LIDDS™

Annual Report

2022

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Contents

The text in English is a free translation of the Swedish original wording. In case of differences between the English translation and the Swedish original, the Swedish text will take precedence.

About LIDDS

LIDDS – Local Drug Delivery to Optimize Efficacy and Reduce Side effects

LIDDS is a Swedish drug delivery company founded in 2003 with the aim to develop and commercialize the proprietary NanoZolid® technology. With NanoZolid®, LIDDS can formulate drugs for local administration, with a maintained and controlled release for up to six months. The technology provides the opportunity to improve the efficacy of drugs and reduce side effects, which is of great benefit to patients as well as healthcare providers and payers.

LIDDS' technology is versatile and can be used across different drug classes and solve problems within many indication areas. LIDDS offers the NanoZolid® technology to partners, and has a pipeline focused on the large oncology therapeutic area. LIDDS's leading project, Liproca® Depot, is currently being prepared for a Phase III clinical trial in prostate cancer patients. The company also has two projects in preparation for Phase Ib studies.

Through a small, efficient and highly specialized organization, LIDDS will develop better and safer treatments providing high value for patients and partners. This is accomplished through continued development of the NanoZolid® technology and its IP protection, together with a strong and diversified portfolio of proprietary oncology products. The aim is to secure licensing deals for internally developed projects, no later than after Proof of Concept in humans, as well as for the technology. LIDDS can also seek R&D collaborations or joint ventures to utilize its technology, intellectual property and know-how. The vision is to offer the preferred solution for elegant and optimal drug delivery within oncology – thus enabling better health.

NanoZolid® optimizes efficacy and reduces side effects

NanoZolid® addresses some of the main challenges that conventional drugs face, such as systemic side effects and limited efficacy. These can lead to patients having to terminate treatment or receive treatment with sub-optimal effect. LIDDS's flexible technology is compatible with small and more complex molecules and has a comprehensive patent protection in all major markets until 2037.

NanoZolid®-formulated drugs are delivered locally/intra-tumorally through an injection and in situ form a solid and safe depot that releases the active drug over a period of up to six months. The controlled release of drug compounds can be tailored to the specific needs of patients, the disease being treated and the drug being used. This results in a more precise treatment with fewer side effects. LIDDS's clinical studies have demonstrated lower systemic drug exposure and improved local drug efficacy when treating with NanoZolid®-formulated drugs.

LIDDS's own portfolio is focused on oncology, where the benefits of the technology are clear and where the need for improved treatments remains high

LIDDS is developing its portfolio within the oncology therapeutic area where the benefits of the NanoZolid® technology are obvious: a local and high drug dose administered over time with very limited side effects. In total, LIDDS has three clinical stage projects: Liproca® Depot, a NanoZolid®-formulated anti-androgen (2-hydroxyflutamide), which is being prepared for a Phase III clinical trial in prostate cancer; Nanodotax, a NanoZolid® formulated cytostatic drug (docetaxel), which is being prepared for a Phase Ib clinical trial, also in prostate cancer; and Nanoimod, an immune-stimulating drug to be used in combination therapy with Checkpoint inhibitors, which is being prepared for a Phase Ib clinical study. In addition, the company is evaluating several preclinical projects.

Large addressable markets with lower development costs and lower risks

The benefits of using the NanoZolid® as a drug delivery technology are numerous, both for potential partners and for LIDDS. When reformulating existing drugs, time to market is shorter, with lower development costs and lower risks. For potential partners, this is an excellent opportunity to extend the

Quick facts about NanoZolid®

1. Optimizes efficacy and reduces side effects
2. Sustained release for up to six months
3. Strong patent protection until 2037
4. The technology is validated through agreements and studies

commercial life of already existing products and to improve treatment outcomes for patients through more efficacious and safer treatments. For the LIDDS oncology portfolio, the reduced risk and cost is also of importance as this therapeutic area has historically shown a lower average chance of reaching the market and studies are typically among the most costly to conduct[1].

The global drug delivery market is expected to grow by nearly 6 percent until 2026[2]. The number of patients diagnosed with cancer is more than 19 million each year and is expected to rise to over 30 million by 2040[3].

LIDDS's most clinically advanced project Liproca® Depot, is being developed for the treatment of prostate cancer. The prostate cancer pharmaceutical market was valued at 6.9 billion USD in 2018 and is expected to grow to 9.9 billion USD in 2026, representing a CAGR of 4.6 percent over the period[4]. The number of men diagnosed with prostate cancer is approximately 1.4 million each year[5], of whom approximately 420,000 are diagnosed with localized prostate cancer with a low or intermediate risk of cancer progression and are on antiandrogen therapy (patients under active surveillance). Liproca® Depot is being developed for the treatment of patients under active surveillance.

Validated approach

LIDDS has validated the NanoZolid® technology commercially by entering into four collaboration agreements in the last five years. In 2021, LIDDS entered into a research agreement with Johnson & Johnson to develop an oncology product for an undisclosed indication with the option to reach an exclusive global product license agreement. LIDDS has also signed an exclusive licensing agreement for the Chinese market with Puheng Pharma for its prostate cancer project Liproca® Depot. In 2017, LIDDS also signed two different research and development agreements with leading pharmaceutical companies where different NanoZolid®-formulated drugs were evaluated. The technology has also been validated through the completion of several clinical studies up to and including Phase IIb.

LIDDS has developed a strong oncology pipeline based on its drug delivery technology and continues to build its ability to translate discoveries into clinically and commercially viable drug projects that will bring real difference to patients.

1. Wouters et al, Estimated Research and Development Investment Needed to Bring a New Medicine to Market, 2009-2018, March 2020, JAMA The Journal of the American Medical Association 323(9):844.
2. MarketsandMarkets, Pharmaceutical Drug Delivery Market by Route of Administration, 2021.
3. Globocan 2020.
4. Market Data Forecast, Global Prostate Cancer Market Size, Share, Growth, Trends, COVID-19 Impact & Analysis Report, 2022.
5. Globocan 2020.

Project Portfolio

LIDDS has developed a strong oncology pipeline based on the company's drug delivery technology. The company has chosen to focus on oncology where the benefits of LIDDS's technology are clear. The aim is to develop and offer drugs that can make a real difference to patients, healthcare providers and society, and contribute to significantly better treatment outcomes, improved quality of life and efficient use of resources.

The pipeline includes new treatment options for patients suffering from severe cancers, using the patented drug delivery technology to improve efficacy and safety for patients.

Liproca® Depot

Liproca® Depot is NanoZolid®-formulated 2-hydroxyflutamide (2-HOF) which is an anti-androgen drug that binds and blocks androgen receptors. The product has been studied in over 100 patients in several clinical trials, including three Phase II studies. The studies have shown that Liproca® Depot is well tolerated and safe with observed effects on tumor tissue, prostate volume and the prostate-specific antigen, PSA. The product is currently being prepared for Phase III, where LIDDS has obtained guidance from the European Medicines Agency, EMA. LIDDS is focused on achieving an out-licensing agreement with a company that has the expertise and financial capacity for a powerful clinical Phase III program and launching globally or in larger markets.

Nanodotax

Nanodotax is NanoZolid®-formulated docetaxel which is a commonly used chemotherapeutic drug that has been approved for several oncological conditions and on the market since 1996. Nanodotax has been shown to be safe and well tolerated in a Phase I study where adverse events were mild and local.

Furthermore, there was an observed effect on systemic immunological biomarkers indicating that the immune system was responding positively and specifically to the drug. The plan is to further investigate the mechanism of action in a Phase Ib trial in prostate cancer patients.

Nanoimod

Nanoimod is a NanoZolid®-formulated TLR9 agonist (agatolimod) and the project is being prepared for a Phase Ib clinical trial for use in combination with Checkpoint inhibitors.

Partnership

LIDDS is in a joint R&D feasibility project with Johnson & Johnson Enterprise Innovation, Inc. The aim of the project is to investigate the suitability of the NanoZolid® technology in the formulation of drugs for the treatment of non-disclosed oncological indications. LIDDS's ambition is to expand the number of collaborations with larger companies for formulation development based on the NanoZolid® technology.

Drug	Indication	Preclinical	Phase I	Phase IIa	Phase IIb	Phase III
Liproca® Depot (*2-hydroxyflutamide*)	Prostate cancer					
Nanodotax (*docetaxel*)	Multiple Indications					
Nanoimod (*agatolimod*)	Multiple Indications					
J&J samarbetsprojekt (*non-disclosed API*)	Non-disclosed indications					
Other Assets (*non-disclosed APIs*)	Indications not decided on					

2022 in Brief

Q1

- The company announced that step 1 in the research collaboration with J&J had successfully been completed and that the project had moved into the next phase.
- A convertible note agreement was signed with Nice & Green ("N&G"), a Swiss specialty investor with significant experience from the life science industry. According to the agreement, N&G has committed to subscribe for convertible notes with a total nominal value of up to 40.8 MSEK, in tranches of 10.2 MSEK each.
- LIDDS CEO Nina Herne presented the company at Redeye's Fight Cancer seminar
- The company announced the next step in the NanoZolid®-formulated docetaxel (Nanodotax) development, will be a shorter clinical study to understand the immunological effects observed in the clinical Phase I study NZ-DTX-001. The study will be performed by LIDDS after taking over the sponsorship of the previously approved investigator-initiated study on prostate cancer patients.
- A Capital Markets Day focusing on company vision and product portfolio was held.
- An Extraordinary General Meeting was held where the Board was authorized to issue convertibles according to the agreement with N&G.

Q2

- Max Mitteregger and Johan Lund were elected new Board members. Max Mitteregger acquired shares in connection with the appointment at a total value of 4.5 MSEK. This was completed through a directed share issue of 750,000 shares.
- LIDDS' CEO Nina Herne presented the company at Redeye's Growth Day.
- A patent for the manufacturing process of NanoZolid® was approved in Japan and South Korea.
- Nina Herne and Matthew Lindon participated in BIO International Convention 2022, San Diego, USA.

Q3

- Annette Møldrup was recruited as Chief Business Development Officer and Kia Bengtsson was recruited as Head of Clinical Development.
- A patent for the manufacturing process of NanoZolid® was approved in Israel.
- Anders Månsson was appointed CEO.
- Anders Månsson and Matthew Lindon participated in Nordic Life Science Days in Malmö.

Q4

- Annette Møldrup participated in Bio Europe in Leipzig.
- Matthew Lindon attended PODD, Partnerships in Drug Delivery, in Boston USA.
- An interview with CEO Anders Månsson was published on the company website.
- CEO Anders Månsson presented the company at Stora Aktiedagen in Stockholm and BioStock Life Science Fall Summit in Lund
- CEO Anders Månsson presented the company at Science4Peace, which was held in Stockholm in connection with the Nobel Prize festivities.
- The board decided on a rights issue of approximately SEK 48.6 million before deduction of issue costs

A Word from the CEO

After I took over as CEO of LIDDS in September 2022, I immediately had to focus on, in a tough financial market, securing the risk capital required for the company to have the chance to find partners for its projects and for its technology in a structured way. In my opinion, LIDDS has a good idea as a base – intratumoral injections in depot form, something that enables the avoidance of the extensive and often severe systemic side effects that typically characterize cancer treatment. LIDDS's technology has unique qualities, and drug development based on the platform has shown benefits in both pre-clinical and clinical phases. Another key factor in being able to run a business is, of course, that you can also generate income from your investments in development within a reasonable amount of time. This is what has and will have the highest priority in the coming year. At the end of 2023, LIDDS will be 20 years old as a registered company. It is time to show the cards and see what the efforts made in the development of drug candidates and technology during this time period are worth.

LIDDS is active in a very interesting area of development, namely intratumoral depot injections, in perhaps the hottest area of drug development – oncology (cancer treatment). Virtually all cancer treatment is carried out with more or less toxic and therefore side-effect-heavy substances, which if given directly into the blood will mainly expose healthy tissue to the drug and thus create unwanted effects of varying severity. This means that the dosage is not always optimized as regard to effectivness, as one must constantly balance the effect of the drug against the risk of side effects. The technology on which LIDDS bases its business – NanoZolid® – is a technology that enables cancer drugs to be given as an injectable depot directly into a tumor, instead of indirectly via the bloodstream. This allows you to expose the tumor to a higher and more effective dose while avoiding the side effects that otherwise result from a large part of the drug circulating freely in the blood and also affecting healthy tissue.

LIDDS works with two business models – the company develops its own drug candidates, but also helps other pharmaceutical companies develop medicines based on LIDDS's NanoZolid® technology in combination with the partner's active pharmaceutical ingredients.

LIDDS's own drug candidates are developed in-house in the early stages in terms of pre-clinical and the initial clinical trials that are required. For later clinical stages and commercialization, the company is dependent on licensing agreements with pharmaceutical companies, agreements that typically generate an upfront payment, payments that occur at certain pre-defined milestones, and a percentage of future revenue. LIDDS's most advanced project, Liproca® Depot for the treatment of localized prostate cancer, will be the subject of active and professional business development in 2023 with the clear intention of finding a license partner during the year.

LIDDS has two more projects ready for clinical development in 2023. Nanodotax, which uses a well-known cytostatic drug (docetaxel), will also be tested in localized prostate cancer in a Phase Ib study, and Nanoimod, which uses an immuno-stimulatory substance (agatolimod) will to be prepared for a Phase Ib study, which will include patients with malignant melanoma. The financing from the rights issue is estimated to be sufficient to complete the Nanodotax study. The Nanoimod

" LIDDS's most advanced project, Liproca® Depot against localized prostate cancer, will be the subject of active and professional business development in 2023 with the clear intention of finding a license partner during the year."

”In short, LIDDS has a relevant technological platform in a, for the financially strong pharmaceutical industry, particularly attractive segment – oncology”

study is also expected to be able to start during the year, however, on the condition that the company has secured the additional funding required for the completion of this study as well.

Already in the beginning of January this year, LIDDS announced that the company had signed an agreement regarding business development and licensing with the global and pharmaceutical industry-focused consulting firm Alira Health. I think this was a necessary step. Historically, LIDDS has not had a dedicated organization in place to manage business development, a situation that has also been further complicated with the covid pandemic and its restrictions on meetings and trips in recent years.

Alira Health will collaborate with LIDDS and provide support through their business- expertise on in-depth market, medical and science understanding to recruit potential licensees, as well as act as an advisor in handling bids and negotiations. The collaboration is coming to mark a new era of structured and professionalized business development within LIDDS. Completing a license deal for Liproca® Depot has the highest priority in 2023, but also the preclinical projects as well as partner-adapted technology collaborations are in play. It is, of course, not unthinkable either that the company and its entire technology platform can constitute a potential takeover candidate for a larger company. In these times, an open mind is required to all forms of revenue generation and value creation for the shareholders.

In recent years, we have seen some slowdown in acquisition activity in the pharmaceutical industry. These years have also been characterized by the pandemic and increasingly also by the conflict in Ukraine, as well as the worrying development in the financial markets. However, LIDDS's focus area, the field of oncology, continues to be very hot, and this year a real big deal in the area took place, with Pfizer's 43 billion USD acquisition of Seagen, a clear indication that both interest and tangible financial muscle exists for acquisitions. Of more specific interest for LIDDS was that the American major company Regeneron in 2022 acquired the development company Checkmate Pharmaceuticals to access to this company's TLR9 project for 250 million USD, an extremely relevant event in LIDDS's therapeutic neighbourhood (the Nanoimod project).

In short, LIDDS has a relevant technological platform in a, for the financially strong pharmaceutical industry, particularly attractive segment – oncology. With almost 20 years of development behind the company LIDDS has now launched a structured business-oriented initiative with a clear and stated purpose to realize revenues from the platform achieved by the company's development ability. There are never any guarantees to success in business, but the conditions exist, both in LIDDS's development and in the market, and there is no reason to wait.

Anders Månsson
CEO

Cancer – a Growing Public Health Problem

Cancer is now the second most common cause of death after cardiovascular disease. In 2020, approximately 19 million cases were noted, which is expected to rise to 30 million in 2040. The expected increase is explained, among other things, by an ageing population and an increased prevalence of certain cancer risk factors due to social and economic developments.

Today, one in four men and one in five women are at risk of developing the dis- ease, and one in eight men and one in eleven

women are at risk of dying from cancer. Overall, this means that nearly 44 million people were living with cancer in 2018[1]. The disease not only causes human suffering, it also has economic consequences. Among the 15 leading causes of death in the world, cancer has the highest economic impact of all these causes of death. The socio-economic costs include both the loss of income for patients and their families and the costs of treatment. It is mainly large losses of years of life that affect the socio-economic costs. These costs are constantly increasing and, for example, the estimated healthcare cost in the US for cancer has risen from 124 billion USD in 2010 to 157 billion USD in 2020[2]. Overall, the socio-economic cost of cancer in the US is equivalent to 1.5–2 percent of the country's GDP.

Between 30 and 50 percent of all cancers today could be prevented if common risk factors could be avoided, and existing evidence-based prevention strategies could be more widely implemented[3]. The burden of cancer could also be reduced by earlier diagnosis so that appropriate treatment and care could be initiated earlier.

Alongside surgery, radiotherapy and cytostatic therapy, immunotherapy is now established as the fourth cornerstone of cancer treatment. Today, immunotherapy is used to treat lung cancer, kidney cancer, lymphoma and skin cancer, among others, and research is underway to treat even more cancers in the future. The results of immunotherapy have been relatively good, but observed side effects have often been severe, and a significant number of patients still do not respond satisfactorily to treatment.

> "LIDDS's NanoZolid® technology is designed to meet the need to deliver the drug where it will do the most good"

Many cancer treatments are carried out by administering the drugs through intravenous injections or orally with pills. Cytostatics and hormone treatments are examples of drugs administered in this way. These treatments are called systemic therapy because the drug's route to the tumor is through the blood system. The fact that the drug is distributed throughout the circulatory system means that it also affects healthy tissues and organs. This, in turn, leads to the treatment causing side effects in healthy and vital parts of the body. Side effects may include fatigue, nausea and vomiting, pain, hair loss or heart problems. It is not uncommon for the side effects to be so severe that the patient is forced to discontinue treatment or for the effect of treatment to deteriorate. For example, treatment with cytostatic drugs can weaken the immune system and thus create poorer conditions for immunotherapy.

Side effects also limit the ability to produce optimal medication for many diseases. Here, systemic therapies often have a challenge due to the non-specific distribution of the drug, which makes it difficult to create a sufficient concentration of the drug in the tissue that needs to be treated.

Therefore, there is a need for new innovative methods to administer medicines locally. LIDDS's NanoZolid® technology is designed to meet the need to deliver the drug where it will do the most good. By injecting drugs directly into or near the tumor site, which primarily means that treatment is more precise, a higher local effect is achieved, and side effects are fewer. In addition, the quality of life for patients can be improved by reducing the number of necessary injections and hospital visits, with a consequent reduction in healthcare costs.

1. Globocan 2018.
2. Mariotto AB, Yabroff KR, Shao YW, Feuer EJ, Brown ML. Projections of the cost of cancer care in the United States: 2010-2020. Jnci-J Natl Cancer I. 2011;103(2):117–128. doi:10.1093/jnci/djq495.
3. WHO Cancer Factsheet.

Market

In 2021, the market for cancer drugs was valued at USD 187 billion globally; this market is expected to grow to USD 273 billion by 2025[1]. In the same period, around 100 new cancer drugs are expected to be introduced, with personalized therapies, targeted drugs and biomarkerdriven therapies expected to make up a significant proportion of the new treatments approved.

Increased number of cancer cases, increased use of advanced treatments such as immunotherapies and targeted drug treatments and an increasing proportion of the elderly in the population are considered to be the most important factors behind the growth of the global market for cancer drugs. In addition, increased awareness of cancer, early screening and improved diagnostics, where, for example, great progress is being made in terms of knowledge about genetic markers, contribute to market growth.

About three quarters of the market for cancer drugs consists of the United States, the EU4, the United Kingdom and Japan. The United States accounts for just over 40 percent of the market. Growth is forecast to be somewhat lower in the developed markets as more and more biosimilars become available, while growth in the rest of the world will be driven primarily by increased access to healthcare. Sales are highest in the indications breast cancer, non-small cell lung cancer (NSCLC), multiple myeloma, prostate cancer and Non-Hodgkin's lymphoma. These indications today account for just over half of drug sales. By 2025, about one-fifth of the market is expected to consist of immunotherapies.

Drug delivery market

LIDDS operates in the drug delivery market, developing more targeted and controlled methods for drug administration and release. Given the need for more effective and safer treatments, the interest and use of drug delivery technologies is expected to increase in the future. The technologies are used for several different treatment areas, with oncology accounting for about 30 percent.

The total global drug delivery market is expected to show a yearly growth of 5.9 percent until 2026. Market growth is driven by, among other things, an increasing incidence of chronic diseases such as cancer, patient demand for new innovative ways to access medicines, technological developments and the launch of new products.

Prostate cancer

Prostate cancer is one of the most common cancers in the world, with around 1.4 million men diagnosed each year[2]. This makes it the fourth most common form of cancer globally. In the US, it is estimated that as many as one in eight men will develop the disease in their lifetime[3].

There are a number of different ways to treat prostate cancer, and the form of treatment depends on the stage of the disease, the extent of the disease and the patient's general condition and status. The most common treatment options today are surgery, radiotherapy, hormonal treatments or cytostatic therapy. Surgery and radiation therapies carry a risk of side effects, such as impotence and incontinence. Hormonal treatment causes side effects such as hot flushes, decreased libido, impotence, fatigue and cognitive impairment. After long-term treatment, osteoporosis and cardiovascular disease are also seen. The most common side effects from chemotherapy are low blood pressure, hair loss and gastrointestinal upset.

The prostate cancer drug market was valued at 6.9 billion USD in 2018 and is expected to grow to 9.9 billion USD in 2026, representing an annual growth rate of 4.6 percent over the period[4].

Of the 1.4 million men[5] diagnosed with prostate cancer in total, around 420,000 have localized prostate cancer with a low or intermediate risk of cancer progression. Patients with small, non-aggressive cancers are only followed up with regular check-ups, so called active surveillance. If the cancer progresses and becomes more aggressive, the patient is offered treatment with surgery or radiation. Older men with a small tumor and no spreading are kept under observation and offered symptom-controlled treatment. A local treatment with very small side effects could be an attractive alternative for men where the risk of disease progression is more difficult to predict.

The market for cancer drugs in figures

187
billion USD globally in 2021

273
billion USD globally in 2025

100
new cancer drugs 2021–2025

1. Statista, Projected spending and growth in the global oncology market between 2021 and 2025, 2021.
2. Globocan 2020.
3. American Cancer Society, Key Statistics for Prostate Cancer, 2022.
4. Allied Market Research, Prostate Cancer Treatment Market by Drug Type, 2020.
5. Globocan 2020.

A year of change

Early 2022, we all felt confidence when the COVID-19 pandemic finally released its control over the world. At LIDDS, we knew we had a strong technology platform and that the development of products based on our platform should continue. We have continued the development work, but circumstances changed.

In February 2022 we could announce that a financing agreement had been signed with Nice & Green, which we felt was going to bring substantial flexibility. We could finance company operations at short notice, for a full year, at reasonable terms.

After Russia's attack on Ukraine a few days later the stock market changed and the possible financing from Nice & Green was affected in terms of size and relevance. This meant we could not rely on financing to the extent necessary from Nice & Green but were, like so many others, in an exposed situation.

After summer, with Anders Månsson as new CEO, a number of contacts were made to find other ways than the convertible agreement with Nice & Green to refinance the company. The situation on the stock market was tough and what had one year earlier been opportunities were now challenges. Despite the difficult situation we secured a successful co-operation with Erik Penser Bank and a share issue could be carried out. This was done in a market where many companies were seeking financing, and some were not able to secure the financing required for a listed company. We raised 46 million SEK, which gives us just over a year to get a licensing deal with Liproca® Depot and potentially other agreements in place. If this can be achieved, the company will be stronger financially and we can with confidence communicate that the company can develop products demanded by the market and generate revenues. This is our goal and ambition, and the business development activities now have the highest priority.

Vision, Mission and Business Model

Our vision is to be the preferred solution for elegant and optimal drug delivery in oncology - enabling better health.

The Mission of LIDDS is to develop better and safer treatments for patients that have a strong therapeutic and commercial value to global pharmaceutical companies.

LIDDS' business model is to utilize LIDDS' patented drug delivery technology to create more efficacious and safer treatments that result in greater value for patients, the company and its stakeholders. With a unique and well-positioned drug delivery technology and a strong pipeline, the attractiveness of LIDDS towards global partners with commercialization capacity will increase. The objective is to out-license the internally developed programs no later than Proof-of-Concept (PoC) in humans. Furthermore, LIDDS intends through solid scientific data and success to become a preferred drug delivery partner for global pharmaceutical companies interested in in-licensing the NanoZolid® technology for their internal development programs. The business value for LIDDS will be through R&D milestone payments and royalties on commercial products. There are also opportunities to extend IP life for out-of-patent drugs through reformulation with the NanoZolid® technology.

Sustainability

At the UN Summit on September 25, 2015, the 2030 Agenda for Sustainable Development was adopted. The Agenda contains 17 global goals and 169 targets to lead the world towards a sustainable and equitable future. Achieving these goals requires action and cooperation among civil society, academia and industry.

The role of the private sector is crucial in providing innovative solutions. LIDDS's clearest and most important contribution to a global sustainable future lies in the formulation of medicines so they can be administered more safely and effectively. LIDDS's sustainability work is based on these global sustainability goals, which include health, gender equality and equity, business, partnership and the environment. LIDDS acts responsibly in line with those areas that are most relevant to our business and our stakeholders such as shareholders, patients, employees, healthcare professionals, governments, suppliers and society at large.

The ability to continuously identify and manage risks effectively is important to the company's success. The Board of Directors is responsible for risk management and identifies, evaluates and tracks risks in the business on an annual basis. We have decided to focus our sustainability work on four different perspectives:

Patient

Planet

People

Partnership

Patient

It is our belief that our NanoZolid® technology and the drugs formulated with this technology will offer more effective cancer treatments with fewer side effects and an improved quality of life for patients. Of the United Nations´ 17 sustainability goals, goal number 3, "*Good health and well-being*", is the most important sustainability area that LIDDS can contribute to. Of goal number 3, the target 3.4 – "*Reduce one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being*", is the most relevant for LIDDS. The aim of this target is, through prevention and treatment, to reduce the number of people dying prematurely from non-communicable diseases by one third and to promote mental health and well-being by 2030.

LIDDS's most advanced project, Liproca® Depot, aims to offer patients with prostate cancer who are under active surveillance and who today cannot be offered any active treatment for their condition, an alternative to keep the disease under control and thus avoid radical treatments that often involve a fundamental deteriorating quality of life. With the NanoZolid® technology, it becomes possible to inject the drug directly into or near the tumor, resulting in that the whole body does not need to be exposed to the drug, only the tissue that needs to be treated. The controlled and sustained release of the active drug that our technology entails also allow for fewer treatments, increased patient safety and reduced care costs.

Planet

UN goal number 13 is an effort to combat climate change. Drug development takes a long time and involves many complex processes, which can result in a high consumption of resources. Therefore, LIDDS's starting point is to constantly strive to optimize resource consumption in the company's operations to reduce the climate footprint.

Development of new drugs is covered by many regulations. The development of new treatments is achieved by complying with the drug standards set by regulators, including the FDA in the United States and the EMA in Europe. At LIDDS, we are committed to following industry guidelines covering all areas of our value chain, including development, clinical trials, manufacturing, and drug management where standards govern safe production and monitoring of treatments (e.g., GLP, GVP, GCP, GMP, GDP).

People

Decent work and economic growth are the UN's eighth climate goal. It aims to promote lasting, inclusive and sustainable economic growth, full and productive employment with decent working conditions for all.

LIDDS's employees are critical to our ability to deliver on our vision and strategy. Employee involvement, commitment and expertise are crucial to our success. Supporting LIDDS's employees in their development, well-being and job satisfaction are important starting points. We are proud to offer a stimulating and inclusive workplace with equal development opportunities for all.

Key ratios as per December 31, 2022

Gender distribution:	Education level, share of PhD
Board of Directors: 83 % men / 17 % women	Management: 25 %
Management: 50 % men / 50 % women	Company: 43 %
Company: 43 % men / 57 %women	

By acting ethically and responsibly in everything we do, through high research standards, business ethics and policies, we create a sustainable organization that is designed to contribute to society and support our employees to behave righteously. The purpose is to build a sustainable organization by complying with the guidelines that are set, and by supporting a culture that promotes open discussion about business ethics. For example, in LIDDS's activities, issues such as regulatory compliance, corruption risk management, product safety and ethical research are the focus of our work to live up to an ethical and responsible approach. We continuously review and renew our policies and systems to ensure we maintain the high standards and requirements set on ourselves and based on the expectations of others outside the company..

Partnership

With a largely outsourced supply chain, we rely on sustainable and robust suppliers to produce, package and distribute our study drugs. We expect compliance and the highest standards from our suppliers. In order to monitor the sustainability performance of our suppliers, we aim to gain a clear overview of their operations. Before we start a collaboration, we check that potential suppliers meet the requirements we set, including environmental work. For example, one of LIDDS's contract manufacturers of Liproca® Depot has obtained environmental certification (ISO 14001) for its manufacturing process. After cooperation is established, LIDDS also conducts audits to ensure that our suppliers comply with the quality standards set by the pharmaceutical industry.

R&D

Comment from the CSO

Having joined LIDDS during 2022, I am pleased to be part of the next phase in the history of this company. During the last two years LIDDS has made an exciting journey by going from being a company focused on a single product (Liproca® Depot) to one where multiple opportunities exist. Of course, Liproca® Depot having completed Phase IIb, remains a core part of the R&D and Business Development focus for us. But we have also now achieved a broader portfolio and asset offering for future partners. As we conclude 2022 and look ahead to the next twelve months it is with the knowledge that LIDDS has significantly increased its potential for value generation.

During 2022, LIDDS has continued to focus on, and prioritize, its project portfolio. It has continued the work from the strategic review in 2021 and made some important decisions on how the company should best enter the next phase. Fundamentally, we retain a primary focus for bringing important cancer medicines to patients as quickly as we can, to address the significant unmet needs that remain. With Liproca® Depot we have an opportunity to change the standard of care for a large percentage of prostate cancer patients that are currently left untreated. This is a growing market and innovation will be crucial, both in what we can do, but also with physicians, prescribers and payers. In 2023, we will also evaluate Nanodotax in a small prostate cancer study. This Phase Ib study will deliver two main outcomes, firstly to further elucidate the mechanism of action of this drug when delivered as a NanoZolid® depot, and secondly to evaluate its therapeutic benefit in its own right, as a focal treatment for disease.

Immuno-oncology has been, and continues to be, a very important breakthrough in anti-cancer treatment, and LIDDS's NanoZolid® technology is well placed to play a role in different types of immuno-oncology applications. Our main development in this arena is the Nanoimod project, where we utilize NanoZolid® to deliver a local dose of a TLR9 agonist. During 2022, LIDDS has generated an exciting pre-clinical package of data supporting this innovative product and continues to make strong progress towards Phase I readiness. I can see LIDDS playing a key role in the future of immuno-oncology by offering a unique opportunity for a local and powerful treatment directly into the tumor, without exposing patients to the many negative side effects that, for example, cytostatics give. With Nanoimod LIDDS can activate the immune system where it is needed, with the potential to deliver beneficial effects more broadly, without the patient being exposed to high levels of the drug systemically. From a patient perspective, this has the chance to increase efficacy while minimizing side-effects – this is perhaps one of the biggest challenges facing oncology treatment today.

In addition to maximizing the value of our own portfolio, one of the most important tasks facing LIDDS is to ensure that NanoZolid® technology becomes adopted by more partners. Having established a feasibility partnership with Johnson & Johnson, I am positive about the chances of entering into more partnerships. LIDDS has learned a great deal from the collaboration with a major pharmaceutical company and continues to further refine the technology platform. Now we must deliver on the promise of the technology in all its applications!

The NanoZolid® Technology

NanoZolid® is a technology that enables local, controlled and sustained release of drugs over time, and that has excellent applicability and can be combined with different types of drug substances. The purpose of the NanoZolid® technology is primarily to make drug treatments more precise, to induce a higher local effect while reducing systemic side effects.

LIDDS's NanoZolid® technology platform has been strongly validated in five separate clinical studies over the course of the company's history. It has proven to be well tolerated, safe and demonstrate clear drug effects up to, and including phase IIb studies. The NanoZolid® technology is an in situ forming implant, which means that following delivery of the product into, or near, a patient's tumor it forms a local, solid drug containing depot, that releases the drug in a controlled and sustained manner over time. As the depot breaks down, it is completely absorbed into the body without leaving any residual products, leaving the treated area ready to receive further doses as required.

LIDDS's product development knowledge and expertise, coupled with the flexibility of the technology, means that it is possible to design and fine-tune formulations to vary the amount of drug that is released during specific time periods. This is a strength and advantage when delivering drugs locally into certain organs and tissues and gives the company the potential to match required drug concentrations and dosing frequencies.

The NanoZolid® technology is based on manufacturing methods developed in the materials industry, where the technology is used, among other things, to manufacture materials with high density and mechanical strength. LIDDS continues to develop the company's drug delivery technology. It is important to be at the forefront with both the company's own technology and its utility in both internal and external projects. It remains important to continue to generate good opportunities for new intellectual property protection in addition to our existing patents that have a term to at least 2037.

LIDDS' Drug Delivery System Overview

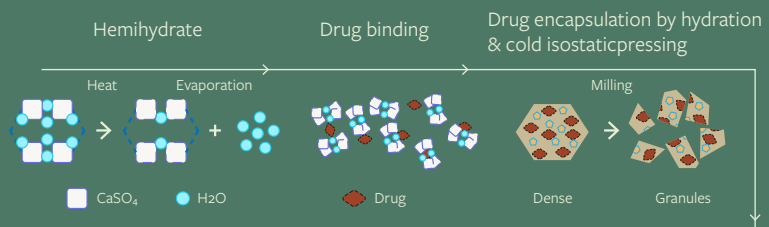
NanoZolid® Technology Platform

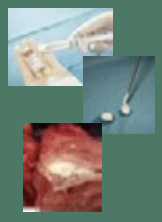
What it is
Brand-new drug delivery technology allowing local controlled release of API for up to 6 months with a single injection.

How it works
The drug is injected in a semi-fluid form into or near the disease target (tumour) and the formulation solidifies in 10 minutes into a sustained, local-release depot which is fully biodegradable

What it does
Deliver the right dosage of API on-target, minimizing side effects and improving patients' quality of life, leading to better compliance and therapeutic effects

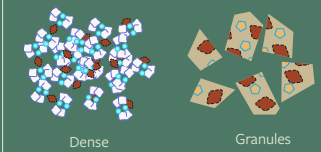
Precise control of manufacturing enabling adaptable release profiles





- In situ formed implant
- Ratio of mixture and API characteristics define the in vivo release profile
- Biodegradable implant

Product blending creates an injectable product



Liproca® Depot

Liproca® Depot is NanoZolid® formulated 2-hydroxyltutamide (2-HOF), an anti-androgen drug that binds to, and blocks androgen receptors. Prostate cancer patients who are treated with anti-androgen drugs receive it as monotherapy or in a combination of different drugs, which are given systemically.

Liproca® Depot was LIDDS's first project in clinical development and is thus also the furthest progressed in clinical development. The product has been tested in 118 patients in various clinical studies, from Phase 1 through to the completion of Phase 2b. The data generated so far indicate that Liproca® Depot delivers a controlled, local, release for up to six months following a single injection into the prostate. Furthermore, the treatment has been shown to be well tolerated and safe with observed clinically beneficial effects on tumor tissue, prostate volume and the prostate-specific antigen, PSA.

Currently, patients who do not have an aggressive form of prostate cancer receive no treatment but instead are followed up with regular monitoring, so-called active surveillance. LIDDS believes that Liproca® Depot could offer a significant beneficial treatment for this currently untreated patient group, as Liproca® Depot can limit tumor growth and therefore likely prolong the time to more aggressive treatments, like radical prostatectomy or radio therapy.

Liproca® Depot is currently being prepared to be ready for a phase III clinical trial. An important regulatory milestone in the preparations was reached in early 2022 when the European Medicines Agency (EMA) provided scientific advice on the study protocol for the phase III study. Overall, EMA agreed with the proposed study design, including that the primary endpoint should be time to progression, and that the number of patients proposed is sufficient. The preparations include wide ranging partnering activities to secure funding and operational partnership to complete the study.

▶ LPC-004, phase IIb clinical trial

The phase IIb clinical trial, LPC-004, was a dose-escalation study involving 61 patients with non-aggressive prostate cancer at urology clinics in Canada, Finland and Lithuania. The study was divided into two parts with two separate aims. In the first part, the maximum tolerable dose of Liproca® Depot was determined, while the second part aimed to determine the level of PSA reduction in investigated patients at month five.

In the study, patients were followed for six months to evaluate the optimal dose and its effect on various cancer markers. The final study results showed that both the primary and secondary efficacy endpoints were met and that the cancer marker PSA was reduced by up to 67 percent in the patient group injected with a 16 mL dose of Liproca® Depot. The treatment did not produce any hormonal side effects usually observed with traditional systemic anti-androgen therapy, and 85 percent of patients were positive to receive further injection once the PSA value returned to the initial level. Furthermore, the study results indicated that Liproca® Depot can control tumor growth, with

MRI (Magnetic Resonance Imaging) showing reduced growth in 7 out of 41 patients and no tumor growth in the remaining patients. Observed treatment effect was achieved regardless of whether patients received 16 or 20 mL of Liproca® Depot. The conclusion was to select a 16 mL dose.

Of the total 61 patients enrolled in the study, 12 chose to continue in an open-label extension arm of the study in which an additional Liproca® Depot injection was given once the PSA returned to the pre-treatment level. The results from the twelve patients in the open-label study show that the anti-androgenic effect of Liproca® Depot is significantly longer than six months, which may mean that longer treatment intervals can be used. Of the twelve patients included in the follow-up study, six patients received a second Liproca® Depot treatment, while six patients still had a PSA reduction after ten months of follow-up and thus did not meet the criteria for a second treatment.

Nanodotax

Nanodotax is NanoZolid® formulated docetaxel, which is a commonly used cytostatic drug that has been approved for several cancers, such as breast, head & neck and prostate cancer. In 2023, LIDDS will start a Phase Ib clinical trial in prostate cancer patients.

Docetaxel is an efficacious pharmaceutical, which normally is administered systemically via intravenous injection (iv). Unfortunately, it often causes extensive side-effects. LIDDS has, with the NanoZolid® technology, created Nanodotax for intratumoral administration of docetaxel. LIDDS's hypothesis is that this administration should result in similar efficacy but with an improved side-effect profile.

With local intratumoral administration of Nanodotax, higher docetaxel concentrations can be accomplished in the tumor while the systemic exposure, i.e., exposure in the whole body, is limited. LIDDS has performed proof-of-principle (PoP) studies of nanodotax in a relevant animal model for cancer. Data showed good efficacy of local administration of Nanodotax, without the systemic toxicity observed with systemic administration of docetaxel. Clinical development of Nanodotax began in 2019 in patients with superficial solid tumors. The phase I clinical trial was terminated late 2021 and showed good safety and tolerability with few, mild and local side effects. Furthermore, an upregulation of important systemic immune-regulating biomarkers was observed that are assumed to be important in turning cold tumors hot and in providing better conditions for treatment with checkpoint inhibitors.

The next step in this program is to evaluate the mechanism of action in a small clinical trial in prostate cancer patients scheduled for surgical removal of their tumor. The main purpose with this study (DTX-002) is to study the effect on prostate tissue after Nanodotax treatment.

The anticipation is that Nanodotax can become an efficient add-on therapy to the many treatment options that exists for prostate cancer, that still needs to be extended.

▶ DTX-002

The DTX-002 study is performed on patients with localized prostate cancer who are scheduled for surgical removal of the prostate - prostatectomy, which allows for a complete histological evaluation of the local effects of Nanodotax. The primary objective is to assess the effect of Nanodotax in the prostate and tumor tissue after intratumoral injection with a local release of docetaxel over several weeks. A treatment period is 6-7 weeks and the waiting time for surgery is approximately 6 weeks. Nanodotax is expected to have a cytotoxic and/or immunostimulatory effect on the tumor tissue and potentially the surrounding prostate tissue. Preclinical and clinical experience with Nanodotax suggests that these effects can reduce the size of the tumor before the planned prostatectomy. In the study, effects on prostate volume are measured with MRI (magnetic resonance tomography) and changes in PSA values. The local antitumor effect will also be evaluated using PSMA-PET, ie detection of levels of a Prostate-specific membrane antigen (PSMA), which increases in prostate cancer, with Positron Emission Tomography (PET). To assess the local immunological effect, changes in immune parameters and biomarkers in tumor tissue are studied. To study systemic immune response, levels of immune biomarkers in serum are examined. Otherwise, the plasma concentration of docetaxel in the blood is determined and any side effects are recorded.

Nanoimod

Nanoimod is NanoZolid® formulated agatolimod, a potent TLR9 agonist which has previously been developed for use in immune-oncology indications.

The Toll-like receptor 9 (TLR9) represents a promising target for increasing the response and efficacy of current immune-therapies, like checkpoint inhibitors. TLR9 agonists have been developed to inhibit tumor growth by converting immunologically "cold" tumors into immunologically "hot" tumors and making them susceptible to a range of different cancer treatments. In clinical studies conducted to date, TLR9 agonists have been shown to be well tolerated as monotherapy and do not appear to increase side effects when combined with chemotherapy, targeted radiation, or immunotherapy treatments. The function of checkpoint inhibitors is to tune the immune system so that it becomes better at fighting tumor cells, which otherwise escape the body's defences. Treatment with checkpoint inhibitors has been shown to have a good effect on several forms of cancer that were previously difficult to treat. However, the treatments have no effect on as many as half of the patients for several forms of cancer. To increase the effectiveness of checkpoint inhibitors, they have been investigated in combination with, among other things TLR9 agonists, and the results show that TLR9 agonists can induce a treatment response in patients who have either stopped responding or never responded to treatment with checkpoint inhibitors.

LIDDS has formulated the TLR9 agonist agatolimod into a NanoZolid® product. By formulating agatolimod into a slow-release depot and administering the drug intra-tumorally, the drug will be present in a higher amount for a longer time in the tumors. Over the last couple of years LIDDS has conducted pre-clinical studies that have shown that the combination of Nanoimod and a checkpoint inhibitor delivers efficacy in both treated and untreated tumors (known as an abscopal effect). This holds the promise that NZ-TLR9 can induce a treatment response in patients who have either stopped responding or never responded to treatment with checkpoint inhibitors.

LIDDS is now readying Nanoimod for a Phase Ib clinical trial.

Patent Strategy

To obtain and maintain patents and other intellectual property (IP) rights that protect LIDDS's technologies, methods and products are an important part of the company's ability to create longterm value for shareholders. That's why the company strives to protect the technologies, products, methods and more that are important to its business.

Obtaining patents related to pharmaceuticals is a complex process involving both scientific and legal expertise.

In total, LIDDS has obtained more than 130 national patents, and comprehensive patent protection has been established for the NanoZolid® platform in all major markets. The patent portfolio is considered to be solid and covers, among other things, methods for controlling the release of drugs, the manufacturing process, equipment and tools for injection, method and processes for controlling the curing rate and the principle for treating prostate cancer with the NanoZolid® technology.

LIDDS has recently completed a strategic review of its patent portfolio and has concluded that the oldest patents provide limited benefit versus the cost of maintaining them when compared to the more recent, and more extensive, patents. Therefore, LIDDS has decided to abandon the first patent family for "Bioceramic Compositions".

- The NanoZolid® technology has approved process patents in the EU and the US that provide patent protection until 2037 for the LIDDS technology platform and for the drugs developed with NanoZolid®.
- The United States Patent and Trademark Office approved a product patent covering all NanoZolid® products in January 2020. The specific focus of the patent on the product provides protection regardless of whether the product is manufactured using a process developed by LIDDS or using another process that generates the same product. The patent is valid until 2037.
- In 2022, LIDDS obtained patent protection for its production process in Japan, South Korea and Israel.

In addition to the patent protection for the NanoZolid® technology, which is valid until 2037, LIDDS has the option to obtain a five-year extension of the patent protection in Europe, provided that the drug substance is not approved, such as Liproca® Depot. Also in the United States, there is the possibility of obtaining extended intellectual property protection.

Family/year	Patent	Period of validity		Rest of the world
		USA	EU	
2/2006	Treatment method for prostate cancer	**2026**	**2030**	**Aus, Can, Chi, Jap, Mex, Russ, S. Kor, Nor, S. Afr, Ind, Isr**
3/2007	Slow local release	**2027**	**2029**	**Aus, Can, Chi, HK, Jap, Mex, Russ, S. Kor, Isr, S. Afr, Ind**
4/2009	Mixing tool suspensions	**2028**	**2029**	**Aus, Chi, Russ, Can, Ind, Isr, Jap, Mex, S. Afr, S. Kor**
5/2009	Regulation of hardening time	**2029**	**2029**	**Aus, Jap, Russ, Can, HK, Ind, Isr, Mex, S. Afr, S. Kor**
6/2016	Manufacturing process	**2037**	**2037**	**Aus,** Can,**Chi, Jap,** Mex,**Russ, S. Kor, Isr, S. Afr, Ind, HK,** Br, **Sp**
7/2020	NanoZolid® pharmaceutical preparations	**2037**	2037	**Aus,** Can, Chi, Jap, Mex,**Russ,** S. Kor, Isr, **S. Afr, Ind, HK,** Br, **Sp**

Bold text in the table indicates approved patents


”LIDDS’s project portfolio is developed for various oncology indications where NanoZolid®-formulated drugs have a pronounced advantage in terms of efficacy and safety.”

Glossary

Abscopal effect	Occurs when a local treatment not only shrinks the tumor against which the treatment is directed but also leads to untreated tumors shrinking elsewhere in the body.
Anti-androgen treatment	The treatment of prostate cancer that aims to reduce the effect of testosterone that the prostate cancer cells need to be able to grow. Through the treatment, the disease can often be slowed down for a long time by blocking testosterone.
Biomarker	A biological marker that is a measurable indicator of a biological condition. Biomarkers are often used to monitor the feedback from biological or pathogenic processes or to monitor how different drugs act in the body by monitoring the condition of biomarkers.
Checkpoint inhibitors	Are drugs used in immunotherapy. The drugs block checkpoints to activate the immune system strongly against cancer cells as many tumors protect themselves from the immune system by expressing such immune checkpoints.
Cytostatics	Is a collective name for several drugs that inhibit cancer cells in different ways and is often referred to in everyday speech as cytotoxic drugs. Some of the drugs prevent the cancer cells from growing, while others cause the cancer cells to destroy themselves. Cytostatics also affect the body's healthy cells and can thus lead to side effects.
The EMA	Is the European Medicines Agency.
Immunotherapy	Is a way to get the body's immune system to attack cancer cells as its own immune system often finds it difficult to effectively neutralize the cancer cells on its own.
Intratumoral treatment	Is a treatment that involves giving a drug directly into the tumor.
Preclinical studies	Are studies performed in model systems prior to treating humans.
Proof-of-Concept study	Are usually small studies designed to provide early statistical evidence of drug effect that enables drug developers to decide whether to proceed to larger phase IIb or III studies.
Proof-of-Principle study	Are studies in an early stage of clinical drug development when a substance has shown potential in animal models and early safety tests.
PSA value	Prostate-specific antigen, PSA, is a protein that is formed in the prostate and can be tested by a blood test. The PSA value rises in various diseases of the prostate. A PSA value above a certain level should be investigated to find out if the cause is prostate cancer, or a benign prostate disease.
Royalties	Is a type of commission income usually in a fixed percentage per product sold. The pharmaceutical company that sells and markets the drug pays a royalty to the company that developed and licensed the product.
Systemic treatment	Refers to all types of cancer treatment that target the entire body. The most common form of systemic cancer treatment is chemotherapy where the drug is spread in the bloodstream to destroy cancer cells in several places in the body.
Mechanism of action	A precise description of the way in which a treatment achieves the desired effect.

The Share and Ownership

LIDDS's share is listed on Nasdaq First North Growth Market in Stockholm since 2014 with the ticker LIDDS.

Share price development and turnover

At the end of 2022, the share price was 1.696 SEK, corresponding to a market capitalization of approximately 59 MSEK. The highest price during the year was 10.48 SEK, and the lowest was 1.522 SEK. During 2022 a total of 12,033,130 shares were sold at a total value of 70.5 MSEK.

Share data

The number of shares at December 31, 2022, was 34,739,791 ordinary shares (33,989,791). Each share has one vote, i.e. 34,739,791 votes. The average number of shares in 2022 was 34,396,051 (32,012,323).

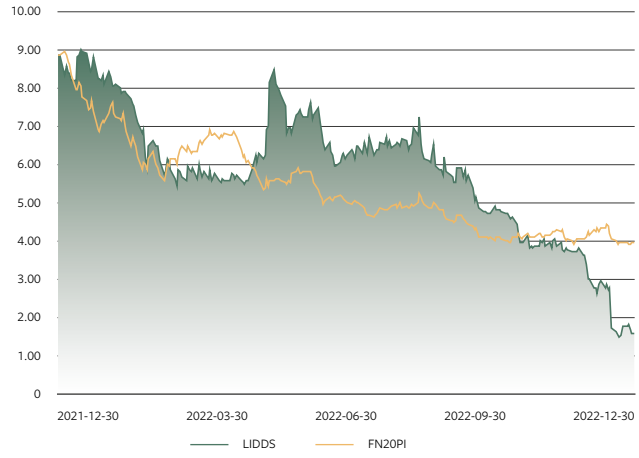
Ownership

At the end of 2022, LIDDS had just over 3,000 shareholders. LIDDS has only one class of shares, and all shares have equal rights to participate in the company's assets and profits.

Share capital and ownership

At the end om 2022, the company's registered share capital was 1,841,208.9230 SEK divided into 34,739,791 shares with a quota value of 0.053 SEK. According to the Articles of Association the share capital may comprise a minimum of 1,700,000 SEK and a maximum of 6,800,000 SEK, divided into a minimum of 30 million shares and a maximum of 120 million shares. LIDDS's Articles of Association includes a Central Securities Depository

Share graph



Percentage price development of LIDDS's share during the period January 1, 2021, to December 31, 2022, in relation to First North Health Care PI.

Largest owners

Major shareholders in LIDDS as of December 31, 2022	Number of shares	Share of capital and votes (%)
Avanza Pension, Stockholm	2,904,854	8.36
Daniel Lifveredson, incl shares owned through companies	2,640,929	7.60
Wikow Invest AB	2,365,693	6.81
Swedbank Försäkring	1,816,813	5.23
Bengt Sporre	1,126,880	3.24
Gunvald Berger	755,629	2.18
Max Mitteregger,incl shares owned through companies	750,000	2.16
Nordnet Pensionsförsäkring AB	741,305	2.13
BWG Invest	631,000	1.82
SEB Life International	528,552	1.52
Martin Hansson	404,075	1.16
Other	20,074,061	57.78
Total	**34,739,791**	**100.00**

clause and the company's shares are recorded in a register at Euroclear Sweden AB, meaning that Euroclear Sweden AB administer the company's share register and record the shares on person and organization. In the event of a liquidation of the company, shareholders have equal right to any surplus in relation to the number of shares the shareholder owns.

Share issue

LIDDS performed a share issue with preferential rights for the shareholders in January and February 2023. The subscription rate in the share issue was 95.7 percent and in addition, three guarantors chose shares instead of cash for their guarantee fee, meaning the number of shares after the share issue is 68,231,633.

The largest shareholders on 31 March 2023:

Shareholders	Number of shares	Share of capital and votes (%)
Avanza Pension, Stockholm	7,519,511	11.0
East Capital	4,935,456	7.2
Wikow Invest AB	4,151,408	6.1
Daniel Lifveredson, incl shares owned through companies	2,790,929	4.1
Nordnet Pensionsförsäkring AB	2,113,820	3.1
Swedbank Försäkring	1,942,338	2.8
Max Mitteregger, incl shares owned through companies	1,550,000	2.3
SEB Life International	1,078,392	1.6
Westlight	1,045,735	1.5
Martin Hansson	808,150	1.2
Marcus Kjörling	794,027	1.2
Other	39,501,897	57.9
Total	**68,231,663**	**100.0**

Incentive program

In 2021, LIDDS decided to establish an incentive program for senior executives. The CEO and key employees subscribed for 146,000 of a total of 250,000 warrants issued. The remaining 104,000 warrants were retained by the company to be offered for subscription to key employees in connection with recruitment.

Dividend and dividend policy

LIDDS focuses on research and development of new products and the available financial resources will therefore be used to fund these projects. Therefore, the Board does not intend to propose any dividend for the next few years. The Board of Directors of LIDDS AB proposed to the Annual General Meeting that no dividend be paid for the fiscal year 2021.

Certified Adviser

Companies listed on Nasdaq First North Growth Market are required to have an agvvreement with a certified adviser. LIDDS's certified adviser is Redeye.

Directors' Report

The Board of Directors and the CEO of LIDDS AB are hereby authorized to present the annual report and consolidated accounts for the fiscal year 2022.

Information about the business

LIDDS is a Swedish drug delivery company founded in 2003 with the aim to develop and commercialize the proprietary NanoZolid® technology. With NanoZolid®, LIDDS can formulate drugs for local administration with a maintained and controlled release for up to six months. The technology is versatile and can be used across different drug classes and solve problems in many indication areas. LIDDS offers the NanoZolid® technology to partners, but also has its own project portfolio focused on the large oncology therapeutic area.

Through a small, efficient and highly specialized organization, LIDDS will develop better and safer treatments with high value. This will be accomplished through further development of the NanoZolid® technology and its IP protection. This is complemented by a strong and diversified portfolio of proprietary oncology products. The aim is to secure licensing deals for both the technology and internally developed projects, no later than after the human proof of concept. LIDDS can also seek R&D collaborations or joint ventures to utilize its technology and know-how. The company's vision is to be the preferred solution for elegant and optimal drug delivery within oncology – thus enabling better health.

NanoZolid® addresses some of the main challenges that conventional drugs face, such as systemic side effects and limited efficacy resulting in many patients have to terminate their treatment or that the treatment is not efficient. LIDDS's flexible technology is compatible with everything from small to more complex molecules and has comprehensive patent protection in all major markets until 2037. NanoZolid®- formulated drugs are delivered locally/intratumorally through an injection and forms a solid and safe depot that releases the active drug over a period of up to six months. The controlled release of formulated drugs can be tailored to the specific needs of patients, the disease being treated and/or the drugs being used. This results in a more precise treatment with fewer side effects. LIDDS's clinical studies have shown lower systemic drug exposure, improved local drug efficacy and signs of immune activation when treated with NanoZolid®-formulated drugs.

LIDDS is developing its portfolio within the oncology therapeutic area, where the benefits of NanoZolid® technology are obvious: a local and high drug dose administered over time with very limited side effects. In total, LIDDS has three projects in or ready for clinical phase. The lead project, Liproca® Depot, is a NanoZolid®- formulated anti-androgen (2-hydroxyflutamide), which is being prepared for a phase III clinical trial in patients with prostate cancer. The prostate cancer pharmaceutical market was valued at USD 6.9 billion in 2018 and is expected to grow to USD 9.9 billion in 2026, representing an annual growth rate of 4.6 percent[1] over the period. The number of men diagnosed with prostate cancer is approximately 1.4 million each year, of whom approximately 420,000 are diagnosed with localized prostate cancer with a low or intermediate risk of cancer progression (patients under active surveillance). Liproca® Depot is developed for the treatment of patients under active surveillance.

The company's other projects are Nanodotax, a NanoZolid® formulated cytostatic agent (docetaxel), which is being prepared for a phase Ib clinical trial in prostate cancer and Nanoimod, a combination therapy being prepared for a phase Ib clinical trial in malign melanoma. In addition, the company is continuously evaluating preclinical projects.

The benefits of using NanoZolid® as a drug-delivery technology are numerous, both for potential partners and for LIDDS. When reformulating existing drugs, the time to market is shorter, with lower development costs and lower risks. LIDDS has entered into a R&D agreement with Johnson & Johnson Enterprise Innovation, Inc. and a licensing agreement with Puheng Pharma for Liproca® Depot for the Chinese market.

At the beginning of 2022, the company announced that the first stage of the collaboration agreement with Johnson & Johnson Enterprise Innovation Inc. had been successfully completed and that the next development stage had begun. In February, a convertible loan agreement was signed with Nice & Green,according to which they committed to subscribe for convertibles with a nominal value of up to 40.8 MSEK. According to the agreement, LIDDS has the opportunity, but no obligation, to use the agreed financing. It was not utilized either, but in December the board decided on a new share issue with pre-emptive rights for the shareholders of approximately 48.6 MSEK. The decision was conditional on the approval of an extraordinary general meeting, which was held in January 2023. The rights issue finances the preparation of two phase Ib clinical studies and the implementation of one of the studies, an intensified work on the out-licensing of Liproca® Depot and other business development, as well as the repayment of bridging loan from Erik Penser Bank. The board gained two new members in 2022, Johan Lund and Max Mitteregger. The latter acquired, in connection with his appointment to the board, shares to a value of 4.5 MSEK. The company announced in July that Anders Månsson will succeed Nina Herne as CEO of LIDDS from September.

The company has no revenue from product sales, and until the company's products begin to generate revenue or an out-licensing agreement with sig-

1. https://www.marketdataforecast.com/market-reports/prostate-cancer-market Allied Market Research

nificant milestone payments can be entered into, the company is dependent on external funding to ensure continued operations.

The Group consists of the parent company LIDDS AB and the wholly owned subsidiary LIDDS Pharma AB. There are no continuing operations in the subsidiary.

Significant events during the year

- **Successful completion of stage I in research collaboration**

In January 2022 the company announced that step 1 in the research co-operation with J&J had successfully been completed and that the project had moved into the next phase. The aim with the R&D project is to develop an oncology product based on the NanoZolid® technology for a non-disclosed indication.

- **Financing agreement with Nice & Green**

In February 2022 the company announced that a convertible note agreement had been signed with Nice & Green ("N&G"), a Swiss specialty investor with significant experience from the life science industry. According to the agreement, N&G has committed to subscribe for convertible notes with a total nominal value of up to 40.8 MSEK, in tranches of 10.2 MSEK each. Each tranche is subscribed for at nominal value. LIDDS has the option, but not the obligation, to use the agreed financing. The convertible notes have a maturity of twelve months, carries zero interest and can be converted to shares at a 7 percent discount in relation to the shares' market price at the time of N&G's conversion request. LIDDS has at the time of a conversion request the option to instead redeem the convertible notes in cash for a 3 percent fee of the nominal amount.

- **Max Mitteregger and Johan Lund new members of LIDDS's Board of Directors**

In May 2022 the company announced that the Nomination committee proposed Max Mitteregger and Johan Lund as new member of LIDDS's Board of Directors and both were elected at the Annual General Meeting of shareholders on 1st June 2022. Max Mitteregger has many years of experience from the financial market, where he among other things has been the manager of the hedge fund Gladiator. In connection with the appointment to LIDDS's Board of Directors, Max Mitteregger acquired shares at a total value of 4.5 MSEK. This was done through a directed share issue of 750,000 shares at a subscription price of 6 SEK, which corresponded to LIDDS's share price at Nasdaq First North Growth Market at the time for a binding commitment to subscribe for the shares. Johan Lund has experience from senior roles in the global pharmaceutical industry, for example AstraZeneca, Pfizer and Celgene. Johan has an MD and a PhD from the Karolinska Institute. Johan's broad network within various major pharmaceutical companies as well as his scientific knowledge will be an important addition to the board for establishing new collaborations and driving the company pipeline forward

- **Anders Månsson appointed CEO of LIDDS**

In June 2021, LIDDS carried out a directed share issue that raised approximately SEK 45 million before issue costs. The subscription price was set to SEK 10.43 per share based on the volume-weighted average price over five trading days in the period from May 17–21, 2021. The new issue was directed at a number of Swedish and international investors.

- **The board decided on a rights issue**

In December 2022, the board decided on a rights issue of approximately SEK 48.6 million before deductions of issue costs. The decision was conditional on the approval of an extraordinary general meeting. The rights issue was secured to approximately 96 percent through underwriting commitments and issue guarantors. The rights issue finances preparations for two clinical Phase Ib studies and implementation of one of the studies, an intensified work with the out-licensing of Liproca® Depot and others business development, as well as repayment of a bridge loan from Erik Penser Bank.

Significant events after the end of the fiscal year

- **Outcome of the rights issue**

In February 2023, the outcome of the rights issue was announced, which was approved by the extraordinary general meeting on January 9, 2023. The subscription summary showed that 25,253,268 shares, corresponding to approximately 72.7 percent of the rights issue, were subscribed for with or without the support of subscription rights, of which 20,688,813 shares, corresponding to approximately 59.6 percent of the rights issue was subscribed with the support of subscription rights and 4,564,455 shares, corresponding to approximately 13.1 percent of the rights issue, were subscribed without the support of subscription rights. The bottom guarantors were allocated approximately 8.6 percent of the rights issue, and the top guarantor approximately 14.4 percent. In total, approximately 95.7 percent of the rights issue was subscribed, and the company received approximately SEK 46.5 million before issue costs.

Sales and results for 2022

In 2022 net sales amounted to 1.9 (3.6) MSEK relating to income from the sale of research and development services under the collaboration agreement with J&J.

Other external costs amounted to 22.7 (30.1) MSEK in 2022. The change compared to the same period last year is primarily explained by the fact that in 2022 the company had lower costs related to the production of clinical trial material and for the company's preparations for a planned list change from First North Growth Market to Nasdaq's main list. The costs of preclinical studies increased. The company's personnel costs for 2022 amounted to 15.3 (10.3) MSEK. The increased cost in 2022 is attributable to a change of CEO, additional employees and recruitment costs.

Accumulated depreciation and write-downs of tangible and intangible assets during 2022 amounted to 0.5 (0.5) MSEK.

The operating profit for 2022 amounted to -36.6 (-37.3) MSEK. The net result for the same period amounted to -36.9 (-37.3) MSEK.

Cash flow and investments

The cash flow from operating activities during 2022 amounted to -35.6 (-42.6) MSEK. As part of the cash flow from operating activities, changes in working capital during 2022 amounted to 0.8 (-5.8) MSEK. The negative cash flow from operating activities is explained by the company's costs in ongoing research and development projects as well as the list exchange project. LIDDS's cash flow from investment activities in 2022 consisted of investments in development work regarding the technology platform NanoZolid®, pending patent applications and production equipment and amounted to a total of 0.8 (2.7) MSEK.

Five-year summary

	2022	2021	2020	2019	2018
Net sales, SEK thousand	1,888	3,554	345	0	8,584
Profit/loss after financial items, SEK thousand	-36,860	-37,270	-32,334	-31,378	-20,530
Balance sheet total, SEK thousand	25,920	55,579	54,205	21,470	35,271
Equity, SEK thousand	15,349	48,512	42,808	15,506	29,447
Equity ratio, %	59	87	79	72	83

The cash flow from financing activities amounted to 7.7 (43.0) MSEK in 2022. The outcome in 2022 is attributable to the directed issue to Galba Holding AB and bridge loan from Erik Penser. During the comparison period, the cash flow from financing activities was related in its entirety to completed share issues including issue costs.

The total change in cash and cash equivalents in 2022 amounted to -28,7 (-2,1) MSEK. The company's cash and cash equivalents at the balance sheet date totaled 5,3 (34,0) MSEK.

Financial position

The equity ratio at December 31, 2022, was 59 percent (87), and equity amounted to SEK 48.5 (42.8) million.

At the end of 2022, the company's working capital was not sufficient, and in January and February 2023 the company has carried out a rights issue with preferential rights for the company's shareholders. The issue was subscribed to approximately 95.7 percent and the company received SEK 46.5 million before issue costs. The issue costs amount to approximately 8.8 MSEK, which means that the company received a net contribution of approximately 37.8 MSEK. The issue proceeds are used in part to fully amortize the bridge loan that the company received from Erik Penser Bank. The issue further means that the company has funding to complete the preparations for two clinical studies and carry out one of them, as well as to work focused on business development with the goal of out-licensing Liproca® Depot and/or more projects. If the company does not manage to complete a license deal in the coming year, the company must seek other external financing. If this cannot be obtained, the company needs to reduce its research and development activities, and this may also pose a risk to the company's survival.

Shares and ownership

The share capital of LIDDS AB at December 31, 2022, amounted to SEK 1,841,209, divided into 34,739,791 shares, each with a quota value of SEK 0.053. All shares are ordinary shares and carry equal rights to the company's profits, and each share entitles its holder to one vote at the Annual General Meeting. At the Annual General Meeting, each person entitled to vote may vote for the full number of shares owned or represented, without restrictions on the number of votes. The company's shares have been traded on the Nasdaq First North Growth Market in Stockholm since 2014.

At the end of 2022, the company had approximately 3,000 stockholders, with the ten largest stockholders owning 41.1 percent of the outstanding shares, and the remaining stockholders, 58.9 percent. No shareholder held shares representing more than ten percent of the number of shares and votes in the company.

LIDDS performed a share issue with preferential rights for the shareholders in January and February 2023. The subscription rate in the share issue was 95.7 percent and in addition, three guarantors chose shares instead of cash for their guarantee fee, meaning the number of shares after the share issue is 68,231,633

Incentive program

In 2021, LIDDS decided to establish an incentive program for senior ex- ecutives. The CEO and key employees subscribed for 146,000 of a total of 250,000 warrants issued. The remaining 104,000 warrants were retained by the company to be offered for subscription to key employees in connection with recruitment.

Board and organization

The company's Board of Directors consists of six ordinary members, including the Chairman, and was elected by the Annual General Meeting on June 1, 2022, to serve until the end of Annual General Meeting 2023. The Board of Directors consists of Jan Törnell, Chairman, David Bejker, Maria Forss, Daniel Lifveredson Johan Lund and Max Mitteregger.

LIDDS has an experienced organization with a high level of expertise in its areas of responsibility. In 2021 and 2022, the company's management changed. The CEO assumed office in September 2022 and is an employee of the company. At the end of 2022, the number of employees was seven. In addition, close and long- term cooperation has been established with consultants in areas such as intellectual property, preclinical and clinical research, technology development, manufacturing, analytical services, IT and finance.

Risks

LIDDS's operations are impacted by a number of factors, the effects of which on the company's earnings and financial position are, in some respects, partly or even fully beyond the company's control. When assessing the company's future development, it is important to consider these risks alongside the opportunities for earnings growth. The material risks and uncertainties that are considered to have the greatest impact on the company's future development are described below in no particular order of importance.

Out-licensing

LIDDS's business model is based on out-licensing the company's proprietary projects, but also on attracting pharmaceutical companies to license the NanoZolid® technology for their own pharmaceutical products. The company and its operations are dependent on collaborations, out-licensing and commercialization of the company's drug candidates in order to generate revenue. There is a risk that the company's product candidates will not be able to attract potential licensing partners during the preclinical or early clin-

ical phases. If the company's product candidates do not achieve sufficient success with potential license and collaboration partners, this may mean that license revenue and milestone payments will be lower than expected or completely absent, which can result in a high negative effect on the company's future earning capacity and results. There is also a risk that the company's existing or future license partners will not reach the goals that have been set, that collaboration partners will not fulfill their commitments to LIDDS or that future partnerships cannot be entered into on terms favorable to the company. This may result in collaboration ending or alternative license partners needing to be sought, which may mean that projects are canceled or take longer than expected. In such a situation, the company's ability to carry out its pharmaceutical projects according to schedule may be greatly affected and the Company may thus be burdened with increased costs and revenues may be reduced or absent.

Clinical studies

Before a drug candidate can receive marketing approval, LIDDS or a partner must document and demonstrate, through various preclinical and clinical studies, that the drug candidate has a significant treatment effect and an acceptable safety profile. LIDDS cannot predict with certainty when planned clinical trials may commence or when trials in progress may be terminated, as these are circumstances that can be affected by a variety of factors beyond LIDDS's direct control, such as regulatory approvals, ethical conditions, availability of patients and clinics, and the conduct of a trial at different clinics. It is also difficult to accurately predict the costs associated with clinical trials. The actual costs of conducting a study may substantially exceed the estimated and budgeted costs. Clinical trials may also produce results that do not support the intended treatment effect or an acceptable safety profile due to undesirable side effects or an unfavorable risk/benefit assessment of the medicinal product.

Suppliers and collaboration partners

The company has a relatively small organization and the operations do not cover all steps in the drug development process. LIDDS focuses on development and therefore external suppliers are contracted to perform certain services, such as contract research organizations (CROs) to coordinate and conduct clinical studies, contract manufacturers to manufacture experimental drugs for clinical studies, and hospitals and other healthcare facilities to provide study sites and patients. The company is and is expected in the future to be dependent on developing and maintaining relationships with external suppliers of relevant services in drug development. This results in a number of risks, such as the company not being able to find suitable partners, the company not being able to reach agreements on favorable terms, or the company's partners raising prices or not performing in accordance with agreements or the company's expectations, or circumstances that involve delivery difficulties or that they cannot perform promised services. Changing suppliers can be both costly and time-consuming, and deficiencies in externally provided services can mean delays and interruptions in the company's operations, unforeseen costs, and the company being forced to spend time and resources on finding alternative solutions.

Regulatory approvals

The development, manufacturing, marketing and sale of drug candidates requires approvals and various types of authorizations from the relevant regulatory authorities. These processes can be time-consuming and costly, and even after approval, the company is obliged to comply with certain regulatory requirements with the risk of withdrawal of approval.

Dependence on key people

LIDDS relies on a number of key people in a range of different areas. The ability to recruit and retain qualified staff is of utmost importance to ensure the level of competence in the company.

Patents and intellectual property rights

Patents and intellectual property rights are a key asset of the company's business, and therefore any future success is largely dependent on the ability to maintain existing patent protection and to develop the patent portfolio for future commercialization. As is always the case with medically and commercially successful drugs, there is a risk that competitors will try to circumvent the company's patents or that attempts will be made to invalidate the company's patents.

Financing

Drug development is capital intensive, and LIDDS' planned clinical trials and development work entail significant costs. The company is therefore dependent on raising sufficient capital to finance its operations. Any delays in clinical trials, production or other events may result in increased costs or delayed generation of positive cash flow. Future capital requirements will also be heavily influenced by whether the company can achieve partnerships or co-financing. There is no guarantee that the company will be able to raise additional capital, achieve partnerships or other co-financing. This may force LIDDS to adapt its operations, leading to delayed or no commercialization and revenues.

Proposal for appropriation of profit for the fiscal year 2022

At the disposal of the Annual General Meeting are the following profits (SEK)	
Share premium fund	20,070,169
Loss for the year	-36,860,123
The Board of Directors proposes to transfer to the new account	- 16,789,954
	- 16,789,954

Financial Information

Consolidated statement of comprehensive income

KSEK	Note	1 January - 31 December 2022	1 January - 31 December 2021
Operating income			
Net sales	5	1,888	3,554
Other operating income		2	0
Total		**1,890**	**3,554**
Operating expenses			
External operating expenses	6,17	-22,709	-30,064
Personnel costs	7	-15,315	-10,296
Depreciation and impairment of fixed assets	13,14	-484	-464
Total		**-38,507**	**-40,823**
Operating result		**-36,617**	**-37,269**
Financial income		19	0
Financial expenses		-262	0
Total	8	**-243**	**0**
Result after financial items		**-36,860**	**-37,270**
Result before tax	10, 27	**-36,860**	**-37,270**
Result for the period		**-36,860**	**-37,270**

In the group there are no items that are accounted for in other comprehensive income and total comprehensive income and therefore correspond to the result for the period. Result for the period and total comprehensive income are in their entirety attributable to the parent company shareholders.

Earnings per share based on earnings attributable to Parent company shareholders for the year (SEK per share)	Note	1 January - 31 December 2022	1 January - 31 December 2021
Earnings per share before/ after dilution, SEK	12	-1.07	-1.16

Consolidated balance sheet

KSEK	Note	31 December 2022	31 December 2021
ASSETS			
Fixed assets			
Intangible assets			
Capitalized development expenditure	13	15,073	14,574
Patents		1,787	1,677
Total		**16,861**	**16,250**
Tangible assets			
Property, plan and equipment	14	1,030	1,314
Total		**1,030**	**1,314**
Total non-current assets		**17,891**	**17,564**
Current assets			
Current receivables			
Trade receivables		1,002	2,053
Receivables at suppliers	19, 20	8	400
Other current receivables		950	915
Prepaid expenses and accrued income	21	812	643
Total	**22**	**2,771**	**4,011**
Cash and cash equivalents		5,258	34,003
Total current assets	**19, 21**	**8,029**	**38,014**
TOTAL ASSETS		**25,920**	**55,579**

Consolidated balance sheet (cont.)

KSEK	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	25	1,841	1,801
Additional paid-in capital		329,458	325,801
Retained earnings (including loss for the period)		-315,950	-279,090
Total equity attributable to Parent Company shareholders		**15,349**	**48,512**
Current liabilibies			
Other liabilities to credit instutions		3,994	0
Advance payments from customers	19	0	0
Trade payables	19, 28	1,584	2,211
Other current liabilities	19, 29	463	341
Accrued expenses and deferred income		4,531	4,515
Total		**10,571**	**7,066**
TOTAL EQUITY AND LIABILITIES		**25,920**	**55,579**

Consolidated statement of changes in equity

KSEK	Attributable to the Parent Company shareholders			
	Share capital	Other contributed capital	Retained earnings, incl compr income for the period	Total equity
Opening balance 1 January, 2022	**1,801**	**325,801**	**-279,090**	**48,512**
Comprehensive income for the period			-36,860	-36,860
Total comprehensive income for the period	**0**	**0**	**-36,860**	**-36,860**
Transactions with shareholders				
Share issue	40	4,460	0	4,500
Issue costs	0	-803	0	-803
Total transactions with shareholders	**40**	**3,657**	**0**	**3,697**
Closing balance 31 December, 2022	**1,841**	**329,458**	**-315,950**	**15,349**

KSEK	Attributable to the Parent Company shareholders			
	Share capital	Other contributed capital	Retained earnings, incl compr income for the period	Total equity
Opening balance 1 January, 2021	**1,573**	**283,056**	**-241,820**	**42,808**
Comprehensive income for the period			-37,270	-37,270
Total comprehensive income for the period	**0**	**0**	**-37,270**	**-37,270**
Transactions with shareholders				
Share issue	229	44,771	0	45,000
Issue costs	0	-2,196	0	-2,196
Signed warrants		170		170
Total transactions with shareholders	**229**	**42,745**	**0**	**42,974**
Closing balance 31 December, 2021	**1,801**	**325,801**	**-279,090**	**48,512**

Consolidated statement of cash flow

KSEK	1 January - 31 December 2022	1 January - 31 December 2021
Operating activities		
Operating profit/loss before financial items	-36,617	-37,269
Interest received	19	0
Interest paid	-228	0
Adjustments for non-cash items		
Depreciation and Impairment of intangible and tangible assets	484	464
Interest paid	-34	0
Cash flow from operating activities before changes in working capital	**-36,376**	**-36,806**
Cash flow from changes in working capital		
Change in operating receivables	1,239	-1,506
Change in operating liabilities	-456	-4,330
Cash flow from operating activities	**-35,592**	**-42,641**
Investing activities		
Acquisition of intangible assets	-759	-1,666
Acquisition of tangible assets	-52	-736
Cash flow from investing activities	**-810**	**-2,401**
Financing activities		
Share issue	4,500	45,000
Issuance costs	-803	-2,196
Subscription warrants	0	169
Net borrowings	6,620	0
Payment convertible loan	-2,660	0
Cash flow from financing activities	**7,657**	**42,973**
Net cash flow for the period	**-28,745**	**-2,069**
Cash and cash equivalents at the beginning of the period	34,003	36,073
Cash and cash equivalents at the end of the period	**5,258**	**34,003**

Income statement Parent company

KSEK	Note	1 January - 31 December 2022	1 January - 31 December 2021
Operating income			
Net sales	5	1,888	3,554
Other operating income		2	0
Total		**1,890**	**3,554**
Operating expenses			
Other operating expenses	6, 18	-22,685	-30,043
Personnel costs	7	-15,315	-10,296
Depreciation and impairment of fixed assets	13, 14	-484	-464
Total		**-38,484**	**-40,802**
Operating result		**-36,593**	**-37,248**
Write-down shares in subsidiary	16	-24	-21
Financial income		19	0
Financial expenses		-262	0
Net financial items		**-267**	**-21**
Result after financial items		**-36,860**	**-37,270**
Result before tax	10, 27	**-36,860**	**-37,270**
Result for the period		**-36,860**	**-37,270**

In the parent company there are no items accounted for in other comprehensive income and total comprehensive income correspond to the result for the period.

Balance sheet Parent company

KSEK	Note	31 December 2022	31 December 2021
ASSETS			
Fixed assets			
Intangible assets	13		
Capitalized development expenditure		15,073	14,574
Patents		1,787	1,677
Total		**16,861**	**16,250**
Tangible assets	14		
Property, plan and equipment		1,030	1,314
Total		**1,030**	**1,314**
Financial assets			
Interests in group companies	15, 16	50	50
Total		**50**	**50**
Total fixed assets		**17,941**	**17,614**
Current assets			
Current receivalbes			
Trade receivables	19, 20	1,002	2,053
Receivables at suppliers		8	400
Other current receivables	21	950	915
Prepaid expenses and accrued income	22	812	643
Total		**2,771**	**4,011**
Cash and cash equivalents	19, 24	5,224	33,968
Total current assets		**7,995**	**37,979**
TOTAL ASSETS		**25,936**	**55,593**

Balance sheet Parent company (cont.)

KSEK	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	26	1,841	1,801
Statutory reserve		15,223	15,223
Fund for development expenditure		15,073	14,574
Total		**32,138**	**31,599**
Unrestricted equity			
Share premium reserve		298,161	295,004
Retained earnings (including result for the period)		-314,951	-278,091
Total		**-16,790**	**16,913**
Total equity		**15,348**	**48,511**
Current liabilibies			
Other liabilities to credit instutions		3,994	0
Trade payables	19	1,584	2,211
Other liabilities	19, 28	498	371
Accrued expenses	19, 29	4,513	4,500
Total		**10,588**	**7,082**
TOTAL EQUITY AND LIABILITIES		**25,936**	**55,593**

Parent Company's Change in Equity

KSEK	Attributable to the Parent Company shareholders			
	Share capital	Other contributed capital	Retained earnings, incl compr income for the period	Total equity
Opening balance 1 January, 2022	**1,801**	**324,801**	**-278,091**	**48,511**
Comprehensive income for the period	0	0	-36,860	-36,860
Total comprehensive income for the period	**0**	**0**	**-36,860**	**-36,860**
Transactions with shareholders				
Share issue	40	4,460	0	4,500
Issue costs	0	-803	0	-803
Total transactions with shareholders	**40**	**3,657**	**0**	**3,697**
Closing balance 31 December, 2022	**1,841**	**328,458**	**-314,951**	**15,348**

KSEK	Attributable to the Parent Company shareholders			
	Share capital	Other contributed capital	Retained earnings, incl compr income for the period	Total equity
Opening balance 1 January, 2021	**1,573**	**282,056**	**-240,821**	**42,807**
Comprehensive income for the period	0	0	-37,270	-37,270
Total comprehensive income for the period	**0**	**0**	**-37,270**	**-37,270**
Transactions with shareholders				
Share issue	229	44,771	0	45,000
Issue costs	0	-2,196	0	-2,196
Subscription warrants	0	169	0	169
Total transactions with shareholders	**229**	**42,745**	**0**	**42,973**
Closing balance 31 December, 2021	**1,801**	**324,801**	**-278,091**	**48,511**

Parent Company Cash Flow Statement

KSEK	1 January - 31 December 2022	1 January - 31 December 2021
Operating activities		
Operating profit/loss before financial items	-36,593	-37,248
Interest received	19	0
Interest paid	-228	0
Adjustments for non-cash items	0	0
Depreciation and Impairment of intangible and tangible assets	484	464
Interest paid	-34	0
Cash flow from operating activities before changes in working capital	**-36,352**	**-36,785**
Cash flow from changes in working capital		
Change in operating receivables	1,239	-1,506
Change in operating liabilities	-478	-4,350
Cash flow from operating activities	**-35,591**	**-42,640**
Investing activities		
Acquisition of intangible assets	-759	-1,666
Acquisition of tangible assets	-52	-736
Cash flow from investing activities	**-810**	**-2,400**
Financing activities		
Share issue	4,500	45,000
Issuance costs	-803	-2,196
Subscription warrants	0	169
Net borrowings	6,620	0
Payment convertible loan	-2,660	0
Cash flow from financing activities	**7,657**	**42,973**
Net cash flow for the period	**-28,744**	**-2,067**
Cash and cash equivalents at the beginning of the period	33,968	36,036
Cash and cash equivalents at the end of the period	**5,224**	**33,968**

Notes to the Consolidated and Parent Company Financial Statements

NOTE 1 General information

This annual report concerns the parent company LIDDS AB (publ), company registration number 556580-2856, and the subsidiary LIDDS Pharma AB ("LIDDS", "the Company" or "the Group"). LIDDS AB (publ) is a parent company registered in Sweden with headquarters in Uppsala, Sweden at Virdings allé 32B, 754 50 Uppsala, Sweden. The company is listed on Nasdaq First North Growth Market.

LIDDS Pharma AB is a dormant subsidiary, and all operations are currently conducted in the parent company. In the annual accounts, joint notes are presented for the Group and the parent company when the figures are identical.

Unless otherwise stated, all amounts are presented in thousands of SEK (KSEK). Data in brackets refer to the reference period.

The Board of Directors approved these consolidated financial statements for publication on April 25, 2023.

NOTE 2 Summary of significant accounting policies

The note contains a list of the significant accounting policies applied in the preparation of these consolidated financial statements. These principles have been applied consistently for all years presented. The consolidated financial statements concern LIDDS AB (publ) and its subsidiaries.

All notes refer to both the Group and the parent company, unless specifically stated otherwise.

2.1 Basis for the preparation of the reports

The consolidated financial statements of the LIDDS AB Group have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, and International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee (IFRS IC), as adopted by the EU.

The consolidated financial statements have been prepared using the historical cost convention.

Preparing financial statements in accordance with IFRS requires the use of some critical accounting estimates. Furthermore, management is required to make certain judgements in the application of the Group's accounting policies. The areas involving a high degree of judgement, complexity or areas where assumptions and estimates are significant to the consolidated financial statements are stated in note 4.

2.1.1 New and amended standards not yet applied by the Group

Amended and new standards and interpretations issued by the IASB and IFRS Interpretations Committee, respectively, which have come into force and are effective for the fiscal year 2022, have had no impact on the Group's financial reporting. Nor have the amendments to RFR2, which have entered into force and are effective from January 1, 2022, had a material impact on the parent company's financial statements.

2.2 Consolidated financial statements

2.2.1 Subsidiaries

Subsidiaries are all companies over which the Group has a controlling influence. The Group controls an entity when it is exposed to or is entitled to variable returns from its investment in the entity and has the power to influence those returns through its influence in the entity. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. They are excluded in the consolidated financial statements from the date on which control ends.

Intra-group transactions, balance sheet items and unrealized gains and losses on transactions between Group companies are eliminated. The accounting policies of subsidiaries have been changed where appropriate to ensure consistent application of the Group's policies.

2.3 Segment reporting

For LIDDS, the highest executive decision-maker is the CEO together with the Board of Directors, as they are primarily responsible for allocating resources and evaluating performance. The assessment of the Group's operating segments shall be based on the financial information reported to the CEO and the Board. The financial information reported to them, as a basis for allocating resources and assessing the Group's performance, relates to the Group as a whole. The Group is engaged in drug development based on a technology platform developed by the Group, and its activities currently consist entirely of research and development of drugs linked to this technology. The Group is organized as a coherent business with similar risks and opportunities for the products developed. In light of this, it is deemed that LIDDS conducts a joint development activity within the Group and thus has an operating segment, which constitutes the Group as a whole.

2.4 Conversion of foreign currency

2.4.1 Functional currency and reporting currency

The various entities in the Group have the local currency as their functional currency, as the local currency has been defined as the currency used in the primary economic environment in which each entity operates. At present, all companies included in the Group operate in Sweden. The consolidated financial statements use Swedish kronor (SEK), which is the functional currency of the parent company and the Group's reporting currency.

2.4.2 Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are included in EBIT in the statement of comprehensive income.

Foreign exchange gains and losses relating to loans and cash are recognized in the statement of comprehensive income as financial income or expenses.

2.5 Revenue recognition

2.5.1 License rights to LIDDS's intangible assets

The Group sells licenses giving customers rights to use the Group's proprietary technology, NanoZolid®. An assessment is made as to whether the license obtained by the counterparty during the term of the agreement constitutes a right-to use the intellectual property as it is at the time the license is grant- ed, or a right-to access the intellectual property throughout the term of the license. The assessment is made on the basis of the financial implications of the contract. A counterparty that receives a license right for a fixed fee under a non-cancellable agreement that allows the licensee to freely use the right and under which LIDDS has no remaining obligations to perform is deemed to be a right-to-use and is recognized at a given time. If, instead, the agreement provides that the counterparty has a right of access for the entire license period (dependent on LIDDS performing activities that affect the value and benefit of the license), the remuneration is accrued on a straight-line basis over the duration of the agreement.

Typically, distinct licenses are so-called right-to-use licenses because the services that could affect the value and benefit of the license are accounted for separately as a separate distinct performance obligation. The transaction price to be received for the performed commitment to transfer a license to a customer may, depending on the terms of the contract, be fixed or variable. A fixed transaction price for a right to use a license is recognized as revenue at a given point in time. This time is when the customer gains control of the license and can benefit from it. For revenue recognition linked to variable parts of the transaction price, see "milestone payment" below.

Milestone payment license

Agreements for the out-licensing of LIDDS's intangible assets often include a schedule for when payment will be made. A one-time payment is often made on the signing of the contract. This revenue is recognized as described above when the counterparty obtains control of the license.

Additional potential benefits, i.e., variable benefits that depend on certain future events, are recognized as income only when it is assessed to be highly probable that a material reversal of the cumulative income recognized will not occur when the future uncertainties come to an end. This time is deemed to occur only when the counterparty has confirmed that a particular event has occurred. Such an event could be, for example, regulatory approval of a Phase III protocol for the product or final regulatory approval of the product.

The licenses sold to customers have so far been considered as "right to use" licenses and therefore the revenue related to them is recognized at a point in time.

2.5.2 Research and development services

The Group sells research and development services on an ongoing basis based on a fixed hourly rate. The service is deemed to constitute a distinct performance commitment separate from other commitments in the contract. Revenue is recognized to the extent that LIDDS is entitled to invoice the customer. A receivable is recognized when the services have been rendered, as this is the point at which the payment becomes unconditional (i.e., only the passage of time is required for payment to be made).

2.6 Interest income

Interest income is recognized using the effective interest method.

2.7 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except when it relates to items recognized in other comprehensive income or directly in equity. In such cases, the tax is also recognized in other comprehensive income and equity, respectively.

The current tax expense is calculated on the basis of the tax rules enacted or substantively enacted at the balance sheet date in the countries in which the parent company and its subsidiaries operate and generate taxable income. Management regularly evaluates the claims made in tax returns for situations where applicable tax rules are subject to interpretation. It makes provisions, when deemed appropriate, for amounts likely to be paid to the tax authorities.

Deferred tax is recognized on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognized if it arises from a transaction that is the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit. Deferred income tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legal right of set-off for current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority and concern either the same taxable entity or different taxable entities, where there is an intention to settle the balances through net payments.

2.8 Leasing

The Group's leases are mainly for office space and laboratory. The leasing period is between 9–12 months for all contracts. As all the Group's leases have a lease term of 12 months or less, all the Group's leases are classified as short-term leases. Lease payments relating to short-term leases are recognized as an expense on a straight-line basis over the lease term.

2.9 Tangible fixed assets

Tangible fixed assets include furnishings, tools and installations, as well as production equipment. Tangible fixed assets are stated at cost less depreciation. The cost includes expenditure directly attributable to the acquisition of the asset.

Incremental expenditure is added to the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is removed from the balance sheet.

All other repairs and maintenance are recognized as expenses in the statement of comprehensive income in the period in which they are incurred.

Depreciation of assets, in order to allocate their cost down to their estimated residual value over their estimated useful lives, is calculated on a straight-line basis as follows:

Equipment, tools and machinery	5 years
Production equipment	5 years

The residual values and useful lives of the assets are reviewed at the end of each reporting period and adjusted if necessary.

The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds from the sale with the carrying amount and are included in other operating income/other operating expenses, net in the statement of comprehensive income.

2.10 Intangible assets

2.10.1 Patents

Patents acquired separately are stated at cost. Patents have a finite useful life and are stated at cost less accumulated amortization and impairment losses. Expenditure on patents relating to intangible assets that are deemed to meet the criteria for capitalization below is recognized as an asset in the balance sheet. Other patent expenditure is expensed when incurred.

Depreciation of assets, in order to allocate their cost down to their estimated residual value over their estimated useful lives, is calculated on a straight-line basis as follows:

- Patent: 10–20 years
- The useful life of patents is considered to be consistent with the registration period of the respective patents.

2.10.2 Research and development

All expenditure directly attributable to the development and testing of identifiable and unique products or technologies controlled by LIDDS is recognized as intangible assets when the following criteria are met:

- It is technically possible to complete the product or process so that it can be used;
- The company's intention is to complete the product or process and to use or sell it;
- There are opportunities to use or sell the product or process;
- It can show how the product or process generates likely future economic benefits;
- Adequate technical, financial and other resources are available to complete the development and to use or sell the product or process; and
- The expenditure attributable to the product or process during its development can be reliably calculated.

The risk in ongoing development projects is generally high. Risks include safety and efficacy risks that may arise in clinical trials, regulatory risks related to clinical trial applications and product marketing approval. In addition, there are IP risks related to the approval of patent applications and the maintenance of patents. Most of LIDDS's development work is not recognized as an asset on the balance sheet, as it does not meet the criteria listed above. Only from the time the product has received positive results from phase III clinical trials or in connection with the commencement of registration studies for market approval are the above criteria normally deemed to be met and expenses incurred thereafter capitalized.

At December 31, 2022, and in the comparative periods, development expenditure of 15,073 KSEK (14,574 KSEK at December 31, 2021, 13,283 KSEK at December 31, 2020) was recognized as intangible assets in the balance sheet of the Parent Company and the Group. Capitalized development expenditure relates in its entirety to an updated version of the Group's technology platform linked to the proprietary NanoZolid® technology (see further significant estimates and assessments in note 4).

Development expenditure that met the capitalization criteria above relates to an updated version of the NanoZolid® technology. The updated version of the technology has not yet been completed, and no depreciation has been initiated.

Research expenditure is expensed when incurred. Development costs expensed in prior periods are not recognized as an asset in the subsequent period.

2.11 Impairment of non-financial assets

Assets to be written down are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and its value in use.

2.12 Financial instruments

The Group's financial assets and liabilities consist of the following items: trade receivables, cash and cash equivalents, trade payables and other liabilities.

2.12.1 Initial recognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets and liabilities are recognized on the trade date, the date on which the Group commits to purchase or sell the asset.

Financial instruments are initially recognized at fair value plus, for an asset or financial liability not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs for financial assets and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

2.12.2 Financial assets – Classification and valuation

The Group classifies and measures its financial assets in the amortized cost category. The classification of investments in debt instruments depends on the Group's business model for managing financial assets and the contractual terms of the assets' cash flows.

Financial assets valued at amortized cost

Assets held for the purpose of collecting contractual cash flows where those cash flows represent only principal and interest are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit losses recognized (see Impairment of financial assets below). The Group's financial assets measured at amortized cost consist of the items other receivables and cash and cash equivalents.

2.12.3 Financial liabilities – measurement

Financial liabilities measured at amortized cost

After initial recognition, the Group's financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities consist of trade payables, other liabilities and accrued expenses.

2.12.4 Derecognition of financial assets and financial liabilities

Financial assets are removed from the statement of financial position when the right to receive cash flows from the instrument has expired or has been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are removed from the statement of financial position when the obligation under the contract is fulfilled or otherwise extinguished. When the terms of a financial liability are renegotiated and not derecognized, a gain or loss is recognized in the statement of comprehensive income – the gain or loss calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

2.12.5 Offsetting of financial instruments
Financial assets and liabilities are offset and recognized in the balance sheet at a net amount only when there is a legal right to offset the recognized amounts and an intention to settle them at a net amount or to realize the asset and settle the liability simultaneously. The legal right must not be dependent on future events and must be legally binding on the company and the counter- party both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.12.6 Impairment of financial assets
Assets recognized at amortized cost
The Group assesses the future expected credit losses associated with assets carried at amortized cost. The Group recognizes a credit loss reserve for such expected credit losses at each reporting date. For trade receivables, the Group applies the simplified approach for credit reserving, i.e., the reserve will be equal to the expected loss over the entire life of the receivable. To measure the expected credit losses, trade receivables have been grouped based on allocated credit risk characteristics and days past due. The Group uses forward-looking variables for expected credit losses. Expected credit losses are recognized in the consolidated statement of comprehensive income under other operating expenses.

2.13 Trade receivables
Trade receivables are amounts due from customers for services sold in the ordinary course of business. Trade receivables are classified as current assets. Trade receivables are initially recognized at the transaction price. The Group holds the trade receivables for the purpose of collecting contractual cash flows. Trade receivables are therefore measured at subsequent reporting dates at amortized cost using the effective interest method.

2.14 Cash and cash equivalents
Cash and cash equivalents include bank deposits, both in the balance sheet and in the cash flow statement.

2.15 Share capital
Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options are recognized, net of tax, in equity as a deduction from the proceeds of the issue.

Premiums received for warrants issued at market prices have been reported as an increase in retained earnings in equity as options will be exercised with equity instruments.

2.16 Trade payables
Trade payables are financial instruments and refer to obligations to pay for goods and services acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if they fall due within one year. If not, they are recorded as long-term liabilities. Trade payables are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

2.17 Employee benefits
2.17.1 Short-term employee benefits
Liabilities for salaries and benefits, including nonmonetary benefits and compensated absences, that are expected to be settled within 12 months after the end of the fiscal year, are recognized as current liabilities at the undiscounted amount expected to be paid when the liabilities are settled. The cost is recognized in the statement of comprehensive income as the services are performed by the employees. The liability is recognized as an employee benefit obligation in the consolidated balance sheet.

2.17.2 Pension obligations
The Group only has defined contribution pension plans. A defined contribution plan is a pension plan under which the company pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligation to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits related to the employees' service in the current or prior periods. The fees are recognized as personnel expenses in the statement of comprehensive income when they fall due.

2.18 Earnings per share
2.18.1 Earnings per share before dilution
Basic earnings per share are calculated by dividing:

- Profit attributable to equity holders of the parent, excluding dividends attributable to preference shares with a weighted average number of ordinary shares outstanding during the period, adjusted for the bonus issue element of ordinary shares issued during the period and excluding repurchased shares held as treasury shares by the parent company

2.18.2 Earnings per share before dilution
For the calculation of diluted earnings per share, the amounts used for the calculation of basic earnings per share are adjusted by taking into account:

- The after-tax effect of dividends and interest expense on potential ordinary shares and the weighted average of the additional ordinary shares that would have been outstanding upon conversion of all potential ordinary shares

2.19 Financial ratiosl

Definition of Equity ratio	Justification for use
Equity in relation to balance sheet total	This ratio shows the proportion of the balance sheet total that is financed by equity and is used to measure the company's financial position.

Derivation of alternative key ratios
In addition to the financial ratios prepared in accordance with IFRS, LIDDS presents financial ratios that are not defined under IFRS, so-called alternative ratios. The alternative ratio used by LIDDS is equity ratio. The following is a reconciliation of the key ratio to the consolidated balance sheet.

2.20 Parent company
The financial statements of the parent company have been prepared in accordance with RFR 2 Accounting for Legal Entities and the Annual Accounts Act. The application of RFR 2 means that the parent company applies all IFRS and pronouncements adopted by the EU as far as possible within the frame- work of the Annual Accounts Act, the Insurance Act and taking into account the relationship between accounting and taxation.

The consolidated financial statements have been prepared using the historical cost convention.

Preparing financial statements in accordance with IFRS requires the use of some critical accounting estimates. Furthermore, management is required to make certain judgements in the application of the Group's accounting policies. The areas involving a high degree of judgement, complexity or areas where assumptions and estimates are significant to the consolidated financial statements are stated in note 4.

The parent company applies accounting policies different from those of the Group in the cases set out below:

Formats
The profit and loss account and balance sheet follow the format of the Annual Accounts Act. The statement of changes in equity follows the Group's presen-

tation format but must contain the columns specified in the Swedish Annual Accounts Act. Furthermore, it implies a difference in terms, compared to the consolidated financial statements, mainly with regard to financial income and expenses and equity

Financial instruments
IFRS 9 is not applied in the parent company. Instead, the parent applies the paragraphs set out in RFR 2 (IFRS 9 Financial Instruments, p. 3–10).

Financial instruments are valued at cost. In subsequent periods, financial assets acquired with the intention of being held in the short term will be carried at the lower of cost and market value in accordance with the lower of cost or market principle. Derivative instruments with a negative fair value are recorded at this value.

In calculating the net realizable value of receivables recognized as current assets, the impairment testing and loss allowance principles of IFRS 9 are applied. For a receivable carried at amortized cost at Group level, this means that the loss reserve recognized in the Group in accordance with IFRS 9 must also be recognized in the parent company.

Leasing agreements
The parent company has chosen not to apply IFRS 16 Leases, but has instead chosen to apply RFR 2 IFRS 16 Leases, p. 2–12. This option means that no right-of-use asset and lease liability are recognized in the balance sheet and the lease payments are recognized as an expense on a straight-line basis over the lease term.

NOTE 3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks such as: various market risks, credit risk, liquidity risk and refinancing risk. The Group seeks to minimize potential adverse effects on the Group's financial performance. The objective of the Group's financial activities is to:

- ensure that the Group can meet its payment obligations,
- manage financial risks,
- ensure access to the necessary funding

The Board of Directors is ultimately responsible for the exposure, management and monitoring of LIDDS risks. The framework for exposure, management and monitoring of financial risks is set by the Board of Directors and reviewed annually. The Board has delegated responsibility for day-to-day risk management to the CEO. The Board has the possibility to decide on temporary derogations from the established framework.

3.1.1. Market risk
Currency risk
Currency risk arises from future transactions, mainly cash outflows, and recognized assets and liabilities in a currency that is not the entity's functional currency, known as transaction exposure. The Group's exposure to currency risk is low, as the majority of the Group's transactions are denominated in SEK. The currency risk arises mainly from purchases in currencies other than the functional currency of the company, mainly in EUR. Significant balance sheet items in foreign currencies are mainly included in trade payables. The table below provides a breakdown of trade payables by significant currency. All amounts in the table are expressed in KSEK.

Trade payables by currency, KSEK

	31 Dec 2022	31 Dec 2021
SEK	1,318	2,114
EUR	266	97
Total	**1,584**	**2,211**

The Group's treasury policy is to reduce currency risk as far as possible by matching inflows and outflows by currency. As at December 31, 2022, and for all comparative periods, there were no derivative instruments outstanding.

The Group has no foreign subsidiaries and therefore there is no translation risk.

Sensitivity analysis – transaction exposure
The above table shows that balances in foreign currencies at the balance sheet date are small. A change in exchange rates will therefore not have a material impact on the Group's profit after tax.

3.1.1 Credit risk
Credit risk is managed at Group level. Credit risk arises from holdings of cash and cash equivalents, balances with banks and credit institutions and customer credit exposures. The credit risk of bank balances is minimized, as only banks and credit institutions with a minimum "A" rating by independent assessors are accepted.

The Group's trade receivables are low in all periods, as product development has not yet been commercialized and therefore the credit risk related to trade receivables is considered low.

3.1.2 Liquidity risk
The Group ensures, through prudent cash management, that sufficient cash is available to meet the needs of its ongoing operations. At the same time, it ensures that the Group has sufficient cash and cash equivalents to pay its debts as they fall due. Group management follows rolling forecasts of Group cash flow based on expected cash flows. See also the Directors' Report, section Financial Position.

3.1.3 Refinancing risk
Refinancing risk is defined as the risk that difficulties in refinancing the company may arise, that financing cannot be obtained, or that it can only be obtained at increased cost. Both the amount and timing of the Group's potential future capital requirements depend on a number of factors, including the ability to enter into cooperation or licensing agreements and the progress of research and development projects. There is a risk that the necessary funding for the activities will not be available in a timely and cost-effective manner. In order to secure the financing of research and development projects, new issues have been carried out. The risk is limited by the Group's ongoing evaluation of different financing solutions.

The table below analyses the Group's financial liabilities by the time remaining at the balance sheet date until the contractual maturity date. The amounts shown in the table are the contractual undiscounted cash flows. Future cash flows in foreign currencies have been calculated using the exchange rate prevailing at the balance sheet date.

Refinancing risk

KSEK	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	More than 5 years	Total contractual cash flow	Carrying amount
At 31 December 2021						
Financial liabilities						
Other short term liabilities to credit institutions	0	0	0	0	0	0
Trade payables	2,211	0	0	0	2,211	2,211
Other liabilities	341	0	0	0	341	341
Accrued expenses	2,396	1,850	269	0	4,515	4,515
Total	**4,948**	**1,850**	**269**	**0**	**7,067**	**7,067**

KSEK	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	More than 5 years	Total contractual cash flow	Carrying amount
At 31 December 2022						
Financial liabilities						
Other short term liabilities to credit institutions	0	3,994	0	0	3,994	3,994
Trade payables	1,584	0	0	0	1,584	1,584
Other liabilities	463	0	0	0	463	463
Accrued expenses	2,867	1,274	390	0	4,531	4,531
Total	**4,914**	**5,268**	**390**	**0**	**10,571**	**10,571**

3.2 Fair value measurement and disclosure

For the Group's financial assets and liabilities, their carrying amount is considered to be a reasonable estimate of their fair value, as they relate to current receivables and payables, with the effect of discounting being negligible.

3.3 Capital management

The Group's objectives with regard to capital structure are to safeguard the Group's ability to continue as a going concern, so that it can continue to generate a fair return for its stockholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital low. For LIDDS, the ability to forecast future cash flows is of paramount importance, as is the ability to ensure that new capital is raised well in advance of additional capital needs. At the current stage, the Group does not follow any specific measure to assess the return to stockholders. LIDDS's profitability depends on the quality and value of the research results generated. The value and quality of the research and development activities are continuously evaluated by the Executive Committee and the Board of Directors.

NOTE 4 Significant estimates and assessments for accounting purposes

The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes will, by definition, rarely correspond to actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are outlined below.

4.1 Estimates and assesments related to intangible assets

Pharmaceutical products

A key assessment in the financial statements relates to the timing of capitalization of development expenditure for the various pharmaceutical products the Group is developing. Based on the accounting policies explained in note 1, expenditure on drug development is not yet considered to meet the criteria for capitalization and has therefore been expensed. Expenditure for the development of pharmaceutical products be capitalized, at the earliest, on achieving positive results from Phase III clinical trials or on the initiation of registration studies for market approval. The reason is that, prior to this, it is not known whether the expenditure will generate future economic benefits and the financing of the completion of the asset is not assured.

Proprietary technology – NanoZolid®

The NanoZolid® technology is a technology that can be used to formulate many different types of pharmaceutical products and the technology itself has no link to LIDDS's own development of pharmaceutical products. LIDDS considers that expenditure related to the NanoZolid® technology meets all the criteria of IAS 38.57 (see accounting policies section Intangible assets). The underlying technology was assessed as meeting all the criteria of IAS 38 at the time it was deemed to be completed. Capitalized expenditure on the balance sheet relates to the further development of the NanoZolid® technology platform. The further development is not yet completed and therefore depreciation has not yet started. The company thus carries out an annual impairment test to determine whether such a need exists. No expenditure related to projects where NanoZolid® technology is used in LIDDS's own drug development is capitalized.

Patents linked to NanoZolid® technology
LIDDS's capitalized patent expenses relate to the NanoZolid® technology in all major markets worldwide. Expenditure on patents is capitalized from the date on which expenditure related to the development of the NanoZolid® technology was deemed to meet the criteria for capitalization (see note 1). Patents are amortized from the date of registration.

4.2 Estimates and assessments related to tax losses
Deferred tax assets relating to tax loss carry-forwards or other future tax deductions are recognized to the extent that it is probable that they can be offset against future taxable profit. As the Group has not reported positive earnings, a deferred tax asset relating to tax loss carry-forwards has not yet been recognized.

NOTE 5 Net sales
Revenue
The revenues from external parties reported to the CEO are valued in the same way as in the consolidated statement of comprehensive income.

The revenue streams for the Group and the parent company relate to revenue from the sale of licenses giving customers the right to use the Group's proprietary technology, and revenue from the sale of research and development services. The licenses sold to customers have so far been considered as "right to use" licenses and therefore the revenue related to them is recognized at a point in time.

During the period, a new type of contract with customers was entered into. For fixed price contracts, revenue is recognized based on the proportion of the total agreed service delivered. The proportion of the service delivered is calculated based on actual costs incurred compared to total expected costs to perform the task. Estimates of revenues, costs or the stage of completion of the project are revised if circumstances change. Increases or decreases in estimated revenues or expenses that are due to a change in estimate are recognized in the income statement in the period in which the circumstances became known to management. In fixed price contracts, the transaction price is paid at agreed payment dates. If the services provided exceed the payments, a contract asset is recognized, and if the payments exceed the services provided, a contract liability is recognized. Contract liabilities are included in the item Advances from customers in the balance sheet.

Net sales

Group and parent company, KSEK	2022	2021
Revenue from external customers		
Research and development services	1 888	3 554
Licensing revenue	0	0
Summa	**1 888**	**3 554**

Revenues from external customers by country, based on where the customers are located

USA	1,888	3,554
Total	**1,888**	**3,554**

All fixed assets, other than financial instruments and deferred tax assets (there are no assets related to post-employment benefits or rights under insurance contracts) are located in Sweden.

NOTE 6 Remuneration to auditors

Remuneration to auditors

Group and parent company, KSEK	2022	2021
Pwc		
Audit assignment	413	478
Other statutory tasks	0	0
Tax advice	0	0
Other services	5	1,864
Total	**418**	**2,342**

The note shows fees invoiced during the fiscal year.

NOTE 7 Employee benefits, etc

Employee benefits, etc

Group and parent company, KSEK	2022	2021
Salaries and other benefits	9,370	5,961
Social security costs	2,737	1,854
Pension costs - defined contribution plans	1,999	1,377
Total employee benefits	**14,106**	**9,192**

Salaries, benefits and social security costs

Group and parent company, KSEK	2022 Salaries and other benefits (of which bonuses)	2022 Social security costs (of which pension costs)
Board members, CEO and other senior executives	6,991 (0)	3,772 (1,728)
Other employees	2,379 (0)	964 (271)
Total	**9,370**	**4,736**

No remuneration is paid to the Board of Directors of the subsidiary LIDDS Pharma AB.

Average number of employees by country

	2022	
Group and parent company, KSEK	**Average number of employees**	**Of which men**
Sweden	6	3
Total	**6**	**3**

Gender distribution of Board members and other senior executives

	2022	
Group	**No. on closing day**	**Of which men**
Board members, CEO and other senior executives	9	7
Total	**9**	**7**

Gender distribution of Board members and other senior executives

	2022	
Parent company	**No. on closing day**	**Of which men**
Board members, CEO and other senior executives	9	7
Total	**9**	**7**

Remuneration and other benefits 2022

Group and parent company, KSEK	Basic salary/Board fee	Variable remuneration	Other benefits	Pension cost	Consultancy fee	Total
Chairman of the Board - Jan Törnell	225	-	-	-	-	225
Board member - Inga-Lill Forslund Larsson	46	-	-	-	-	46
Board member - Maria Forss	138	-	-	-	-	138
Board member - Anders Bjartell	38	-	-	-	-	38
Board member - Daniel Lifveredson	129	-	-	-	-	129
Board member - David Bejker	163	-	-	-	-	163
Board member - Johan Lund	66	-	-	-	-	66
Board member - Max Mitteregger	66	-	-	-	-	66
CEO - Anders Månsson	662	83	-	207	-	952
Former CEO - Nina Herne	1,705	65	5	551	-	2,326
Other senior executives*	3,197	285	-	970	-	4,452
Total	**6,435**	**433**	**5**	**1,728**	**0**	**8,601**

Remuneration and other benefits 2022

Group and parent company, KSEK	Basic salary/Board fee	Variable remuneration	Other benefits	Pension cost	Consultancy fee	Total
Chairman of the Board - Jan Törnell	210	0	0	0	0	210
Board member - Inga-Lill Forslund Larsson	122	0	0	0	0	122
Board member - Maria Forss	122	0	0	0	0	122
Board member - Anders Bjartell	105	0	0	0	0	105
Board member - Daniel Lifveredson	105	0	0	0	0	105
Board member - David Bejker	138	0	0	0	0	138
CEO - Nina Herne	1,259	394	5	539	0	2,197
Former CEO - Monica Wallter	1,104	431	0	337	0	1,872
Other senior executives*	360	57	0	94	1,417	1,928
Total	**3,525**	**882**	**5**	**970**	**1,417**	**6,799**

* Management team consists of CEO, CSO, CFO and CBDO,. Current CFO is employed and previous CFO was not employed during 2021, but provided consultancy services.

The Chairman of the Board and the members of the Board will receive a fee in accordance with the decision of the Annual General Meeting on June 1, 2022. None of the Directors receive remuneration in the form of employment in any Group company.

Pension benefits and other benefits (healthcare) for the CEO are paid as part of the total remuneration.

Defined contribution pension

The Group only has defined contribution pension plans. Pension cost refers to the cost that affected the net profit for the year.

The retirement age of the CEO is 65. The pension premium shall amount to 30 percent of the pensionable salary. Pensionable salary means a fixed monthly salary plus holiday pay.

No pension commitments have been made for directors.

Severance pay
There is no severance pay. A mutual notice period of nine months applies between the company and the CEO. In the event of termination by the company, the CEO will be paid a maximum of nine months' salary and is entitled to receive a bonus.

Warrants
The following is a summary of warrant plans existing in the Group during any of the periods covered by the 2021 Annual Report.

Incentive program
In 2021, LIDDS decided to establish an incentive program for senior executives. A total of 146,000 out of a total of 250,000 warrants were subscribed in July by the CEO and key employees of the company. The remaining warrants were retained by the company to be offered for subscription by key employees in connection with recruitment.

Incentive program

	2022		2021	
Group and parent company	**Exercie price per option (SEK)**	**Warrants (thousands)**	**Exercie price per option (SEK)**	**Warrants (thousands)**
At January 1	22.07	250	23.53	-
Alloted	22.07	-	23.53	250
Forfeitd	22.07	-	23.53	-
Exercised	22.07	-	23.53	-
Expired	22.07	-	23.53	-
At 31 December		**250**		**250**

NOTE 8 Consolidated financial income and expenses

Consolidated financial income and expenses

KSEK	2022	2021
Interest income	19	0
Total financial income	**19**	**0**
Interest expense on late payment interest	0	0
Interest expense on short term liabilities	-260	0
Other interest expenses	-1	0
Total financial expenses	**-262**	**0**
Financial items – net	**-243**	**0**

NOTE 9 Interest income and expense and similar items in the parent company

Interest income and expense and similar items in the parent company

KSEK	2022	2021
Interest income short-term receivable	19	0
Total interest receivable and similar income	**19**	**0**
Impairment of share in subsidiaries	-24	-21
Interest expenses trade payables	0	0
Interest expenses short term liabilities	-260	0
Other interest expenses, external	-1	0
Total interest expense and similar income and expense items	**-286**	**-21**
Total result from financial items	**-267**	**-21**

NOTE 10 Corporate income tax

Taxes recognized in the consolidated statement of comprehensive income:

Total current tax and deferred tax and therefore total income tax is 0 in all periods.

The income tax on the Group's profit before tax differs from the theoretical amount that would have resulted from the use of the Swedish tax rate for the earnings of the consolidated companies as follows:

Corporate income tax

Group, KSEK	2022	2021
Profit/loss before tax	-36,860	-37,270
Income tax calculated according to the tax rate in Sweden (2022 and 2021: 20.6%)	7,593	7,678
Tax effects of:		
Non-taxable income	0	0
Non-deductible expenses	-18	-87
Unrecognized temporary differences, tax loss carry-forwards	-7,575	-7,591
Total recognized tax	**0**	**0**

Taxes recognized in the income statement of the parent company:
Total current tax and deferred tax and therefore total income tax is 0 in all periods.

The income tax on the parent company's profit before tax differs from the theoretical amount that would have resulted from the use of the Swedish tax rate as follows:

Corporate income tax

Parent company, KSEK	2022	2021
Profit/loss before tax	-36,860	-37,270
Income tax calculated according to the tax rate in Sweden (2022 and 2021: 20.6%)	7,593	7,678
Tax effects of:		
Non-taxable income	0	0
Non-deductible expenses	-23	-92
Unrecognized temporary differences, tax loss carry-forwards	-7,570	-7,586
Total recognized tax	**0**	**0**

NOTE 11 Exchange differences – Net

Exchange differences have been recognized in the statement of comprehensive income as follows:

Exchange differences – Net

Group and parent company, KSEK	2022	2021
Other external costs	25	60
Total	**25**	**60**

NOTE 12 Earnings per share

Earnings per share are calculated by dividing the profit for the year by a weighted average number of ordinary shares outstanding during the period.

LIDDS has had outstanding warrants, which may contribute to dilution. However, these have not given rise to any dilutive effect for 2021 and 2022 as the exercise of the warrants, and thus an increased number of shares, results in a lower loss per share.

Earnings per share

Group and parent company, KSEK	2022	2021
Profit for the period attributable to equity holders of the parent, KSEK	-36,860	-37,270
Total	**-36,860**	**-37,270**
Weighted average number of ordinary shares outstanding (thousands)	34,396	32,012
Earnings per ordinary share – Group, SEK	**-1.07**	**-1.16**

NOTE 13 Intangible assets

In the annual impairment test, the recoverable amount has been determined by calculating the value in use. In calculating the value in use, significant assumptions, other than discount rates and long-term growth rates of expected future license revenues, are made.

The impairment test has shown that there is no need for impairment in any of the periods.

Intangible assets

	Capitalized development expenditure	Patent	Total
Fiscal year 2021			
Initial carrying amount	13,283	1,381	14,664
Acquisitions of the year	1,291	519	1,810
Disposals and eliminations	0	0	0
Depreciation for the year	0	-105	-105
Impairment losses for the year	0	-119	-119
Carrying amount	**14,574**	**1,677**	**16,250**
Fiscal year 2022			
Initial carrying amount	14,574	1,677	16,250
Acquisitions of the year	500	259	759
Disposals and eliminations	0	0	0
Depreciation for the year	0	-148	-148
Impairment losses for the year	0	0	0
Carrying amount	**15,073**	**1,787**	**16,861**

NOTE 14 Tangible assets

Tangible assets

	Equipment, tools and machinery
Fiscal year 2021	
Initial carrying amount	963
Acquisitions of the year	736
Disposals and eliminations	0
Depreciation for the year	-385
Impairment losses for the year	0
Carrying amount	**1,314**
Fiscal year 2022	
Initial carrying amount	1,314
Acquisitions of the year	52
Disposals and eliminations	0
Depreciation for the year	-336
Impairment losses for the year	0
Carrying amount	**1,030**

NOTE 15 Group investments in subsidiaries

The Group had the following subsidiaries at December 31, 2021:

Group investments in subsidiaries

Name	Country of registration and activity	Verksamhet	Proportion of ordinary shares held directly by the parent company (%)	Proportion of ordinary shares held by the Group (%)
LIDDS Pharma AB	Sweden	Dormant	100	100

NOTE 16 Parent company's share in subsidiaries

The parent company holds shares in the following subsidiaries:

Parent company's share in subsidiaries

Name	Corporate identity no	Registered office and country of registration and operation	Number of shares	Book value 31 December 2022	Book value 31 December 2021
LIDDS Pharma AB	559148-9421	Uppsala, Sverige	500	50	50

KSEK	31 december 2022	31 december 2021
Opening cost	100	79
Acquisitions of the year	0	0
Stockholder contributions made	24	21
Remaining cumulative acquisition cost	**124**	**100**
Impairment losses recognized	-50	-29
Impairment losses for the year	-24	-21
Closing accumulated impairment losses	**-74**	**-50**
Carrying amount	**50**	**50**

NOTE 17 Leases in the Group

The Group leases premises under non-cancellable operating leases. Lease periods are one year and most leases can be extended at the end of the lease period at a rate consistent with a market rate.

The Group has chosen to apply the exception rule related to short-term leases and therefore for all periods there are no leases recognized in the balance sheet (see accounting policies note 2).

The following amounts related to leases are recognized in the income statement:

Leases in the Group

Group and parent company, KSEK	2022	2021
Expenditure related to short-term leasing contracts (included in other external charges)	751	729
Expenditure related to leases for which the underlying asset is of low value other than short-term leases (included in other external charges)	-	-
Total	**751**	**729**

The total cash flow from leases was 751 KSEK in 2022 and 729 KSEK in 2021.

NOTE 18 Operationell leasing i moderbolaget

The parent company leases premises under non-cancellable operating leases. Lease periods are one year and most leases can be extended at the end of the lease period at a rate consistent with a market rate.

Leasing costs amounting to SEK 729 thousand (SEK 708 thousand in 2020) relating to the leasing of premises are included in the statement of comprehensive income.

Future aggregate minimum lease payments for non-cancellable operating leases are as follows:

Operating leases in the parent company

KSEK	2022	2021
Within 1 Year	814	751
Between 1 and 5 years	-	23
Later than 5 years	-	-
Total	**814**	**774**

NOTE 19 Financial instruments by category

Group, KSEK

Financial assets valued at amor'tized cost	31 Dec 2022	31 Dec 2021
Assets in the balance sheet		
Trade receivables	1,002	2,053
Cash and cash equivalents	5,258	34,003
Summa	**6,260**	**36,056**

Group, KSEK

Financial liabilities measured at amortized cost	31 Dec 2022	31 Dec 2021
Liabilities in the balance sheet		
Other short-term liabilities	3,994	-
Trade payables	1,584	2,211
Other current liabilities	-	-
Accrued expenses	1,992	2,235
Total	**7,570**	**4,446**

Parent company, KSEK

Financial assets valued at amortized cost	31 Dec 2022	31 Dec 2021
Assets in the balance sheet		
Trade receivables	1,002	2,053
Cash and cash equivalents	5,224	33,968
Total	**6,226**	**36,021**

Parent company, KSEK

Financial liabilities measured at amortized cost	31 Dec 2022	31 Dec 2021
Liabilities in the balance sheet		
Other short-term liabilities	3,994	-
Trade payables	1,584	2,211
Other current liabilities	-	-
Accrued expenses	1,974	2,220
Total	**7,552**	**4,431**

NOTE 20 Trade receivables

Trade receivables

Group and parent company, KSEK	31 Dec 2022	31 Dec 2021
Trade receivables	1,411	2,439
Minus: provision for expected credit losses	-409	-386
Trade receivables – net	**1,002**	**2,053**

The Group has not had a provision for expected credit losses for any of the periods as trade receivables in the Group's current stage are limited.

No trade receivables have been pledged as security for any debt.

NOTE 21 Other receivables

Other receivables

Group, KSEK	31 Dec 2022	31 Dec 2021
Tax receivables	346	317
VAT	514	588
Other receivables	89	10
Total	**950**	**915**

Parent company, KSEK	31 Dec 2022	31 Dec 2021
Tax receivables	346	317
VAT	514	588
Other receivables	89	10
Total	**950**	**915**

NOTE 22 Deferred charges and accrued income

Deferred charges and accrued income

Group and parent company, KSEK	31 Dec 2022	31 Dec 2021
Prepaid rental costs	204	188
Prepaid insurance premiums	65	15
Prepaid annual patent fees	340	230
Other deferred charges	203	210
Total	**812**	**643**

NOTE 23 Consolidated cash and cash equivalents

Consolidated cash and cash equivalents

Group, KSEK	31 Dec 2022	31 Dec 2021
Bank deposits	5,258	34,003
Total	**5,258**	**34,003**

NOTE 24 Cash and bank of the parent company

Cash and bank of the parent company

Parent company, KSEK	31 Dec 2022	31 Dec 2021
Bank deposits	5,224	33,968
Total	**5,224**	**33,968**

NOTE 25 Share capital and other paid-in capital of the group

Share capital and other paid-in capital of the group

Group, KSEK	Number of shares	Share capital	Other paid-in capital
At 31 December 2020	**29,675,316**	**1,573**	**283,055**
Share issue	4,314,475	229	45,000
At 31 December 2021	**33,989,791**	**1,802**	**328,055**
Share issue	750,000	39	4,460
At 31 December 2022	**34,739,791**	**1,841**	**332,515**

The share capital at December 31, 2021, amounts to 1,841,000 SEK, divided into 34,739,791 ordinary shares with a quota value of SEK 0.053 each. All shares issued by the parent company are fully paid up.

NOTE 26 Share capital of the parent company

See Note 25 to the consolidated financial statements for information on the parent company's share capital.

NOTE 27 Deferred tax

Unused tax losses for which no deferred tax asset has been recognized amount to SEK 298,408 thousand at December 31, 2021 (SEK 259 384 thousand at December 31, 2020). The tax loss carry-forwards do not expire at any time.

Deferred tax assets are recognized for tax loss carry-forwards or other deductions to the extent that it is probable that they can be utilized against future taxable profits. No deferred tax asset is recognized as the Group has not assessed that the criteria for recognizing deferred tax in IAS 12 are met.

NOTE 28 Other current liabilities

Other current liabilities

Group and parent company, KSEK	31 Dec 2022	31 Dec 2021
Social security contributions	199	154
Withholding tax deducted	263	187
Future payments for production equipment	-	-
Other current liabilities	-	-
Total	**463**	**341**

NOTE 29 Accrued expenses

Accrued expenses

Group, KSEK	31 Dec 2022	31 Dec 2021
Accrued vacation pay	455	322
Accrued social security contributions	420	424
Accrued expenses from listing change	-	-
Accrued expenses development projects	1,196	1,854
Other accrued expenses	2,459	1,915
Total	**4,531**	**4,515**

Parent company, KSEK	31 Dec 2022	31 Dec 2021
Accrued vacation pay	455	322
Accrued social security contributions	420	424
Accrued expenses from listing change	-	-
Accrued expenses development projects	1,196	1,854
Other accrued expenses	2,441	1,900
Total	**4,513**	**4,500**

NOTE 30 Changes in liabilities related to financing activities

For the fiscal years 2022 and 2021, there were no liabilities related to financing activities.

NOTE 31 Related party transactions

The ultimate parent company of the Group is LIDDS AB (publ). Related parties are all subsidiaries of the Group, senior executives of the Group and key management personnel.

There were no receivables or payables at year-end 2021 or 2021 arising from sales and purchases of goods and services with related parties. The Group does not have any provisions for doubtful debts related to related parties and has not recognized any expenses related to doubtful debts to related parties during the periods.

There were no sales of services to related parties in 2021 or 2022.

There were no purchases of services in 2021 and 2022. In 2021, remuneration has been paid to the company's former CFO, who was not an employee but provided consulting services (see Remuneration to senior executives in note 7).

NOTE 32 Events after the end of the fiscal year

In February 2023, the outcome of the rights issue was announced, which was approved by the extraordinary general meeting on January 9, 2023. The subscription summary showed that 25,253,268 shares, corresponding to approximately 72.7 percent of the rights issue, were subscribed for with or without the support of subscription rights, of which 20,688,813 shares, corresponding to approximately 59.6 percent of the rights issue was subscribed with the support of subscription rights and 4,564,455 shares, corresponding to approximately 13.1 percent of the rights issue, were subscribed without the support of subscription rights. The bottom guarantors were allocated approximately 8.6 percent of the rights issue, and the top guarantor approximately 14.4 percent. In total, approximately 95.7 percent of the rights issue was subscribed, and the company received approximately SEK 46.5 million before issue costs.

NOTE 33 Proposed appropriation of profit

At the disposal of the Annual General Meeting are the following profits (SEK):	
Accumulated profit/loss, including share premium reserve	20,070,169
Loss for the year	-36,860,123
SEK	-16,789,954
The Board of Directors proposes that the profit be appropriated as follows:	
Transferred in the new account	-16,789,954

ATTESTATION

The undersigned declare that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The annual accounts and consolidated accounts give a true and fair view of the position and performance of the parent company and the Group. The Directors' Report for the parent company and the Group gives a true and fair view of the development of the parent company's and the Group's business, position and profit or loss, and of the principal risks and uncertainties that the parent company and the enterprises included in the Group face.

Uppsala, April 25, 2023

Jan Törnell
Chairman

David Bejker
Board member

Maria Forss
Board member

Daniel Lifveredson
Board member

Johan Lund
Board membert

Max Mitteregger
Board member

Anders Månsson
Chief Executive Officer

AUDITOR'S STATEMENT

Our Auditor's Report was submitted on April 25,
Öhrlings PricewaterhouseCoopers AB

Tobias Albing
Authorized public accountan
Principal auditor

Leonard Daun
Authorized public accountant

Auditor's report

To the general meeting of the shareholders of LIDDS AB, corporate identity number 556580-2856.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of LIDDS AB for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 32-62 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. 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 can be found on pages 1-31 and 66-71. The Board of Directors and the Managing Director are responsible for the other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or 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 intend 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 generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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 Lidds AB for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. Our examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Uppsala, 2023-04-25
Öhrlings PricewaterhouseCoopers AB

Tobias Albing
Authorized Public Accountant
Principal auditor

Leonard Daun
Authorized Public Accountant

Management

Anders Månsson
VD sedan 2022

Born: 1967

Education: Bachelor of Science in Business & Economics from Lund University and an Executive MBA from Business School Lausanne.

Work experience: Several leading roles in global pharmaceutical companies, both in Sweden and abroad with experience from sales, marketing and business development. Anders has been CEO for smaller companies, such as RhoVac,and Amniotics and has had leading roles in among others LEO Pharma and Ferring and been industrial advisor to Ratos. He has also been Board member in several smaller biotech- and pharmaceutical companies.

Holdings: 100,000 shares, 0 warrants.

Jenni Björnulfson
CFO and Head of IR since 2021

Born: 1971

Education: Master's degree in Finance and Business Administration from Stockholm School of Economics and studies at the Karolinska Institute.

Work experience: Extensive financial and industrial background with many years work within the health care sector. Previous positions include CFO of Promore Pharma and Cinclus Pharma Holding. Prior to that Jenni worked as an equity analyst at ABG Sundal Collier and she has held corporate finance positions at Alfred Berg and Handelsbanken.

Holdings: 22,000 shares, 35,000 warrants.

Matthew Lindon
CSO since 2022

Born: 1973

Education: Bachelor of Science in Chemistry from the University of Leicester, UK.

Work experience: Strong background in the pharmaceutical sector, with over 20 years' experience of integrated drug discovery and development. Previous positions include Senior Director and Global Project Leader focusing on drug discovery and early clinical development at GSK and most recently at AstraZeneca where he led a portfolio of drug discovery and development projects in the Respiratory & Immunology therapeutic area.

Holdings: 71,428 shares, 0 warrants.

Annette Møldrup
CBDO since 2022

Born: 1961

Education: Ph.D. in Biochemistry from University of Copenhagen.

Work experience: Over twenty years of experience from business development, focusing on in-licensing and out-licensing agreements at Novo Nordisk and Ferring.

Holdings: 0 shares, 0 warrants.

Board

Jan Törnell
Chairman of the Board since 2015

Born: 1960

Education: MD and PhD in Physiology at the University of Gothenburg

Other assignments: CEO and Chairman of the Board of Innoext AB. Chairman of the Board of Glactone Pharma AB and Glactone Pharma Development AB, member of the Board of Abliva AB and Diaprost AB

Work experience: Former Vice President of Global Strategy at AstraZeneca Oncology & Infection. Professor of Physiology at Sahlgrenska Hospital, University of Gothenburg. Partner in P.U.L.S. and member of the Investment Committee. Associate Professor of Physiology, University of Gothenburg.

Holdings: 133,318 shares, 0 warrants

Independence in relation to LIDDS AB (publ) and its management and to major stockholders in the company.

David Bejker
Board member since 2019, Chairman of the Audit Committee

Born: 1975

Education: MSc from Stockholm School of Economics

Other assignments: CEO of Affibody Medical AB and Board member of Abliva AB and Amylonix AB

Work experience: CEO of Affibody Medical AB, a company developing innovative protein drugs, since 2008. Previously at HealthCap, a specialist life science investor.

Holdings: 65,000 shares, 0 warrants

Independence in relation to LIDDS AB (publ) and its management and to major stockholders in the company.

Johan Lund
Board member since 2022

Born: 1957

Education: D/PhD Karolinska Institute, Stockholm.

Other assignments: Co-Founder of KyNexis Medicine Development AB and founder of MBS Pharma, CSO and Chairman of the Board of Aqilion, Chairman of the Board of NEOGAP Therapeutics AB, board member and chairman of the remuneration committee of Olink Holding (Nasdaq NYC), board member of Genagon Therapeutics AB and Pelago Bioscience AB.

Work experience: Former VP of Immunology & Inflammation Research & Early Development, Celgene; SVP and CSO of Immunology & Inflammation, Pfizer; VP of CNS & Pain Research, AstraZeneca and VP Respiratory & Inflammation Research, AstraZeneca. Professor & Chairman, Department of Anatomy & Cell Biology, Medical Faculty, University of Bergen; Associate Professor, Department of Medical Nutrition, Karolinska Institute.

Holdings: 40,180 shares, 0 warrants

Independence in relation to LIDDS AB (publ) and its management and to major stockholders in the company.

Max Mitteregger.
Board member since 2022

Born: 1963

Education: Economist.

Other assignments: CEO Galba Holding AB

Work experience: Vice President Business Development and Global Marketing at Vitrolife. Board member of Oncorena AB. Business Development Manager at Aquilion (formerly P.U.L.S.), CEO of Duocort Pharma and several management roles within Astra Zeneca

Holdings: 1,550,000 shares, 0 warrants

Independence in relation to LIDDS AB (publ) and its management and to major stockholders in the company.

Maria Forss
Board member since 2015, Chairman of the Audit Committee

Born: 1972

Education: Master's degree in Economics from the School of Business, Economics and Law at University of Gothenburg and Concordia University in Montreal, Canada. Executive education at Stanford University, USA. Certified board member via Styrelseinstitutet and advanced board of directors training via StyrelseAkademien.

Other assignments: Senior Vice President Consumables Division, Vitrolife

Work experience: Vice President Business Development and Global Marketing at Vitrolife. Board member of Oncorena AB. Business Development Manager at Aquilion (formerly P.U.L.S.), CEO of Duocort Pharma and several management roles within Astra Zeneca.

Holdings: 26,186 shares, 0 warrants

Independence in relation to LIDDS AB (publ) and its management and to major stockholders in the company.

Daniel Lifveredson
Board member since 2017, Chairman of the Audit Committee

Born: 1976

Education: Master of Science in Industrial Economics, Chalmers University of Technology, Gothenburg

Other assignments: CEO and owner of Excore AB

Work experience: Working with Excore as a base since 1998. Excore is active in advising on transactions for medium-sized companies. Long international experience. In addition to Excore, Daniel Lifveredson is involved as a partner in a number of businesses.

Holdings: 2,640,929 shares, 0 warrants

Independence in relation to LIDDS AB (publ) and its management and to major stockholders in the company.

2023 Annual General Meeting and other

Auditor

Öhrlings PricewaterhouseCoopers AB has been the company's auditor since May 2020, with Tobias Albing as auditor in charge. Tobias Albing is a certified public accountant and a member of FAR, the professional association for accountants in Sweden.

Certified advisor

Redeye AB is the company's Certified Adviser.

Financial calendar

Interim Report January 1 – March 31, 2023	May 29, 2022
2023 Annual General Meeting	May 29, 2023
Interim Report January 1 – June 30, 2023	August 30, 2023
Interim Report January 1 – September 30, 2023	November 17, 2023
Year-end report 2023	February 22, 2024

Information for shareholders

Annual General Meeting

The Annual General Meeting of LIDDS AB (publ) will be held at 2 p.m. on Monday, May 29, 2023 adjacent to the company's premises at Virdings allé 32B in Uppsala. The notice is published in the Swedish Official Gazette and is available on the company's website, www.liddspharma.com. The notice will be sent free of charge to shareholders who request it and provide their mailing address. Such request may be made in writing to LIDDS AB (publ), Virdings allé 32B, 754 50 Uppsala or by e-mail info@liddspharma.com.

Notification and registration

Shareholders who are registered in the share register kept by Euroclear Sweden AB for the company on May 18, 2023, and who have given written notice of their intention to attend the General Meeting to LIDDS AB (publ), Virdings allé 32B, 754 50 UPPSALA, Sweden, no later than Wednesday, May 22, 2023, are entitled to attend the General Meeting. Registration can also be made by e-mail to info@liddspharma.com. The notification must state the full name, social security number or corporate identity number, shareholding, address, daytime telephone number and, if applicable, the name of a proxy. The notification should be accompanied, where appropriate, by powers of attorney, certificates of registration and other authorizing documents.

Nominee shareholders

In order to be entitled to participate in the meeting, stockholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name. Shareholders who wish to be re-registered must request this from their nominee well in advance of May 18 2023, on which date the re-registration must be completed.

LIDDS AB. Corporate identity no. 556580-2856
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www.liddspharma.com
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