Biosergen AB

Fogdevreten 2, 171 65 Solna

Registration no. 559304-1295

Annual report
and
Consolidated financial statement
2021-02-26 – 2021-12-31

CEO letter

Dear shareholder,

In June 2021 Biosergen became a publicly traded company on NSADAQ First North Growth Market in Stockholm, after carrying out a successful offering of SEK 50 million and welcoming more than 1,200 new shareholders in Sweden, Norway, and Denmark. Consequently, this is my first CEO letter at the helm of Biosergen as a public company.

Needless to say, the IPO consumed a good deal of our time and resources in the first few months of 2021 but other than that, we really spent most of the year preparing BSG005 for human trials. Sending a novel compound into the clinic is no small feat. It involves much more than just drafting the application to the regulatory authorities. BSG005 had to be manufactured, formulated, quality tested, vialed, packed, and shipped, in our case to Australia. And in Australia, a clinical organization and infrastructure needed to be created, and of course the trial volunteers recruited. If you recall that Biosergen was conceived as a small, almost virtual development organization, it is easy to understand that all this was only possible thanks to our many suppliers, collaborators, and external consultants. I would like to take this opportunity to thank them all. We could not have done it without you.

This thanks off course also extends to our employees, few in numbers but extremely busy and dedicated as they are. A key development this year was that we were able to sign up Tine Kold Olesen as our new Chief Operating Officer. She brings exactly the deep experience with international drug development we will need in the coming years. Welcome Tine.

Our application to start human clinical trials with BSG005 was approved by the Australian authorities in August. This was another major milestone for us in 2021. But as is often the case in such complex endeavors, new obstacles still had to be overcome. One problem which held us back for several month after the approval had to do with BSG005's powerful ability to kill microorganisms in its immediate surrounding. This is off course a good thing in an antifungal drug. However, several of the standard quality assays requested by regulators to prove that a batch of manufactured drug material is not biologically contaminated employs bacterial strains of various types. BSG005 basically just killed these assays, to such an extent that they became meaningless. This created a lot of discussion with the Australian regulators. We and our collaborators therefore had to find other ways around this unexpected problem, and eventually we did. We now know what to do the next time we start clinical trials in a new country.

The world is still in the throes of a global pandemic, although some parts now finally seem be coming out of it. For many of us, the pandemic has been a wake-up call. We – and that includes the biopharmaceutical industry - have for decades been mostly preoccupied with the diseases we get from living longer, more unhealthy lives. Covid has reminded us that infectious diseases still very much constitute a global health threat and that these diseases effects all of us, even if we do not suffer much from tuberculosis, malaria, or typhoid fever in our parts of the world anymore.

We see this in our field as well. Fungal infection is a growing problem, not a diminishing one, even in the Nordic Countries. We live closer together, and in new environments. Multidrug resistance is on the rise. Our very lifestyles make us more prone to opportunistic infections from fungal pathogens, and these infections now kill more people every year than malaria and tuberculosis put together. We urgently need to start addressing this problem on a much wider scale. Precisely in recognition of this pressing unmet need, BSG005 was granted orphan status by the US Food and Drug Administration (the FDA) for the treatment of aspergillosis in June 2021. Orphan Drug status confers several important advantages including an expedited regulatory path and prolonged market exclusivity. Aspergillosis is caused by the *aspergillus* pathogen and primarily affects people with weakened immune systems or lung diseases.

I expect 2022 to be a breakthrough year for Biosergen. First of all, the results from the phase I program will start to come in - in fact, they have already started to come in. If all goes to plan, we will be able to report most of the data from both halves of the program (the single ascending dose and multiple ascending dose parts) before the

end of the year. As we have highlighted on several occasions throughout the year, we consider our phase I program for BSG005 to be more important than phase I studies perhaps would be for many other drug candidates. This is because our chief concern with BSG005 is its safety and tolerability. We want to prove that BSG005 has none of the crippling toxicities seen with other drugs of its class, most notable the benchmark antifungal drug Amphotericin B. If BSG005 proves to be safe and well tolerated in the coming months - and we have good reason to believe it will be - we will have taken a very significant step forward towards a new best-in-class antifungal drug.

You may ask why we are so sure of BSG005's efficacy? Well, because the fungal strains we are addressing are the same in animals and humans. Diseases like cancer, osteoporosis and depression are vastly different across different mammalian species, including humans. But fungal infections are the same. Hence, if we can kill these fungal strains in animal models and other experiments in the lab - and that is precisely what we have shown again and again over the last decade - then there is no logical reason why we would not be able to do the same in humans. So, the real question becomes: Can we do it safely?

That is what we will find out in 2022.

Peder M. Andersen, MD, CEO of Biosergen

Other information

Business model

Biosergen is a Research and Development biopharmaceutical company, meaning that the Company intends to employ most of its financial and organizational resources on research of all aspects of BSG005 to supply the best possible product and catalyze this into the clinical development. The Company's continuing research activities will be conducted in collaboration with its academic partners and will be sought funded whenever possible through public grants from Norwegian, European, or other international sources. In time, the Company will establish limited sales and marketing infrastructure necessary to cover specific regions, first and foremost Europe and the United States, and otherwise form strategic partnerships with pharmaceutical and biotechnology companies when relevant to commercialize its products in the different regions of the world.

Patents

Biosergen has strong patent protection in four regions, USA, EU, Japan, and China. The patents are composition of matter patents. In addition, Biosergen has received orphan drug protection in the USA.

FUNGAL INFECTIONS

Of the hundreds of thousands of fungal species, only a few hundred can infect humans and even fewer have the capacity to cause serious health problems. However, when they do infect humans, fungi can cause a variety of illnesses with symptoms ranging from a mild rash to life threatening pneumonia and death.

It is estimated that fungal infections kill more than 1.5 million people every year[1] and the number of cases continues to increase[2]. The factors behind the increased incidence of serious invasive (also known as systemic) fungal infections can be grouped into three broad categories:

Opportunistic fungal infection

The incidence of opportunistic fungal infections such as cryptococcosis and aspergillosis is increasing because the number of people with weakened immune systems continues to increase, both in developed and developing countries. This group includes cancer patients, transplant recipients, people taking medications that weaken the immune system and not least, people living with HIV/AIDS.[3]

Hospital acquired infection

Hospital-acquired infections (also known as nosocomial infections) including bloodstream infections, pneumonia and urinary tract infections are on the rise, also in the developed world. The increase has multiple causes, including more hospitalized patients with weakened immune systems, an increasing number of elderly patients, more invasive medical procedures, ever busier medical staff, inadequate sanitation protocols and finally, the routine use of antifungal drugs in hospital settings that creates a selection pressure for the emergence of resistant strains.

Community acquired infection

Certain fungal species live in particular geographies and/or environments and are known to be sensitive to changes in temperature and moisture. There has been an increase in fungal infection outbreaks in recent years in certain regions. These outbreaks are almost certainly linked to demographic changes and climate changes.

INVASIVE FUNGAL INFECTIONS

Most invasive fungal infection-related serious illnesses and deaths are caused by four fungal pathogens: *Candida*, *Aspergillus*, *Cryptococcus* and *Pneumocystis*. But there are also other serious fungal infections such as Mucormycosis as recently seen in an epidemic in India in the middle of the Covid pandemic and Cryptococcus infections, where BSG005 has proven efficacy in vitro.

[1] Bongomin et al. Journal of Fungi, October 2017

[2] Kainz et al. Microbial Cell, June 2020

[3] Is is estimated that close to 50% of all AIDS related deaths are attributable to an invasive fungal infection. GAFFI (Global Action Fund for Fungal Infection), August 2017

Candida
Candida is a yeast that causes infections in individuals with deficient immune systems. Systemic *Candida* infections of the bloodstream and major organs, particularly in immunocompromised patients, affect over 90,000 people a year in the United States alone. People with diabetes and HIV are particularly susceptible to Candidiasis. It is estimated that approximately 750,000 people worldwide develop invasive Candidiasis every year[4] and that more than half of all sales of antifungal drugs (52%) are directed against the *Candida* pathogen[5]

Aspergillus
Aspergillus cause aspergillosis which primarily develops in people with weakened immune systems or lung diseases. These fungi also cause allergic reactions. Types of aspergillosis include allergic bronchopulmonary aspergillosis and invasive aspergillosis, both of which conditions are potentially lethal. It is estimated that more than 300,000 people worldwide develop aspergillosis every year and that approximately 21% of all sales of antifungal drugs are directed against the *Aspergillus* pathogen.

Cryptococcus
Cryptococcus is rare in healthy people but in patients suffering from HIV infections and AIDS it can cause life threatening forms of meningitis and meningo-encephalitis. It is estimated that approximately 200,000 AIDS patients develop life threatening Cryptococcosis every year and that approximately 7% of all sales of antifungal drugs are directed against the *Cryptococcus* pathogen.

Pneumocystis
Pneumocystis is a frequent source of opportunistic lung infections in people with a weak immune system or other predisposing health conditions. It is often seen in patients suffering from HIV infections and AIDS but is also found in patients using immunosuppressing medications and people with cancer, autoimmune or inflammatory conditions, and chronic lung disease. It is estimated that approximately 500,000 people develop pneumocystis pneumonia every year and that less than 5% of all sales of antifungal drugs are directed against the *Pneumocystis* pathogen.

ANTIFUNGALS USED TODAY
The main classes of antifungal drugs today are the Polyenes, the Azoles and the Echinocandins. A smaller group of products are the Allylamines and the Pyrimidines. The total sales of antifungals for human medicinal use were estimated to be approximately USD 16.7 billion in 2020[6]. Sales are growing by 6-7% per year. Although the majority of serious infections occur in the developing world, the United States and Europe make up approximately 70% of the market.

BSG005 is an important new drug in the field of anti-fungals due to its fungicidal effect (It kills the fungus) and its very broad cover of fungal strains. BSG005 has also shown effect against resistant fungal strains and strains that have been difficult to treat with the drugs available on the market.

The Polyenes
The Polyenes were discovered already in the early 1950s based on the observation that certain types of *streptomyces* bacteria were able to kill fungal cells in their vicinity. The polyenes are fungicidal and very effective with almost no resistance build over more than 50 years, but their use is restricted by their toxicity, particularly to the kidney. Amphotericin B is the most well-known of the polyenes. Other drugs in this class include Candicidin and Nystatin. New formulations of Amphotericin B such as the liposomal formulation Ambisome aims to achieve lower toxicity with at least similar efficacy compared to the parent compound. However, so far it has not been possible to eliminate nephrotoxicity as the main dose limiting side effect. This is the primary reason that the polyenes despite their effectiveness comprise only approximately 10% of the total antifungal drug market.

[4] Bongomin et al. Journal of Fungi, October 2017

[5] Market Research Future. *Global Antifungal Treatment Market forecast to 2027*.

[6] Market Research Future. *Global Antifungal Treatment Market forecast to 2027*. The market for fungicides in agriculture and industry is at least as large as the human drug market but is not considered in this discussion.

The Azoles
The first Azole derivatives were discovered in the late 1960s. In contrast to the Polyenes, they are primarily fungistatic rather than fungicidal, but they are effective against a broad range of fungal pathogens and display none of the kidney toxicity seen with the polyenes. Well known drugs in this class include Fluconazole, Ketoconazole, Miconazole and Voriconazole. It is estimated that the Azoles comprise approximately 42% of the total antifungal drug market.

The Echinocandins
Drugs from the Echinocandin class are the newest class of antifungals, although they were in fact discovered in the 1970s. The Echinocandins are fungistatic, have a fairly broad range particularly against candida species, and have low toxicity. They do however have poor bioavailability and must be administered intravenously. Well known Echinocandins include Caspofungin and Micafungin. It is estimated that the Echinocandins comprise approximately 32% of the total antifungal drug market.

The Allylamines and Pyrimidines
Allylamines were discovered in the 1970s. The Pyrimidines were introduced as antifungals in the late 1950s. The Allylamines and Pyrimidines (as well as a few other drugs) make up the remaining 16% of the market.

All three of the main classes of antifungals, the Polyenes, the Azoles and the Echinocandins, target the fungal cell wall because this is the part of the fungal cell that is most different from the human cell. Antifungals whose mechanism of action specifically target the fungal cell wall therefore tend to be less toxic to humans. Because the treatment of invasive fungal infection is often initiated before a precise diagnosis can be reached, the initial treatment usually consists of a combination of drugs. However, common first line treatment combinations consisting of drugs from the Azole and Echinocandin classes are generally only fungistatic, not fungicidal, which makes them vulnerable to resistance development. The Polyenes, the most prominent of which is Amphotericin B, are fungicidal but are used only sparingly as first line treatment because of their toxicity.

Diagnosing and treating invasive fungal infection is difficult
The diagnosis of fungal infection poses a particular problem because diagnostic methods, even in the developed world, often are too slow to be clinically relevant or fail to detect exactly what fungal species is causing the infection. Adding to the problem is that symptoms often present as non-specific, meaning that without access to sophisticated diagnostic tests, a physician would barely be able to establish that the patient is suffering from a fungal infection as opposed to any other invasive microbe, let alone what particular species of fungi the patient is infected with. As a result, fungal infections are often treated in the blind or not treated at all.

Multidrug resistance is an increasing problem
Fungi, like bacteria, can develop resistance when the particular species develop the ability to defeat the drugs designed to kill them. Since only a few types of antifungal drugs currently exist, antifungal resistance severely limits treatment options. Some species, like *Candida auris*, can become resistant to all three main drug types. Resistance is particularly problematic for patients suffering from invasive fungal infections.

One reason resistance is on the rise is the increasing use of Azole and Echinocandin drugs, both of which are fungistatic rather than fungicidal. With fungistatics, some fungal cells survive, and these are by definition the cells that already were resistant to the drug or acquired the ability to resist through mutation during the treatment course. Another reason for the rise in resistant fungal strains is the broad and often indiscriminate use of antifungals in agricultural and livestock production. Certain of the azoles are even used in industrial coatings and for timber preservation. All international public health organizations, including the WHO and the CDC (The United States Centre for Disease Control) as well as the European Commission recognizes the rise in fungal infections and not least the rise in Multi Drug Resistant (MDR) fungal strains as a global health threat[7].

[7] www.who.int/health-topics/antimicrobial-resistance

BSG005's position in the market
Invasive fungal infection is an aggressive disease with up to 90% of patients dying in the first two weeks, often before the fungal species is even identified. BSG005 will be positioned as first line treatment for invasive fungal infections based on the drug's fungicidal activity, broad coverage of different fungal species, including single drug and multidrug resistant strains, low risk of resistance development and not least, safety. In the Company's opinion, no other antifungal currently offers this profile. The typical setting would be for BSG005 to be administered intravenously in Intensive Care Units. Because it offers a unique profile, BSG005 will be marketed at a price premium. The market potential is large. The market share covered by Amphotericin B and lipid versions is about 450 M USD and the other products used in invasive fungal infections is in the B USD. None of the products has the profile of BSG005 and the market potential in this field is large because of the unmet medical need in these severe fungal infections.

Competition
The current standard of care for severely ill patients are treatments with an Azole or Echinocandin antifungal and/or Amphotericin B (possibly in combinations). Drug combinations are chosen because individual products have significant gaps in their fungal coverage. As opposed to the Azoles and Echinocandins, drugs based on Amphotericin B and other Polyenes have fungicidal activity, but they can only be given for a short time and at limited concentrations due to their toxicity, which includes irreversible kidney damage.

Market trends
The antifungal market is impacted by a large number of factors, several of which have already been discussed. Other factors impacting the use of antifungals include:

Demographic and economic development
The aging population in developed countries increases the demand for medicine and health services. Apart from the overall increased number of people that needs healthcare, a general increase in global wealth also creates an increase in demand for proper healthcare, for instance in newly developed countries.

Increased demand for food production
Human population growth fuels a demand for increasing food production. Antifungals are widely used in agriculture and the resulting resistance problems spill over into the human population. The problem is further exacerbated when the plant's natural antifungal defenses are gradually bred out, and yet further exacerbated again by the rising popularity of the Azoles as a fungicide used for crop protection.

Medical advances increase the susceptible population
Medical advances leading to greater initial survival of cancer or organ transplants inadvertently leave more patients susceptible to secondary attack from opportunistic fungi, further fueling a vicious cycle where more antifungals are used, leading to yet more resistance development.

Environmental changes
There is increasing evidence that climate changes could result in an expansion of fungal diseases simply by increasing the geographical reach of certain species[8].

[8] Garcia-Solache and A. Casadevall: Hypothesis: global warming will bring new fungal diseases for mammals. mBio, May 2010.

BSG005

BSG005 is a polyene macrolide antifungal molecule belonging to the same antifungal class as Nystatin and Amphotericin B. As with the other Polyenes, BSG005's mode of action is inference with the fungal cell wall.

In preclinical trials, BSG005 has shown up to three to four times higher potency than Amphotericin B at same dose levels. More importantly, in toxicity studies the molecule is completely safe for the kidneys with a wide therapeutic window.

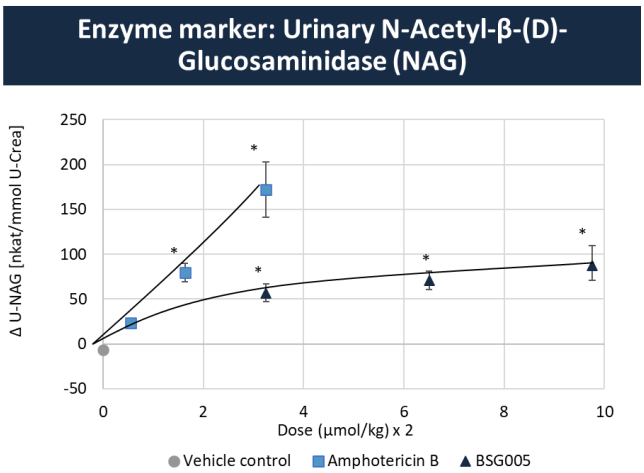
The *in vitro* testing of BSG005 against more than 200 different fungal strains has shown a fungicidal effect against most strains, including strains resistant to Azoles and Echinocandins. *In vivo* testing has revealed excellent and broad antifungal protection, including against multi-resistant *Aspergillus* and *Candida* strains. Importantly, BSG005 shows better protection against Azole resistant *Aspergillus* than liposomal Amphotericin B.

In summary, BSG005 has been shown to have a very broad spectrum of action, not least against Azole and Echinocandin resistant *Aspergillus* and *Candida* strains. At similar dose levels, the drug demonstrates a potency advantage over new liposomal formulations of Amphotericin B, the current standard of care for patients not responding to Azole and Echinocandin treatment, of three to four times. The Company is not aware of any other antifungal on the market or in development with a similar profile.

The central ambition of the entire program behind BSG005 was to develop a drug with a superior safety profile over Amphotericin B. Early on, the toxicology tests included comparisons of different solid forms of the drug, drug formulations, formulation preparation procedures, intravenous (IV) dosing methods and infusion durations, just to name a few. No genotoxicity has ever been seen. Later safety pharmacology studies found BSG005 to be free of cardiovascular, central nervous and respiratory adverse effects.

Perhaps most importantly, none of the tests have indicated a significant kidney toxicity potential, suggesting a favorable and crucial differentiation from Amphotericin B, the drug with which BSG005 will most directly compete. The results from one of the tests are illustrated below.

<u>BSG005 shows significantly less toxicity in the kidneys</u>

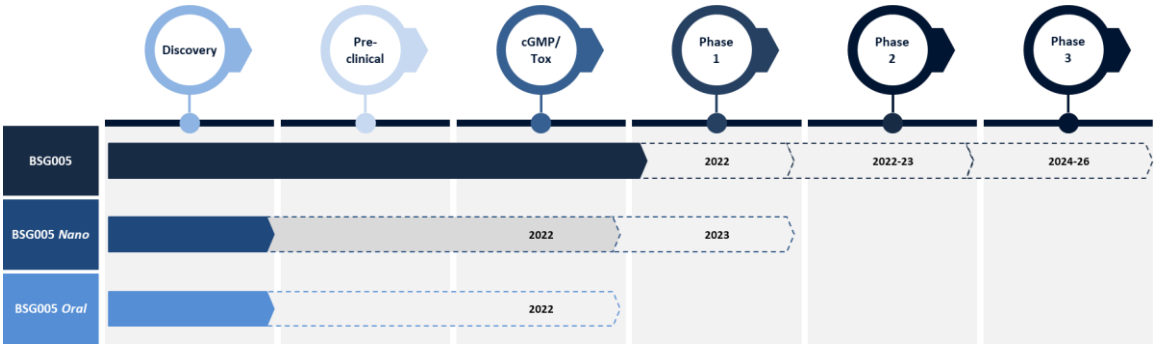


In this standard model of kidney toxicity, a kidney enzyme called NAG is measured. NAG is known to be strongly correlated with the destruction of certain tubular microstructures in the kidney. Even at a dose three times as high, BSG005 showed less than half the kidney damage when compared to Amphotericin B.

Orphan drug status
Biosergen was in June 2021 granted orphan drug status for BSG005 with the FDA on the basis that less than 200,000 patients per year, with invasive aspergillosis in the United States, will be treated with the drug. With an orphan drug status, one of the benefits is guaranteed market exclusivity for a limited period after the drug is approved (currently 7 years in the United States and 10 years in the EU). Similarly, the United States Congress created GAIN in 2012 (Generating Antibiotic Incentives Now) to provide incentives for the development of antibacterial and antifungal drugs for human use, intended to treat serious and life-threatening infections. Under GAIN, a drug may be designated as a qualified infectious disease product (QIDP) if it meets the criteria outlined in the statute, which the Company expect BSG005 would do. A drug that receives QIDP designation is eligible under the statute for fast-track designation and priority review, as well as additional market exclusivity (currently 5 years).

DEVELOPMENT ACTIVITIES

Biosergen's research and development pipeline is built around formulations of BSG005. The most advanced formulation is intravenous, comparable to other treatment regimens for severe systemic fungal infections. BSG005 Nano is a novel nano formulation developed at SINTEF which specifically target the lungs where many systemic fungal infections are first established. BSG005 Oral is also a nano formulation. With BSG005 formulated as a pill, the versatility of the drug would greatly expand (for instance for follow up treatments in the patient's own home after surgery).



Clinical development program
The clinical program for BSG005 is designed to secure the fullest possible indication profile of BSG005.

Phase I clinical trial
The study is designed as a placebo-controlled, double-blinded study. Up to sixty (72) healthy adult male subjects will participate. The primary objective is to evaluate the safety and tolerability of BSG005 in healthy adult male subjects. The secondary objective is to assess the pharmacokinetics of BSG005 after single and multiple dosing in healthy male subjects, to assess any plasma accumulation and the excretion of BSG005 in urine. The safety results from Phase I are key to the clinical development as the fungicidal effect of polyenes and BSG005 are well known. The data will be presented to the FDA at a pre-IND meeting, where also the Phase II program will be discussed.

Phase II clinical trial program
The phase II program is expected to include as a minimum 2 and maybe 3 to 4 clinical trials in resistant or difficult to treat fungal species.

Each of these Proof of Concept (PoC) trials are expected to have 30 – 35 patients. The program objective is to document the clinical efficacy of BSG005 in the primary focus indications and with the secondary focus to secure the full indication profile of BSG005 across a range of invasive fungal infections. The primary goal is to reach phase III readiness as soon as possible. The Company expects the first trial patient to be recruited in Q2 2023 and to be able to report top line date from the first trial in Q2 2024. The Company further expects that the data from the phase II trials will allow it to discuss a phase III program to achieve first line treatment status for the treatment of specific invasive fungal infections with the FDA by the end of Q3 2024 at the "End of Phase II meeting".

BSG005 Nano and BSG005 Nano Oral

Several of the most serious fungal infections either start or become located in the lungs of the patient. Biosergen and the Nano Group at SINTEF have therefore started a project to develop a special Nano formulation of BSG005, the main purpose of which is to achieve a higher concentration of the drug in the lungs of the patients. The group aims to develop both a lung target Nano IV and a Nano Oral formulation of BSG005. Other than the ability to target the lungs specifically, an oral formulation opens several new routes. For instance, for prophylactic use or as follow-on treatments in the patient's own home after transplants or chemotherapy. If successful, the new nano formulations of BSG005 would enter clinical trials during 2024/25.

The Board of Directors and the CEO for Biosergen AB hereby submit the annual financial and consolidated statements for the financial year 2021-02-26 - 2021-12-31, which is the first operating year for the company.

All amounts in the annual report are presented in Swedish krona, SEK. Unless otherwise stated, all amounts are posted in Swedish kronor (SEK) '000 (Tkr). Data in parentheses refer to the previous year.

Directors´s report

Information about the business

About Biosergen

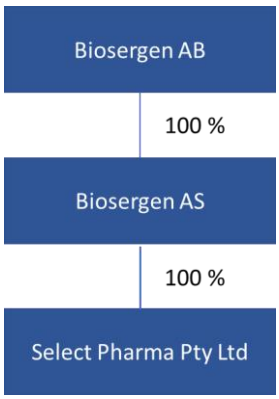
Vision and mission of the Company

Biosergen's mission is to develop BSG005, including any derivatives and novel formulations of this compound, into the new first line treatment choice for invasive fungal disease, to save thousands of lives every year while generating significant returns to the Company's shareholders.

The Company intends to achieve its mission through a combination of academic and commercial excellence, strategic partnerships, and highly experienced leadership. Biosergen's vision is to emerge over the next five years as a leading international biotechnology company in the global fight against fungal infections, building its own commercial infrastructure and strong partnerships with pharmaceutical companies, key opinion leaders, NGOs, and government agencies all over the world.

Biosergen Group

Biosergen AB is the parent company in the group which in addition to the parent company consists of the wholly owned Biosergen AS which in turn owns 100 percent of the Australian subsidiary Select Pharma Pty Ltd.



Shareholders

The table below presents shareholders with over 5% of the votes and capital in Biosergen AB on December 31, 2021.

Name	Number of shares	Percentage of voting right and capital (%)
ÖSTERSJÖSTIFTELSEN	12,132,747	43.2%
ROSETTA CAPITAL IV SARL	8,864,619	31.5%
Sparebank 1 Markets AS	1,872,829	6.7%
Others	5,231,580	18.6%
	28,101,775	**100.0%**

The share

Biosergen AB has been listed on Nasdaq Stockholm First North Growth Market since June 24, 2021. The short name/ticker is BIOSGN.ST and the ISIN code is SE0016013460. Per December 31, 2021, the number of shares was 28,101,775. The Company has one class of shares. Every share entitles the same rights to The Company´s assets and results.

Warrants

As an incentive for Board Members, employees, and key person, Biosergen has implemented two Warrant programs. Program 1 consisting of 1,219,423 warrants where each granted warrant entitles the beneficiary the right to subscribe to one new share in the Company against payment of 1.06 SEK. Program 2 consisting of 669,144 warrants where each granted warrant entitles the beneficiary the right to subscribe to one new share in the Company against payment of 10 SEK.

Subscription of shares with the support of warrants may take place no later than December 31, 2031.

Investor warrants

A total of 5,000,000 investor warrants have been granted to investors in connection with subscription of Offer Units in the rights issued carried out May/June 2021. All Warrants were vested as per the grant date. The warrants may be utilized for subscription of shares from 30 May 2022 up to, and including, 10 June 2022. Each warrant entitles the holder to subscribe to one (1) new share in the Company at SEK 20.

FINANCIAL REVIEW

Biosergen AB was registered in February 2021. On April 16, 2021, the company acquired Biosergen AS with the subsidiary Select Pharma Pty Ltd and formed the group with Biosergen AB as parent company. Biosergen AB has its registered office in Stockholm, Sweden.

Capital resources and Liquidity

Cash and cash equivalents at the end of the period amounted to SEK 22 million. The proceeds from the IPO in June, SEK 50 million, were paid into the company's account in June. In order to continue to run operations of the company, and to follow the planned development projects, the management and the board are working on various future capital raising alternatives. If the company does not succeed in obtaining new financing, this can significantly affect its continued operations. Considering the IPO and the owner structure, the board and management are optimistic regarding future financing opportunities. Cash flow for the year was SEK 21 million. Cash flow from financing activities totaled SEK 58 million.

Employees

On December 31, 2021, the Company had two employees.

Future development, risk and uncertainty factors

A pharmaceutical development company such as Biosergen is exposed to operational and financial risk. Biosergen's operational risk mainly consist of risks related to research and development, clinical trials and dependance on key employees. The risk to which the company is exposed in its current phase and the risk that the necessary financing cannot be secured. Many factors can have a negative impact on the probability of commercial success.

Highlights during 2021

- In April 2021, the Company acquired all the shares in Biosergen AS through an issue in kind where the Company's share capital was increased with SEK 1,115,241.6 through an issue of 22,304,832 shares.
- On May 4, 2021, the board of directors resolved on an issue by way of set-off to Östersjöstiftelsen in order to improve the Company's financial position. The Company's share capital was increased with SEK 19,923.58 through an issue of 796,943 shares.
- On May 18, 2021, the Board of Directors of Biosergen decided to conduct a rights issue of shares supported by an authorization granted at the General Meeting. The rights issue comprised of up to 5,000,000 offer units, each consisting of one new share at a subscription price of SEK 10 and a warrant with the exercise price of SEK 20 to be exercised during the period from May 30, 2022, through June 10, 2022.
- On June 8, Biosergen confirmed that its IPO had been successfully executed, raising a gross amount of approximately SEK 50 million. In the event that the investor warrants allocated to the new shares issued are exercised in full during the period from May 30, 2022, through June 10, 2022, the company may receive additional net proceeds from the offering of up to SEK 100 million.
- On June 23, 2021, Biosergen announced that the Company has been approved for listing on Nasdaq First North Growth Market. The first day of trading will be June 24, 2021.,
- On June 27, 2021, Biosergen announced that the United States Food and Drug Administration (the "FDA") has granted BSG005, the Company's groundbreaking antifungal drug of the polyene macrolide class, Orphan Drug status in the United States.
- On August 19, 2021, Biosergen AB Announced that it has appointed Tine Kold Olesen as COO of Biosergen. Tine Kold Olesen (MSc, MBA, PhD) has an impressive resume in international drug development.
- On August 24, 2021, Biosergen AB announced that it has received positive feedback from the Australian regulatory authorities on the application to initiate a phase I study in Australia of the Company's proprietary antifungal drug candidate BSG005. With the approval, Biosergen is ready to conduct its First in Man clinical trial with BSG005.

Highlights after the period

- On April 7, 2022 Biosergen announced that the first volunteer has been dosed with the Company's proprietary antifungal drug candidate BSG005.
- On May 13, Biosergen successfully completes first cohort of BSG005 phase I-trial

CONSOLIDATED FINANCIAL HIGHLIGHTS AND RATIOS

Multi-year review (TSEK) **Group**	**2021*)**	**2020**
Income statement		
Other operating income	8 573	4 432
Profit/loss before depreciation	-34 078	-6 226
Profit/loss before net financial items	-34 078	-6 226
Net financial items	-240	-498
Profit/Loss for the year	-34 318	-6 724
Balance sheet		
Cash	21 665	589
Balance sheet total	29 486	4 797
Equity	20 233	-10 924
Cash flow		
Cash flows from		
Operating activites	-37 749	-4 584
Financing activities	58 825	0
Key ratios		
Solvency (%)	68	neg
Earnings per share (SEK)	-1,22	0,00
Diluted earnings per share (SEK)	-1,22	0,00

Parent company	**2021**
Solvency (%)	100

For definitions and key ratios, see Accounting and valuation principles.

*) Biosergen AB was registered on February 26, 2021. For accounting purposes, the change of the ownership of Biosergen AS during the year is seen as an internal reorganization/restructuring and the rules of reverse acquisitions are applied. Consequently Biosergen AS is to be seen as the parent company in the group in 2020. The 2020 comparative figures relate to Biosergen AS with its subsidiary Select Pharma Pty Ltd.

Change in Equity

Group	Share-capital	Other equity incl. profit for the year	Total
Opening balance, Jan, 2021	2 649	-13 573	**-10 924**
Emission	60	8 765	**8 825**
Apportemission	-2 151	2 151	**0**
Emission	19	6 754	**6 773**
Emission IPO	125	49 875	**50 000**
Exchange rate		-123	**-123**
Profit/Loss för the year		-34 318	**-34 318**
Closing balance, Dec, 2021	**702**	**19 531**	**20 233**

Parent company	Share-capital	Share premium reserve	Accumulated profit or loss	Profit or loss for the year	Totalt
Deposit of share capital	25				**25**
Apportemission	1 115	221 933			**223 048**
Decrease in shares	-583		558		**-25**
Emission	20	6 754			**6 774**
Emission IPO	125	49 875			**50 000**
Profit/loss for the year				-11 058	**-11 058**
Closing balance, Dec, 2021	**703**	**278 562**	**558**	**-11 058**	**268 764**

Recommended processing of accumulated loss

The Board of Directors recommends that the accumulated loss:

Share premium reserve	278 562 176
Profit carried forward	557 621
Year´s loss	-11 057 929
	268 061 868
be processed so that	
carried over	268 061 868
	268 061 868

The Group´s and the Parent Company´s earnings and position in general are shown in the subsequent income statements and balance sheets as well as cash flow analyzes with notes.

Consolidated income statement and state and statement of comprehensive income

Income statement TSEK	Note	**2021-01-01 -2021-12-31**	**2020-01-01 -2020-12-31**
Operating income			
Other operating income		8 573	4 432
		8 573	**4 432**
Operating expenses			
Consumables		-178	0
Other external expenses	3	-40 644	-10 528
Personnel costs	4	-1 457	0
Other operating expenses		-372	-130
		-42 651	**-10 658**
Operating profit/loss		**-34 078**	**-6 226**
Profit from financial items			
Interest expenses and similar items	5	-240	-498
		-240	**-498**
Profit after financial items		**-34 318**	**-6 724**
Profit before tax		**-34 318**	**-6 724**
Profit or loss for the year		**-34 318**	**-6 724**

Consolidated balance sheet

Balance sheet TSEK	Note	**2021-12-31**	**2020-12-31**
ASSETS			
Current assets			
Current receivables			
Accounts receivable		24	24
Other receivables		3 150	1 194
Prepayments and accrued income	6	4 647	2 990
		7 821	**4 208**
Cash and bank balance		21 665	589
Total current assets		**29 486**	**4 797**
TOTAL ASSETS		**29 486**	**4 797**
EQUITY AND LIABILITIES			
Equity	7		
Share capital		702	2 649
Other equity including profit for the year		19 531	-13 573
Equity attributable to the parent company´s shareholders		**20 233**	**-10 924**
Total equity		**20 233**	**-10 924**
Current liabilities			
Accounts payable		6 748	5 118
Other liabilites		96	10 434
Accrued expenses and prepaid income	8	2 410	169
Total current liabilites		**9 254**	**15 721**
TOTAL EQUITY AND LIABILITIES		**29 486**	**4 797**

Consolidated cash flow analysis

Cash flow analysis TSEK	Note	**2021-01-01 -2021-12-31**	**2020-01-01 -2020-12-31**
Operating activities			
Operating profit/loss		-34 078	-6 226
Interest paid		-240	-498
Cash flow from operating activities before changes in working capital		**-34 318**	**-6 724**
Cash flow from changes in working capital			
Changes in accounts receivable		0	-24
Changes in current receivables		-3 729	-2 725
Changes in accounts payable		1 630	383
Changes in current liabilites		-1 331	4 506
Cash flow from operating activities		**-37 749**	**-4 584**
Financing activities			
New share issue (Biosergen AS and Biosergen AB		58 825	0
Cash flow from financing activities		**58 825**	**0**
Cash flow for the year		**21 076**	**-4 584**
Liquid funds at the beginning of the year		**589**	**5 173**
Liquid funds at the end of the year		**21 665**	**589**

Parent Company income statement

Income statement TSEK	Note	**2021-02-26 -2021-12-31 (11 mån)**
Operating income		
Net sales		590
		590
Operating expenses		
Consumables		-178
Other external expenses	3	-10 293
Personnel costs	4	-1 457
Other operating expenses		-40
		-11 968
Operating profit/loss		**-11 378**
Profit from financial items		
Interest income and similar items	9	403
Interest expenses and similar items	5	-83
		320
Profit after financial items		**-11 058**
Profit before tax		**-11 058**
Profit or loss for the year		**-11 058**

Parent Company balance sheet

Balance sheet TSEK	Note	**2021-12-31**
ASSETS		
Fixed assets		
Financial fixed assets		
Shares in group companies	10, 11	247 963
Receivables from group companies	12	3 882
		251 845
Total fixed assets		**251 845**
Current assets		
Receivables		
Other receivables		843
Prepayments and accrued income	6	276
		1 119
Cash and bank balance		16 761
Total current assets		**17 880**
TOTAL ASSETS		**269 725**

Parent balance sheet

Balance sheet TSEK	Note	**2021-12-31**
EQUITY AND LIABILITIES		
EQUITY	7, 13	
Restricted equity		
Share capital		703
		703
Non-restricted equity		
Share premium reserve		278 562
Accumulated profit or loss		558
Profit or loss for the year		-11 058
		268 062
Total equity		**268 765**
Current liabilites		
Accounts payable		413
Other liabilites		87
Accrued expenses and prepaid income	8	460
Total current liabilites		**960**
TOTAL EQUITY AND LIABILITES		**269 725**

Parent Company cash flow analysis

Cash flow analysis TSEK	Note	**2021-02-26 -2021-12-31 (11 mån)**
Operating activities		
Operating profit/loss		-11 378
Interest received		403
Interest paid		-83
Cash flow from operating activities before changes in working capital		**-11 058**
Cash flow from changes in working capital		
Changes in current receivables		-1 119
Changes in accounts payable		413
Changes in other operating liabilities		548
Cash flow from investment activites		**-11 216**
Investing activities		
Investments in other financial fixed assets		-22 023
Cash flow from investing activities		**-22 023**
Financial activites		
New share issue		50 000
Cash flow from financing activities		**50 000**
Cash flow for the year		**16 761**
Liquid funds at the beginning of the year		**0**
Liquid funds at the end of the year		**16 721**

Notes

Note 1 Accounting and Valuation principles

General Information
The annual report and consolidated accounts is prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual Reporting and consolidated reports (K3).

Revenue Recognition
Revenue has been raised to the fair value of consideration received or receivable and is recognized to the extent that it is probable that the economic benefits will be available to be used by the Company and when the revenue can be measured reliably.

Group financial statement
The legal formation of Biosergen Group during the second quarter of 2021 comprised transactions between entities that were under common control via ultimate owners of Biosergen AS, (registration no 987 622 075), incorporated in Trondheim, Norway. As these transactions are not covered by K3, a suitable accounting principle for the historical information has been applied in accordance with IAS 8. An established method, assessed as suitable for Biosergen Group, is to use the previous carrying amount (predecessor basis of accounting), which is the principle applied in preparation of these statements. In short, this entails that the assets and liabilities of the units forming part of the Biosergen Group have been aggregated and recognized based on the carrying amounts they represent in Biosergen AS consolidated financial statements as from the date they became part of the Biosergen Group. The legal formation of Biosergen occurred on April 16 2021, when Biosergen AB (publ) acquired all outstanding share in Biosergen AS for a total consideration of 223 048 tSEK, in the form of a promissory note, and an extraordinary general meeting of shareholders for the parent company Biosergen AB resolved to carry out an issue of new shares directed to the former shareholders of Biosergen AS. The combined financial statements are intended to present the historical financial information of Biosergen, and have been prepared under the historical cost convention, except for financial instruments at fair value. Financial information for the Parent company, that had no operations until preparations for Nasdaq First North listing commenced during the second quarter 2021, and the consolidated statements of Biosergen AS prepared in accordance with K3 for the years 2021 and 2020 have been combined, in order to provide meaningful and relevant information for all periods covered by the report.

Consolidation method
The parent company has acquired the subsidiary through a reverse acquisition. The consolidated financial statements have otherwise been prepared in accordance with the acquisition method. This means that the identifiable assets and liabilities of acquired operations are reported at market value in accordance with the prepared acquisition analysis. If the acquisition value of the business exceeds the 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 as well as transactions between Group companies as well as unrealized gains are eliminated in their entirety. Unrealized losses are also eliminated unless the transaction corresponds to an impairment loss.

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

Translation of foreign subsidiaries
The financial statement of foreign subsidiaries has been recalculated according to the current exchange rate method. All items in the balance sheet have been translated at the closing day rate. All items in the income statement have been translated at the average exchange rate during the financial year. Differences that arise are reported directly in equity.

Financial instruments
Financial instruments are valued on the basis of the acquisition value. The instrument is presented in the balance sheet when the company becomes a party to the contractual conditions. Financial assets are derecognised when the rights to receive cash flows from the instrument has expired or been transferred and the company has

transferred substantially all the risks and rewards associated with ownership. Financial liabilities are derecognised when the obligations have been settled or otherwise terminated.

Shares in subsidiaries
Investments in subsidiaries are carried at cost less any impairment losses. The cost includes the purchase price paid for the shares and acquisition costs. Any capital contributions are added to the cost when they arise.

Intangible assets

Development costs
The company reports internally generated intangible assets according to the capitalization model. The means that all expenses relating to the development of an internally generated intangible asset are expensed during the research phase and capitalized as an asset in the development phase. Expenses previously expensed are not included in the acquisition value of the capitalized asset. Capitalisation takes place when the conditions that the criteria in BFNAR 2012:1 are met. The asset is depreciated over its estimated useful life. The useful life of such an asset is reconsidered if it is judged that the useful life changes compared with the previous balance sheet date. Depreciation begins when the asset can be used.

Accounts receivables/current receivables
Accounts receivables and current receivables are reported as current assets at the amount expected to be paid after deduction of individually assessed impaired loans.

Loan-liabilities and account payables
Loan liabilities and accounts payables are recognised initially at cost after deduction of transaction costs. If the carrying amount differs from the amount that will be repaid at maturity date, the interest expense is accrued, the difference that over the term of the loan using the effective interest rate of the instrument. This is consistent with the due date the carrying amount and the amount to be reimbursed.

Impairment of financial fixed assets
At each balance sheet date are considered if there are indications of impairment of financial fixed assets. Impairment loss takes place if the declines in value is considered to be persistent and are examined individually.

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 in equity, whereby the associated tax effects are reported in equity.

Current tax
Current tax refers to income tax för the current financial year and the part of the previous financial year´s income tax that has not yet been reported. Current tax is calculated on basis of the tax rate that applies on the balance sheet date.

Deferred tax
Deferred tax is the income tax relating to future financial years as a result of past events. Accounting is done using the balance sheet method. According to this method deferred tax liabilities and deferred tax assets on temporary differences arising between the tax base of recognized assets and liabilities and for the other tax credits or deficits are reported.

Deferred tax assets are offset against deferred tax liabilities if, and only if, they can be paid with a net amount. Deferred tax is calculated based on the applicable rate at the balance sheet date. Effects of changes in applicable tax rates are reported in the period in which the change is legally required. Deferred tax assets are reported as financial fixed assets and deferred tax liabilities as a provision.

Deferred tax asset referring tax losses or unused tax credits are reported to the extent that it is probable that deductions can be offset against future taxable profits.

Because of the connection between accounting and taxation the deferred tax liability that is attributable to untaxed reserves are not identified separately.

Employee Remuneration
Employee benefits relate to all kinds benefits the company provides to employees. Short-term employee benefits include wages, paid holidays, paid leave, bonuses and reimbursement upon completion of employment (pension)

etc. Short-term employee benefits are reported as an expense and a liability when there is a legal or constructive obligation to pay compensation as a result of a past event, and a reliable estimate of the amount can be made.

Public Contributions
Government grants are reported at their fair value where applicable and when it is certain that the grant will be received, and the company will meet the conditions of the grant. Grants intended to cover investments in tangible or intangible fixed assets reduce the acquisition value of the assets and therefore their depreciable amount as well.

Cash Flow Analysis
Cash flow statement is prepared using the indirect method. The reported cash flow includes only transactions that involve receipts or disbursements.

The company classifies cash, in addition to cash on hand, as demand deposits at banks and other credit and short-term liquid investments that are listed on a marketplace and have a maturity of less than three months from the acquisition date. Changes in restricted cash are reported in investing activities.

Definition of Key Business Ratios
Equity/assets ratio (%)

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

Note 2 Estimates and judgments

Preparation of financial statements and application of accounting policies, are often based on assessments, estimates and assumptions that is considered to be reasonable at the time when the assessment is made. Estimates are based on historical experience and various other factors that are considered to be reasonable under the circumstances. The results of these are used to assess the carrying values of assets and liabilities, which are not otherwise apparent from other sources. The actual outcome may differ from these estimates. Estimates and assumptions are reviewed regularly.

Investments in subsidiaries are carried at cost less any impairment losses. The cost includes the purchase price paid for the shares and acquisition costs. Any capital contributions are added to the cost when they arise. The valuation is based on a future value. The board and the management assesses the value of the subsidiary´s shares on an ongoing basis during the financial year.

No significant sources of uncertainty in estimates and assumptions at the balance sheet date are considered to pose a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Note 3 Remuneration to Auditors

Group

Audit assignment refers to inspection of the annual financial statements as well as the reports of the Board of Directors and the CEO, other tasks fulfilled by the company auditor as well as advisory service or other assistance deriving from observations made in the course of the performance of the audit or fulfilment of such other tasks.

	2021-01-01 -2021-12-31	**2020-01-01 -2020-12-31**
PwC		
Audit engagement	565	129
Other services	534	38
	1 099	**167**

Parent company

	2021-02-26 -2021-12-31
PwC	
Audit engagement	320
Other services	230
	550

Note 4 Employees and Personnel Costs

Group

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Average numbers of employees		
Women	1	0
Men	1	0
	2	**0**
Salaries and other remuneration		
Board of Directors and CEO	1 220	0
Other employees	205	0
	1 425	**0**
Total salaries, remunerations, social security expenses and pension costs	**1 425**	**0**

Parent company

	2021-02-26 -2021-12-31
Averange numbers of employees	
Women	1
Men	1
	2
Salaries and other remuneration	
Borard of Directors and CEO	1 220
Other employees	205
	1 425
Total salaries, remunerations, social security expenses and pension costs	**1 425**

Note 5 Interest expenses

Group

	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Other interest expenses	-240	-498
	-240	**-498**

Parent company

	2021-02-26 -2021-12-31
Other interest expenses	-82
	-82

Note 6 Deferred expenses and Accrued Income

Group

	2021-12-31	2020-12-31
Accrued development grants	4 294	2 844
Prepaid insurance expenses	37	0
Other prepaid expenses	316	146
	4 647	**2 990**

Parent company

	2021-12-31
Other prepaid expenses	276
	276

Note 7 Numbers of shares and quota value

Group

Biosergen AB	Numbers of shares	Ouota value
Numbers of shares	28 101 775	0,025
	28 101 775	

Parent company

Biosergen AB	Numbers of shares	Quota value
Numbers of shares	28 101 775	0,025
	28 101 775	

Note 8 Accrued expenses and deferred income

Group

	2021-12-31	2020-12-31
Accrued vacation pay	28	0
Accrued developemnt expenses	1 648	0
Other accrued expenses	734	169
	2 410	**10 603**

Parent company

	2021-12-31
Accrued vacation pay	28
Accrued expenses	432
	460

Note 9 Other Interest Income and Similar Profit/Loss Items

Parent company

	2021-02-26 -2021-12-31
Interest income from Group companies	403
	403

Note 10 Participations in Group companies

Parent company

	2021-12-31
Reverse acquisition through non-cash issue	223 048
Capital increase through new share issue	24 915
Accumulated acquisition value, closing balance	**247 963**
Book value, closing balance	**247 963**

Note 11 Specification of Participation in Group Companies

Parent company

Name	Capital share	Portion of voting power	Book value
Biosergen AS	100	100	247 963
			247 963

	Corp. ID No.	Head Office
Biosergen AS	987 622 075	Trondheim, Norge

Note 12 Receivables from group companies

Parent company

	2021-12-31
Accounts receivables	32 467
Less accounts receivable settled	-3 670
Reclassifications	-24 915
Accumulated acquisition value, closing balance	**3 882**
Book value, closing balance	**3 882**

Note 13 Appropriation of profit or loss

Parent company

	2021-12-31
Recommended processing of accumulated loss	
The Board of Directors recommends that the accumulated loss:	
Share premium reserve	278 562
profit carried forward	558
year's loss	-11 058
	268 062
be processed so that	
carried over	268 062
	268 062

Note 14 Significant events after the end of the financial year

Group

In order to continue to run operations of the company, and to follow the planned development projects, the management and the board are working on various future capital raising alternatives. If the company does not succeed in obtaining new financing, this can significantly affect its continued operations.

Statement by the Board of Directors and Executive Board

The Board of Directors and the Executive Board provide their assurance that the annual report provides a fair and true overview of the Parent Company's and the Group's operations, financial position, and results, and describes material risks and uncertainties faced by the parent Company and the companies in the Group.

Stockholm, Sweden, June 7, 2022

Executive Board

Peder M. Andersen

Board of Directors

Torsten Goesch Chairman	Achim Kaufhold	Hanne Mette Dyrlie Kristensen
Henrik Moltke	Lena Degling Wikingsson	Marianne Kock
Mattias Klintemar		

Our audit report has been submitted on , 2022

Öhrlings PricewaterhouseCoopers AB

Johan Engstam
Authorized Public Accountant