	2019
Net revenue	8 816	1 901	1 072
Result after financial items	-13 712	-14 588	-17 578
Balance sheet total	25 595	18 962	19 437
Equity/assets ratio (%)	81	79	83

For definitions of key figures, see Accounting and valuation principles.

PARENT COMPANY

	2021	2020	2019	2018	2017
Net revenue	7 511	1 385	2 182	1 035	798
Result after financial items	-14 066	-16 001	-16 729	-12 385	-9 944
Balance sheet total	24 274	18 157	20 254	17 866	15 362
Equity/assets ratio (%)	83	80	84	77	73

For definitions of key figures, see Accounting and valuation principles.

CHANGE IN EQUITY

GROUP

	Share capital	Other contributed capital	Share premium fund	Other equity incl. result for the year	Total
Amount at the beginning of the year	7 634	321	11 844	-4 830	14 969
New issue	1 591		18 003		19 594
Appropriation according to the decision of the year's AGM:			-11 844	11 844	0
Translation difference				-18	-18
Transfer between restricted and unrestricted reserves		453		-453	0
Result for the year				-13 712	-13 712
Amount at the end of the year	**9 225**	**774**	**18 003**	**-7 169**	**20 833**

PARENT COMPANY

	Share capital	Fund for development expenditure	Share premium fund	Retained earnings	Results for the year	Total
Amount at the beginning of the year	7 634	321	11 844	10 752	-16 001	**14 550**
New issue	1 591		18 003			**19 594**
Appropriation according to the decision of the year's AGM:			-11 844	-4 157	16 001	**0**
Change in fund for development expenditure		453		-453		**0**
Result for the year					-14 066	**-14 066**
Amount at the end of the year	**9 225**	**774**	**18 003**	**6 142**	**-14 066**	**20 079**

PROPOSED APPROPRIATION OF PROFIT/LOSS

The Board of Directors proposes that available funds (SEK):

Share premium fund	18 003 466
Retained earnings	6 142 374
Losses for the year	-14 065 837
	10 080 002
are appropriated	
to be carried forward	10 080 002
	10 080 002

The Group's and the Parent Company's results and financial position in general are shown in the following income statements and balance sheets, as well as cash flow statement with notes.

GROUP INCOME STATEMENT

Amounts in SEK	Notes	2021	2020
Net revenue		8 815 610	1 901 070
Other operating income		180 328	865 514
Total operating income		**8 995 938**	**2 766 584**
Operating expenses			
Raw materials and supplies		-2 886 494	-956 705
Other external expenses		-8 292 287	-6 820 037
Personnel costs	2	-11 075 385	-8 905 683
Depreciation and impairments of tangible and intangible fixed assets		-384 233	-498 818
Other operating expenses		-41 436	-99 110
Total operating expenses		**-22 679 835**	**-17 280 353**
Operating result		**-13 683 897**	**-14 513 769**
Result from financial items			
Other interest income and similar items		121 527	73 830
Interest expenses and similar items		-149 171	-147 617
Total financial items		**-27 644**	**-73 787**
Result after financial items		**-13 711 541**	**-14 587 556**
Result before tax		**-13 711 541**	**-14 587 556**
Result for the year		**-13 711 541**	**-14 587 556**

GROUP BALANCE SHEET

Amounts in SEK	Notes	2021-12-31	2020-12-31
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenditure for development and similar work		773 826	320 757
Concessions, patents, licenses, trademarks and similar rights		50 702	101 403
		824 528	**422 160**
Tangible fixed assets			
Machinery and other technical facilities	8	393 710	364 255
Equipment, tools and installations	9	72 550	118 129
		466 260	**482 384**
Financial fixed assets			
Other long-term receivables	13	562 088	58 032
		562 088	**58 032**
Total fixed assets		**1 852 876**	**962 576**
Current assets			
Inventory etc.			
Finished goods and merchandise		239 915	0
		239 915	**0**
Current receivables			
Accounts receivable		2 502 666	666 217
Other receivables		1 433 380	424 753
Prepaid expenses and accrued income	15	506 646	473 737
		4 442 692	**1 564 707**
Cash and bank balances		19 059 478	16 433 925
Total current assets		**23 742 085**	**17 998 632**
Total assets		**25 594 961**	**18 961 208**

GROUP BALANCE SHEET

Amounts in SEK	Notes	2021-12-31	2020-12-31
EQUITIES AND LIABILITIES			
Equity	16		
Equity attributable to the Parent Company's shareholders			
Share capital		9 224 850	7 634 219
Other contributed capital		773 826	320 757
Other equity incl. result for the year		10 833 982	7 012 703
Equity attributable to the Parent Company's shareholders		**20 832 658**	**14 967 679**
Total equity		**20 832 658**	**14 967 679**
Long-term liabilities	18		
Liabilities to credit institutions		416 004	722 222
Total long-term liabilities		**416 004**	**722 222**
Current liabilities			
Liabilities to credit institutions		333 333	333 333
Accounts payable		1 765 424	862 429
Current tax liabilities		53 864	4 786
Other liabilities		522 400	548 843
Accrued expenses and prepaid income		1 671 278	1 521 916
Total current liabilities		**4 346 299**	**3 271 307**
Total equity and liabilities		**25 594 961**	**18 961 208**

GROUP CASH FLOW STATEMENT

Amounts in SEK	Notes	2021	2020
Operating activities			
Result after financial items		-13 711 541	-14 587 556
Adjustments for items not included in the cash flow	20	418 921	334 818
Cash flow from operating activities before changes in working capital		**-13 292 620**	**-14 252 738**
Cash flow from changes in working capital			
Change in inventory and work in progress		-239 915	0
Change in accounts receivable		-1 836 449	-414 077
Change in current receivables		-1 041 536	214 553
Change in accounts payable		902 995	563 954
Change in current liabilities		171 614	521 555
Cash flow from operating activities		**-15 335 911**	**-13 366 753**
Investment activities			
Investments in intangible fixed assets		-613 448	0
Investments in tangible fixed assets		-181 948	-210 137
Investments in financial fixed assets		-503 904	0
Cash flow from investment activities		**-1 299 300**	**-210 137**
Financing activities			
New issue		19 594 097	13 523 695
Amortization of loans		-333 333	-333 333
Cash flow from financing activities		**19 260 764**	**13 190 362**
Cash flow for the year		**2 625 553**	**-386 528**
Cash and cash equivalents at the beginning of the year		16 433 925	16 820 453
Cash and cash equivalents at the end of the year		**19 059 478**	**16 433 925**

PARENT COMPANY INCOME STATEMENT

Amounts in SEK	Notes	2021	2020
Operating income			
Net revenue		7 511 317	1 385 161
Other operating income		180 328	865 514
Total operating income		**7 691 645**	**2 250 675**
Operating expenses			
Raw materials and supplies		-2 914 509	-838 829
Other external expenses	3	-6 690 059	-5 933 374
Personnel costs	2	-7 185 806	-6 071 614
Depreciation and impairments of tangible and intangible fixed assets		-384 991	-496 754
Other operating expenses		-39 468	-99 098
Total operating expenses		**-17 214 833**	**-13 439 669**
Operating result		**-9 523 188**	**-11 188 994**
Result from financial items			
Result from shares in Group companies	4	-4 539 330	-4 740 407
Other interest income and similar items		76 527	76 395
Interest expenses and similar items		-79 846	-147 617
Total financial items		**-4 542 649**	**-4 811 629**
Result after financial items		**-14 065 837**	**-16 000 623**
Result before tax		**-14 065 837**	**-16 000 623**
Tax on the result for the year		0	0
Result for the year	5	**-14 065 837**	**-16 000 623**

PARENT COMPANY BALANCE SHEET

Amounts in SEK	Notes	2021-12-31	2020-12-31
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenditure for development and similar work	6	773 826	320 757
Concessions, patents, licenses, trademarks and similar rights	7	50 702	101 403
		824 528	**422 160**
Tangible fixed assets			
Machinery and other technical facilities	8	393 710	364 255
Equipment, tools and installations	9	68 583	114 306
		462 293	**478 561**
Financial fixed assets			
Shares in Group companies	10, 11	1 377 585	894 343
Receivables from Group companies	12	0	0
Other long-term receivables	13	50 000	50 000
		1 427 585	**944 343**
Total fixed assets		**2 714 406**	**1 845 064**
Current assets			
Inventory etc.	14		
Finished goods and merchandise		239 915	0
		239 915	**0**
Current receivables			
Accounts receivable		1 907 629	217 356
Receivables from Group companies		433 709	129 570
Other receivables		721 974	420 737
Prepaid expenses and accrued income	15	411 055	355 857
		3 474 367	**1 123 520**
Cash and bank balances		17 845 152	15 188 330
Total current receivables		**21 559 434**	**16 311 850**
Total assets		**24 273 840**	**18 156 914**

PARENT COMPANY BALANCE SHEET

Amounts in SEK	Notes	2021-12-31	2020-12-31
EQUITIES AND LIABILITIES			
Equity	16,17		
Restricted equity			
Share capital		9 224 850	7 634 219
Fund for development expenditure		773 827	320 757
		9 998 677	**7 954 976**
Unrestricted equity			
Premium fund		18 003 466	11 843 695
Profit or loss brought forward		6 142 373	10 752 370
Result for the year		-14 065 837	-16 000 623
		10 080 002	**6 595 442**
Total equity		**20 078 679**	**14 550 418**
Long-term liabilities	18		
Liabilities to credit institutions		388 889	722 222
Total long-term liabilities		**388 889**	**722 222**
Current liabilities			
Liabilities to credit institutions		333 333	333 333
Accounts payable		1 530 024	812 229
Liabilities to Group companies		10 615	0
Other liabilities		261 021	216 796
Accrued expenses and prepaid income	19	1 671 279	1 521 916
Total current liabilities		**3 806 272**	**2 884 274**
Total equity and liabilities		**24 273 840**	**18 156 914**

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK	Notes	2021	2020
Operating activities			
Result after financial items		-14 065 837	-16 000 623
Adjustments for items not included in the cash flow	20	4 947 321	5 245 228
Cash flow from operating activities before changes in working capital		**-9 118 516**	**-10 755 395**
Cash flow from changes in working capital			
Change in inventory and work in progress		-239 915	0
Change in accounts receivable		-1 690 273	-124 937
Change in current receivables		-658 989	-42 840
Change in accounts payable		717 795	528 485
Change in current liabilities		204 204	184 721
Cash flow from operating activities		**-10 785 694**	**-10 209 966**
Investment activities			
Investments in intangible fixed assets		-613 448	0
Investments in tangible fixed assets		-182 228	-204 365
Investments in financial assets		-5 022 572	-4 187 597
Cash flow from investment activities		**-5 818 248**	**-4 391 962**
Financing activities			
New issue		19 594 097	13 523 695
Amortization of loans		-333 333	-333 333
Cash flow from financing activities		**19 260 764**	**13 190 362**
Cash flow for the year		**2 656 822**	**-1 411 566**
Cash and cash equivalents at the beginning of the year		15 188 330	16 599 896
Cash and cash equivalents at the end of the year		**17 845 152**	**15 188 330**

NOTER

Note 1 Accounting and valuation principles

GENERAL INFORMATION

The annual report and consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual Report and Consolidated Financial Statements (K3).

Receivables and liabilities in foreign currency have been valued at the exchange rate on the balance sheet date. Transactions in foreign currency are translated at the spot rate on the transaction date. Exchange rate gains and losses on operating receivables and operating liabilities are reported in operating result, while exchange rate gains and losses on financial receivables and liabilities are reported as financial items.

This is the first year that the company submits consolidated financial statements, otherwise the accounting principles are unchanged compared with the previous year.

REVENUE RECOGNITION

Revenue has been recognized at fair value of what has been or will be received and is reported to the extent that it is probable that the financial benefits will be credited to the company and the revenue can be calculated in a reliable manner.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidation method

The consolidated financial statements have been prepared in accordance with the acquisition method. This means that the identifiable assets and liabilities of acquired businesses are reported at market value in accordance with the prepared acquisition analysis. If the acquisition value of the business exceeds the estimated market value of the expected net assets according to the acquisition analysis, the difference is reported as goodwill.

Transactions between group companies

Intra-group receivables and liabilities and transactions between group companies, as well as unrealized gains, are eliminated in their entirety. Unrealized losses are also eliminated, unless the transaction corresponds to a need for impairment.

Changes in internal profit during the financial year have been eliminated in the consolidated income statement.

FIXED ASSETS

Intangible fixed assets

Intangible fixed assets are reported at acquisition value less accumulated depreciation and impairment. The capitalization model is applied to internally generated intangible assets, but with a cautious application. A new development project was started during the year, which is within the framework of the company's operations. During the year, the project was capitalized as expenses for development work of SEK 613 448. Depreciation begins as soon as the product is released into use.

Depreciation is made on a straight-line basis over the estimated useful life.
The following depreciation periods are applied:

Capitalized expenditure for development work	5 years
Concessions, patents, licenses, trademarks	5 years

Tangible fixed assets

Tangible fixed assets are reported at acquisition value less depreciation. The acquisition value includes expenses that can be directly attributed to the acquisition of the asset. When a component in a fixed asset is replaced, any remaining part of the old component is discarded and the acquisition value of the new component is activated. Additional expenses relating to assets that are not divided into components are added to the acquisition value if they are expected to provide the company with future financial benefits, to the extent that the asset's performance increases in relation to the asset's value at the time of acquisition. Expenses for ongoing repairs and maintenance are reported as costs. Capital gains and capital losses on the sale of a fixed asset are reported as Other operating income and Other operating expenses, respectively.

Tangible fixed assets are depreciated systematically over the asset's estimated useful life. When the depreciable amount of the assets is determined, the residual value of the asset is taken into account where applicable. The straight-line depreciation method is used for other types of tangible assets.

The following depreciation periods are applied:

Machinery and other technical facilities	5 years
Equipment, tools and installations	5 years

FINANCIAL INSTRUMENTS

Financial instruments are valued on the basis of acquisition value. The instrument is reported in the balance sheet when the company becomes a party to the instrument's contractual terms. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred, and the company has transferred virtually all risks and benefits associated with ownership. Financial liabilities are removed from the balance sheet when the obligations have been settled or otherwise ceased.

Shares in subsidiaries

Shares in subsidiaries are reported at acquisition value after deductions for any depreciation. The acquisition value includes the purchase price paid for the shares and acquisition costs. Any capital injections are added to the acquisition value when they arise.

Long-term receivables from group companies

Long-term receivables from group companies are reported at acquisition value after deductions for any depreciation.

Other long-term receivables

Other long-term receivables are reported at acquisition value after deductions for any depreciation.

Other current receivables

Receivables are reported as current assets, with the exception of items maturing more than 12 months after the balance sheet date, which are classified as fixed assets. Receivables are recognized at the amount that is expected to be paid after deductions for individually assessed bad or doubtful debts.

Loan liabilities and accounts payable

Loan liabilities and accounts payable are initially reported at acquisition value after deduction of transaction costs.

Impairment assessment of financial fixed assets

At each balance sheet date, an assessment is made as to whether there are indications of a need for impairment of any of the financial fixed assets. Impairment occurs if the decline in value is deemed to be permanent and is tested individually.

LEASING AGREEMENTS

At the first reporting date, the group, as the lessor, reports an asset in accordance with financial leasing agreements as a receivable in the balance sheet. The reported amount corresponds to the net investment in the leasing agreements. Expenses in connection with the conclusion and arrangement of financial leasing agreements are reported as an expense when the profit from the sale is reported.

The parent company reports all leasing agreements, both financial and operational, as operational leasing agreements. Operational leasing agreements are reported as an expense on a straight-line basis over the leasing period.

INCOME TAXES

Total tax consists of current tax and deferred tax. Taxes are reported in the income statement, except when the underlying transaction is reported directly against equity, whereby associated tax effects are reported in equity.

Current taxes are valued on the basis of the tax rates and tax rules that apply on the balance sheet date. Deferred taxes are valued on the basis of the tax rates and tax rules that are decided before the balance sheet date. Deferred tax assets relating to deficit deductions or other future tax deductions are reported to the extent that it is probable that the deduction can be settled against surpluses in future taxation. The parent company's total unutilized deficit as of the balance sheet date amounts to KSEK -92 861 (KSEK -83 378). In view of the fact that the company has historically not reported tax surpluses, and that there is a certain degree of uncertainty when tax surpluses arise, no deferred tax asset is reported attributable to the deficit deduction.

GROUP RELATIONSHIPS

The parent company, Pharmacolog i Uppsala AB (publ), corporate identity number 556723-6418, with its registered office in Uppsala, prepares consolidated financial statements with the wholly owned subsidiaries Pharmacolog USA Inc., corporate identity number 35-2641884, with its registered office in Chicago, USA and Pharmacolog France Sarl, corporate identity no. 882502149, with its registered office in Nice, France.

CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. The reported cash flow only includes transactions that resulted in inflows or outflows.

In addition to cash, the company classifies cash and cash equivalents as available balances with banks and other credit institutions, as well as short-term liquid investments that are listed on a marketplace and have a maturity of less than three months from the date of acquisition. Changes in blocked funds are reported in investment activities.

DEFINITIONS OF KEY FIGURES

Net revenue

Operating main revenue, invoiced expenses, side revenue and revenue corrections.

Result after financial items

Result after financial income and expenses but before year-end appropriation and taxes.

Balance sheet total

The company's total assets.

Equity/assets ratio (%)

Adjusted equity (equity and untaxed reserves with a deduction for deferred tax) as a percentage of the balance sheet total.

NOTE 2 Employee and personnel costs

GROUP

Amounts in SEK	2021	2020
Average number of employees		
Women	1	1
Men	8	7
Total	**9**	**8**
Salaries and other remuneration		
Board of Directors and CEO	1 429 897	1 382 114
Attendance fees and similar remuneration to the Board of Directors and CEO	93 145	10 273
Other employees	6 527 024	5 301 545
	8 050 066	**6 693 932**
Social security costs		
Pension costs for the Board of Directors and CEO	162 535	157 728
Pension costs for other employees	794 583	522 628
Other social security contributions according to law and agreement	1 766 385	1 733 631
	2 723 503	**2 413 987**
Total salaries, remuneration, social security costs and pension costs	**10 773 569**	**9 107 919**

PARENT COMPANY

Amounts in SEK	2021	2020
Average number of employees		
Women	1	1
Men	5	5
Total	**6**	**6**
Salaries and other remuneration		
Board of Directors and CEO	1 429 897	1 382 114
Attendance fees and similar remuneration to the Board of Directors and CEO	93 145	10 273
Other employees	3 464 036	3 140 038
	4 987 078	**4 532 425**
Social security costs		
Pension costs for the Board of Directors and CEO	162 535	157 728
Pension costs for other employees	434 208	205 336
Other social security contributions according to law and agreement	1 364 223	1 385 582
	1 960 966	**1 748 646**
Total salaries, remuneration, social security costs and pension costs	**6 948 044**	**6 281 071**

Gender distribution among senior executives		
Proportion of women on the Board of Directors	0 %	0 %
Proportion of men on the Board of Directors	100 %	100 %
Proportion of women among other senior executives	40%	20%
Proportion of men among other senior executives	60%	80%

As of this year's annual report, board fees are reported as personnel costs instead of other external costs.

NOTE 3 Leasing agreements

PARENT COMPANY

Leasing costs for the year relating to leasing agreements amount to SEK 478 843 (601 822). Future leasing fees, for non-cancellable leasing agreements, are due for payment as follows:

Amounts in SEK	2021	2020
Within a year	531 631	416 282
Later than one year but within five years	937 249	0
Later than five years	0	0
Total	**1 468 880**	**416 282**

In the company's accounts, the operating lease consists, in all material respects, of leased premises. The agreement on renting the premises runs for three years with the possibility of extending, by an additional three years at a time.

NOTE 4 Results from shares in group companies

PARENT COMPANY

Amounts in SEK	2021	2020
Impairment	4 539 330	4 740 407
Total	**4 539 330**	**4 740 407**

NOTE 5 Earnings per share

PARENT COMPANY

Amounts in SEK	2021	2020
Result for the year	-14 065 837	-16 000 623
Average number of shares	13 607 382	11 253 698
Earnings per share, calculated on the average number of shares during the period	-1,03	-1,42

NOTE 6 Capitalized expenditure for development work and similar work

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Opening acquisition value	4 927 264	4 927 264
Purchases	613 448	0
Closing accumulated acquisition value	**5 540 712**	**4 927 264**
Opening depreciation	-4 606 507	-4 372 028
Depreciation for the year	-160 379	-234 479
Closing accumulated depreciation	**-4 766 886**	**-4 606 507**
Closing carrying amount	**773 826**	**320 757**

NOTE 7 Concessions, patents, licenses, trademarks and similar rights

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Opening acquisition value	2 199 620	2 199 620
Closing accumulated acquisition value	**2 199 620**	**2 199 620**
Opening depreciation	-1 398 217	-1 325 053
Depreciation for the year	-50 701	-73 164
Closing accumulated depreciation	**-1 448 918**	**-1 398 217**
Opening impairment	-700 000	-700 000
Closing accumulated impairment	**-700 000**	**-700 000**
Closing carrying amount	**50 702**	**101 403**

NOTE 8 Machinery and other technical facilities

GROUP

Amounts in SEK	2021-12-31	2020-12-31
Opening acquisition value	799 307	776 942
Purchases	180 260	204 365
Sales/disposals	-302 000	-182 000
Closing accumulated acquisition value	**677 567**	**799 307**
Opening depreciation	-435 052	-465 596
Sales/disposals	279 383	173 933
Depreciation for the year	-128 188	-143 389
Closing accumulated depreciation	**-283 857**	**-435 052**
Closing carrying amount	**393 710**	**364 255**

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Opening acquisition value	799 307	776 942
Purchases	180 260	204 365
Sales/disposals	-302 000	-182 000
Closing accumulated acquisition value	**677 567**	**799 307**
Opening depreciation	-435 052	-465 596
Sales/disposals	279 383	173 933
Depreciation for the year	-128 188	-143 389
Closing accumulated depreciation	**-283 857**	**-435 052**
Closing carrying amount	**393 710**	**364 255**

NOTE 9 Equipment, tools and installations

GROUP

Amounts in SEK	2021-12-31	2020-12-31
Opening acquisition value	564 755	558 898
Purchases	0	5 857
Closing accumulated acquisition value	**564 755**	**564 755**
Opening depreciation	-446 626	-398 869
Depreciation for the year	-45 579	-47 757
Closing accumulated depreciation	**-492 205**	**-446 626**
Closing carrying amount	**72 550**	**118 129**

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Opening acquisition value	558 898	558 898
Closing accumulated acquisition value	**558 898**	**558 898**
Opening depreciation	-444 592	-398 869
Depreciation for the year	-45 723	-45 723
Closing accumulated depreciation	**-490 315**	**-444 592**
Closing carrying amount	**68 583**	**114 306**

NOTE 10 Shares in group companies

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Opening acquisition value	4 567 088	2 675 731
Purchases	3 668 445	1 891 357
Closing accumulated acquisition value	**8 235 533**	**4 567 088**
Opening impairment	-3 672 745	-1 228 578
Impairment for the year	-3 185 203	-2 444 167
Closing accumulated impairment	**-6 857 948**	**-3 672 745**
Closing carrying amount	**1 377 585**	**894 343**

NOTE 11 Specification, shares in group companies

PARENT COMPANY

Name	Capital share	Share of voting rights	No. of shares	Book value
Pharmacolog USA Inc.	100	100	5 000	1 377 585
Pharmacolog France SARL	100	100	100	0
				1 377 585

	Corp ID No.	Headquarters	Equity	Result
Pharmacolog USA Inc.	35-2641884	Chicago, USA	1 377 584	-3 261 456
Pharmacolog France SARL	882502149	Nice, Frankrike	-3 091 057	-1 590 934

NOTE 12 Receivables from group companies

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Opening acquisition value	2 296 240	0
Additional receivables	1 354 127	2 296 240
Closing accumulated acquisition value	**3 650 367**	**2 296 240**
Opening impairment	-2 296 240	0
Impairment for the year	-1 354 127	-2 296 240
Closing accumulated impairment	**-3 650 367**	**-2 296 240**
Closing carrying amount	**0**	**0**

Refers to long-term receivables from Pharmacolog France SARL.

NOTE 13 Other long-term receivables

GROUP

Amounts in SEK	2021-12-31	2020-12-31
Opening acquisition value	58 032	50 000
Additional receivables	504 056	8 032
Closing accumulated acquisition value	**562 088**	**58 032**
Closing carrying amount	**562 088**	**58 032**

Refers to the deposit submitted to a supplier and the long-term portion of accrued leasing income.

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Opening acquisition value	50 000	50 000
Closing accumulated acquisition value	**50 000**	**50 000**
Closing carrying amount	**50 000**	**50 000**

Refers to the deposit submitted to a supplier.

NOTE 14 Inventory

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Subcomponents	144 474	0
Finished products	95 441	0
Total	**239 915**	**0**

NOTE 15 Prepaid expenses and accrued income

GROUP

Amounts in SEK	2021-12-31	2020-12-31
Prepaid rental costs	100 032	98 582
Other items	406 613	375 155
Total	**506 645**	**473 737**

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Prepaid rents	100 032	98 582
Other items	311 023	257 275
Total	**411 055**	**355 857**

NOTE 16 Number of shares and quota value

PARENT COMPANY

Name	No. of shares	Quota value
Number of A Shares	0	0
Number of B Shares	15 374 750	0,6
Total	**15 374 750**	**-**

NOTE 17 Appropriation of profit or loss

PARENT COMPANY

Proposed appropriation of profit/loss The Board of Directors proposes that available funds (SEK):	**2021-12-31**
Share premium fund	18 003 466
Retained earnings	6 142 373
Losses for the year	-14 065 837
Total	**10 080 002**
are appropriated to be carried forward	10 080 002
Total	**10 080 002**

NOTE 18 Long-term liabilities

GROUP

Amounts in SEK	2021-12-31	2020-12-31
Due later than five years after the balance sheet date		
Liabilities to credit institutions	0	0
Total	**0**	**0**

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Due later than five years after the balance sheet date		
Liabilities to credit institutions	0	0
Total	**0**	**0**

NOTE 19 Accrued expenses and prepaid income

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Accrued vacation pay including social security contributions	874 025	686 724
Other items	797 255	835 191
Total	**1 671 280**	**1 521 915**

NOTE 20 Adjustment for items not included in the cash flow

GROUP

Amounts in SEK	2021-12-31	2020-12-31
Depreciation	384 233	498 818
Translation difference	34 688	-164 000
Total	**418 921**	**334 818**

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
Depreciation	384 991	496 754
Impairment of shares and receivables from subsidiaries	4 539 330	4 740 407
Loss on sale of fixed assets	0	8 068
Loss on disposal of fixed assets	23 000	0
Total	**4 947 321**	**5 245 229**

NOTE 21 Pledged collateral

PARENT COMPANY

Amounts in SEK	2021-12-31	2020-12-31
For liabilities to credit institutions:		
Company mortgage	2 650 000	2 650 000
Total	**2 650 000**	**2 650 000**
For other long-term liabilities:		
Pledged bank account	50 000	50 000
Total	**50 000**	**50 000**

NOTE 22 Contingent liabilities

PARENT COMPANY

Pharmacolog has entered into a transfer agreement in relation to patent application number PCT/SE2016/050049, which is now published with number WO2016/122382. The agreement provides the inventors with a remuneration of 2% each of the company's net revenue from own sales of products or methods where the invention is included, and 3% each of the company's license revenue from licensing the right to use the invention, in whole or in part. However, the company shall not be obliged to pay any remuneration for net revenue and/or license revenue up to a total amount of MSEK 20 each calendar year (only for the excess). In the event of a transfer of the invention to a third party, the inventors receive compensation of 5% each of the company's revenue from the sale, but only on revenue in excess of MSEK 20. The company has the possibility, under certain circumstances, to terminate its commitments to the inventors for a one-time fee of MSEK 5 each. The agreement is valid as long as there is patent protection, however, at least 20 years.

Pharmacolog also has an agreement with the inventor of the company's patent, EP 1634060B1. The agreement entitles the right holder to EUR 200 per unit sold/installed based on the patent. The agreement is valid until June 2024.

NOTE 23 Significant events after the end of the financial year

B. Braun Spain installs a complete DrugLog® system at La Fe Hospital in Valencia.

B. Braun Spain places two additional orders for DrugLog® systems for installation at Hospital General Universitari de Castelló and at Hospital Universitaro De Badajoz.

Gundersen Lutheran Medical Center, La Crosse, Wisconsin in the USA, chooses WasteLog® as an important addition to their drug diversion prevention program.

Codonics orders its first two DrugLog systems for immediate delivery.

Pharmacolog launches its latest software innovation Pharmacolog Dashboard and presents the next generation hardware platform at the EAHP Congress in Vienna, March 23–25.

SIGNATURES

Uppsala, April 26, 2022

Erik Hedlund
Chair of the Board

Olof Johansson

Ragnar Linder

Carl-Johan Spak

Mats Högberg
CEO

Our audit report has been submitted April 27, 2022
Folkesson Råd & Revision AB

Sten Eriksson
Approved auditor

AUDITOR'S REPORT

To the general meeting of the shareholders of Pharmacolog i Uppsala AB (publ) Corp. ID 556723-6418

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Pharmacolog i Uppsala AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 14–39 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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.

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

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 2–13 and 42–44. 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. 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 error.

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.

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 error, 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 general-

ly 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 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: *www.revisorsinspektionen.se/revisornsansvar.* This description is part of the auditor's report

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 Pharmacolog i Uppsala AB (publ) for the year 2021 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.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: *www.revisorsinspektionen.se/ revisornsansvar.* This description is part of the auditor's report.

Uppsala, April 27, 2022
Folkesson Råd & Revision AB

Sten Eriksson
Approved Public Accountant

BOARD OF DIRECTORS

Erik Hedlund
Chair of the Board

Since: 2017
Year of birth: 1948

Erik Hedlund has a long career in, among others, Ericsson, Siemens Medical, and Saab-Scania Combitech, before he focused on starting new, and developing existing, companies, primarily within radiation therapy for cancer. Two of these companies, RaySearch Laboratories AB and C-Rad AB, are traded on Nasdaq Stockholm's main list. Erik has an MSc in Electrical Engineering at the Royal Institute of Technology and an MSc in Economics from the University of Stockholm.

Other board assignments: Nolsterby Invest AB, Oncodia AB.

Independence: Independent of the company and company management, and independent of major shareholders.

Holding: 1 079 157 shares (indirectly)

Ragnar Linder
Board member

Since: 2019
Year of birth: 1953

Ragnar Linder has a MSc in chemical engineering from the Royal Institute of Technology. Ragnar is a co-founder of Pygargus, a research company in the field of Real World Evidence, which was acquired by IMS Health (now IQVIA) in 2013 and where Ragnar has held senior positions. Ragnar has also held several leading positions within Amgen Nordic (CEO), Aventis, HMR and Hoechst. Furthermore, Ragnar has held board positions in several biotech, pharmaceutical and CRO companies. Ragnar is today an independent consultant.

Other board assignments: AlzeCure Pharma AB, 3D Trace AB.

Independence: Independent of the company and company management, and independent of major shareholders.

Holding: 14 285 shares

Olof Johansson
Board member

Since: 2008
Year of birth: 1952

Olof Johansson has extensive experience from leading positions in the high-tech and Life Science industry, following his MBA (from the Stockholm School of Economics and IMD Lausanne). Over the past 20 years, he has developed a group of BioTech and MedTech companies from an early stage to international market implementation and growth. Olof currently leads the investment and business development group BBD Bridging Business Development AB, as well as BBD Ozonator Sverige AB.

Other board assignments: Självstarten Fastighets AB, Ozonator Sverige AB, SCC Intressenter AB, BBD Bridging Business Development AB.

Independence: Independent of the company and company management, and independent of major shareholders.

Holding: 128 385 shares (indirectly)

Carl-Johan Spak
Board member

Since: 2019
Year of birth: 1956

Carl-Johan Spak is Senior Advisor at Flerie Invest AB. Carl-Johan has held senior positions at Recipharm since 2009 and has, until 2020, been responsible for strategic investments and special projects. Prior to that, Carl-Johan was head of Meda's Nordic organization and CEO of Recip AB. Carl-Johan has an undergraduate education as a dentist and a doctorate in cariology and pharmacology at Karolinska Institutet in 1984.

Other board assignments: Atrogi AB, XSpray Pharma AB (publ), Empros Pharma AB, Symcel AB, Buzzard Pharmaceuticals AB, KAHR Medical Ltd, Israel and EpiEndo Pharmaceuticals EHF, Island.

Independence: Independent of the company and company management, and independent of major shareholders.

Holding: 20 537 shares

MANAGEMENT TEAM

Mats Högberg
CEO

Since: 2017
Year of birth: 1964

Mats has worked in leading roles in several international companies active in Life Science. He is a medical engineer and has a master's degree in industrial marketing and commercial law from Uppsala University, where he also completed an Executive MBA at a later time. After several leading roles in a number of medical technology companies, he became CEO of Nucletron Scandinavia AB. He later held the position of EMEA Marketing Manager at Nucletron B.V. Prior to his current assignment at Pharmacolog, he held a Vice President position at Elekta AB (publ).

Holding: 41 257 shares

Liselotte Söder
CFO

Since: 2021
Year of birth: 1964

Liselotte has extensive experience of working in financial management in listed companies. Liselotte has been active in the accounting and tax industry for more than 25 years, among other things by running her own accounting firm. She has held senior positions as office manager and senior consultant with assignments as CFO and interim CFO. Liselotte comes most recently from an assignment as interim CFO for First North-listed Unibap AB (publ).

Holding: 5 000 shares

Lars Gusch
COO

Since: 2022
Year of birth: 1974

Lars has extensive professional experience in a number of different medical device companies. He has worked in various leading roles in several areas of the product lifecycle, including product and system development, regulatory requirements, service, and sales. Lars holds a Master of Science in Biomedical Engineering and his previous positions include roles as Service Manager for C-RAD AB, Development Manager for Elekta AB and most recently as product owner for Coala Life AB.

Holding: 1 000 shares

Susanne Grimsby
Director of QA-RA

Since: 2018
Year of birth: 1961

Susanne has a degree in biochemistry from Uppsala University and has worked in several biotechnology companies before focusing on quality assurance and regulatory issues for medical technology. Over the past seven years, Susanne has held several senior positions in QA-RA.

Holding: 0 shares

Torbjörn Norberg

Director of Product Management

Since: 2018
Year of birth: 1965

Torbjörn has over 25 years of managerial experience within the domestic and international Life science industry, from large organizations to small start-ups within the medical technology and diagnostics sectors. His strengths include product and process development, as well as quality regulated laboratory work. Torbjörn also has a university degree in microbiology/molecular biology and a PhD in experimental oncology.

Holding: 700 shares

Markku Matkoski

Director of Development

Since: 2020
Year of birth: 1966

Markku has been involved in product development in healthcare and oncology since the early nineties. He has more than 25 years of experience in leading and guiding product creation and maintenance, and in exploring new opportunities within small to large organizations. Markku has studied computer science and numerical analysis at Uppsala University and previous experience includes a number of positions at Helax AB, Nucletron AB and Elekta AB, including as Manager Treatment Planning Software.

Holding: 9 000 shares

Åsa Stroofe

Director of Marketing

Since: 2021
Year of birth: 1968

Åsa has extensive Life Science experience, primarily in the medical device industry. With a background in technology, physiological science and marketing, she has held global roles in product management and marketing management, both in large corporations as well as small startup companies. Her focus has been on commercializing novel technologies within healthcare, and she has been based in Scandinavia, Germany and the United States during many years.

Holding: 2 000 shares

Pharmacolog
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