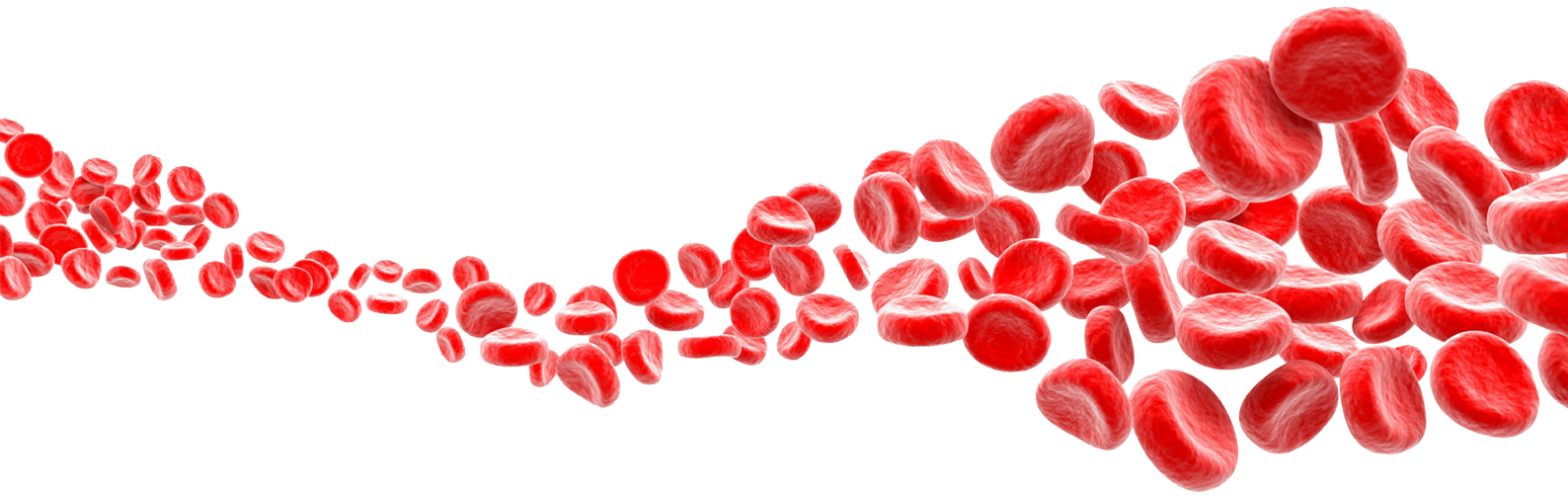
MODUS THERAPEUTICS

Annual Report 2021



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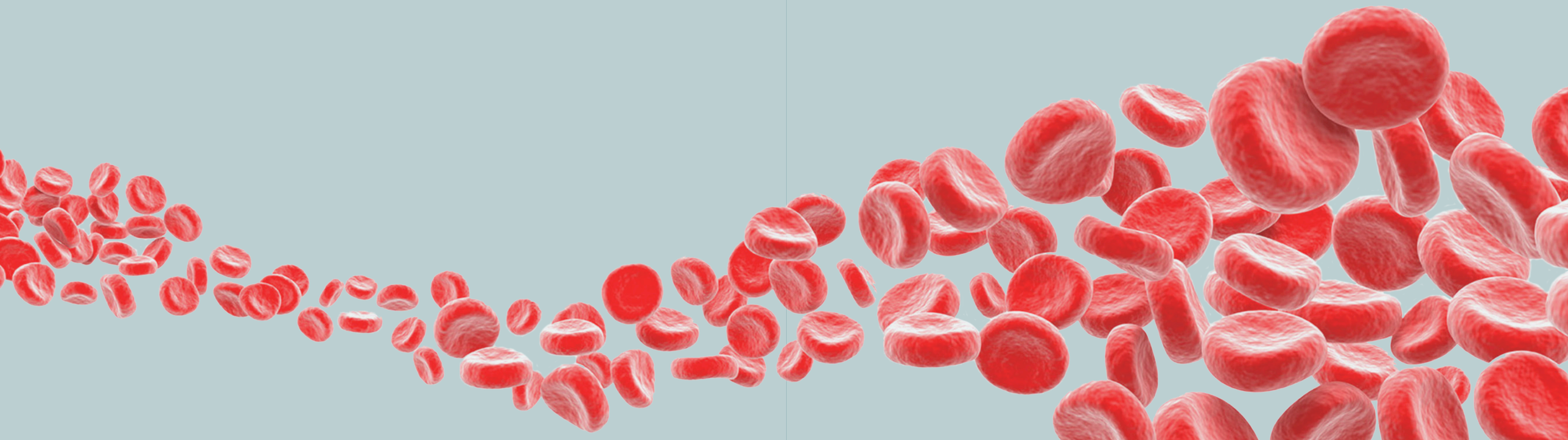


MODUS AT A GLANCE

Modus' new strategy, IPO and rapid transition into clinical phase define its 2021

27
billion USD estimated addressable market potential in 2036 for the 7 major markets

IPO
oversubscribed listing on Nasdaq First North Growth Market in July 2021

9
months of rapid pace from concept to clinical development – new strategy paying off already

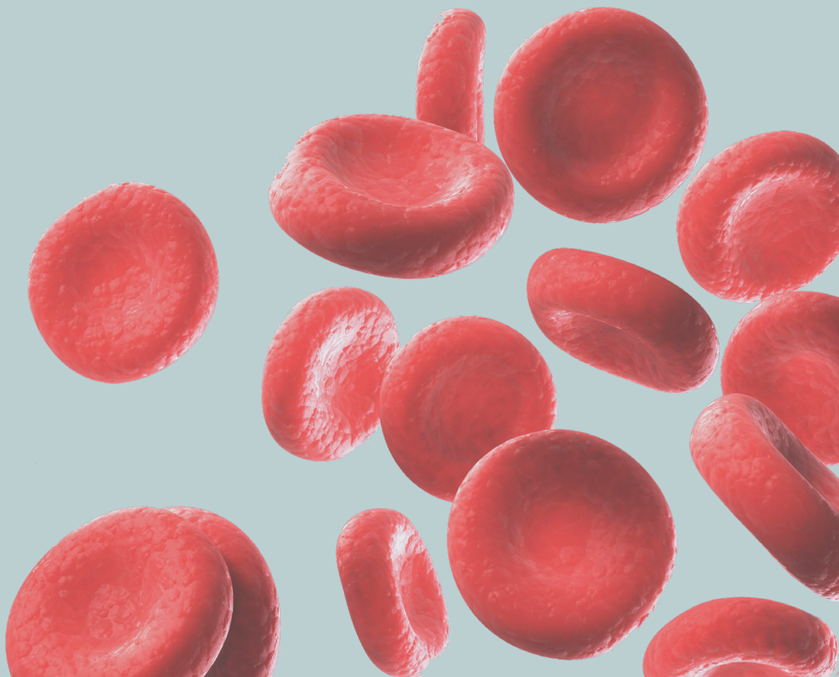
Phase Ib
study initiated December 2022, fully funded by proceeds from IPO

Partnership
with Imperial College London to research effects of sevuparin in patients with severe malaria

Modus
Modus Therapeutics is a Swedish biotechnology company with its roots in innovation from Karolinska Institutet. Founded in 2011, Modus is developing its proprietary drug candidate sevuparin, a compound that has the potential to revolutionize the treatment of sepsis/septic shock and systemic inflammation, also known as "blood poisoning". Sepsis and septic shock are one of the leading causes of death in intensive care units globally. It is estimated that 49 million people worldwide develop sepsis and septic shock each year, with about 3.5 million people affected in the seven largest markets. In the single largest market, the US, about 2.1 million patients develop sepsis each year, of which about 270,000 dies.There are currently no approved drug treatments specifically aimed to treat these conditions. Modus' ambition is to initiate a paradigm shift in sepsis care and potentially for other similar systemic inflammatory conditions

> **Modus' ambition is to initiate a paradigm shift in sepsis care and potentially for other similar systemic inflammatory conditions**

Drug candidate sevuparin
Modus' candidate drug sevuparin is based on the well-known drug heparin, which has been marketed for clinical use as a blood-thinning agent since the 1930s. Thanks to innovative chemical modification, sevuparin differs from heparins in that it has a much-reduced anti-coagulant activity and therefore can be dosed without concern for the bleeding risk. This enhances the potential of sevuparin to deliver the non-anticoagulant benefits of heparinoids to patients across multiple serious conditions. Sevuparin, has a multimodal mechanism of action that is typical of heparinoids allowing it to target and neutralize the processes that underlie serious inflammatory conditions. The potentially beneficial effects of sevuparin in septic inflammation has been documented in both preclinical animal and human in vitro models. Thanks to data from previous clinical studies conducted with sevuparin in more than 140 malaria and sickle cell disease patients as well as healthy volunteers, the clinical safety profile of sevuparin is well-established and known to be favorable. In spite of its high mortality and morbidity rates, there are no drugs specifically approved for the treatment of sepsis yet, which indicates that the need for new treatments is enormous. A Phase Ib study is already in progress which evaluates the effect of sevuparin in an experimentally induced sepsis like condition in healthy volunteers, and a Phase IIa proof-of-concept study is planned for initiation in Q4 2022. Both these studies are fully funded by the Modus IPO and assuming exercise of the outstanding warrants TO1 that were issued in the IPO.



IMPORTANT EVENTS 2021

Modus Therapeutics Announces New Strategy for The Clinical Development of Sevuparin as a Potential Treatment for Sepsis/Septic Shock
On March 10th, 2021 Modus Therapeutics announced an updated strategy that sees the Company focus on the clinical development of sevuparin as a new, important potential treatment for sepsis/septic shock, and possibly other severe inflammatory complications that millions of patients suffer from as a result of serious medical conditions in addition to sepsis such as major trauma and surgery, autoimmunity, and viral infection. The new strategy aims to demonstrate that this clinical stage drug candidate, with a favorable safety profile, could become an important and much needed treatment for sepsis/septic shock. These insights were generated from Modus collaboration with Professor Lennart Lindbom and his Microvascular Physiology group at Karolinska Institutet - work which uncovered the significant benefits of sevuparin's multimodal action on the components driving systemic inflammation allowing us to identify this exciting and promising new therapeutic opportunity.

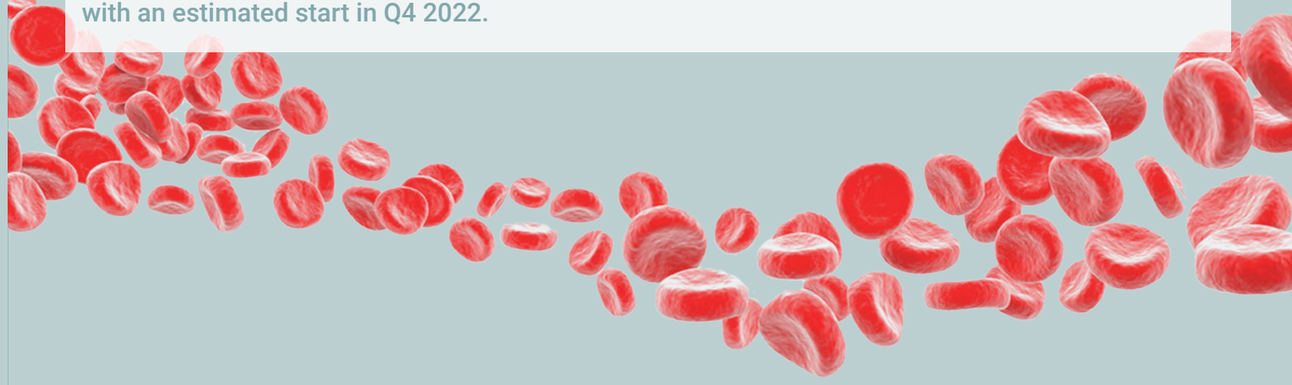
Modus Therapeutics and Imperial College London Sign Clinical Collaboration Targeting Severe Malaria
On June 11 2021 Modus announced that it has entered a clinical research collaboration with a team led by Professor Kathryn Maitland from Imperial College London, UK. The project aims at researching the effect of the Company's proprietary drug sevuparin in patients with severe malaria. Severe malaria, like sepsis/septic shock, remains an unaddressed medical problem in the parts of the world with endemic malaria. The condition primarily affects young children infected with the parasites. In severe malaria, the parasitic infection causes a systemic inflammation syndrome that shares similarities with sepsis and other severe conditions resulting in uncontrolled systemic inflammation, which can then progress into shock and multi-organ failure. Under the collaboration, Modus will supply sevuparin to a future clinical study in patients with severe malaria. Sevuparin has already shown promising effects on the malaria parasite in patients with uncomplicated malaria and in human samples (Leitgeb et al 2017, Saiwaew et al 2017).

Modus Therapeutics issue was oversubscribed, and the Company was approved for listing on Nasdaq First North
On July 13, 2021, the subscription period in Modus Therapeutics Holding issue of units before listing on the Nasdaq First North Growth Market ended. The issue was subscribed to a total of approximately SEK 37.3 million, corresponding to a subscription ratio of approximately 113 percent. The Company thus received approximately SEK 33 million before issue costs amounting to approximately SEK 3.7 million. On July 20, the Company was approved for listing on Nasdaq First North and the first day of trading occurred on July 22.

Modus Therapeutics Appoints Key Scientific Advisors
On 23 September 2021 Modus announced that it had appointed a panel of key scientific advisors – Professor Eddie Weitzberg, Professor Lennart Lindbom and Professor Mats Wahlgren – who will support the company's future strategy for sevuparin in sepsis/septic shock and other conditions where systemic inflammation is involved.

Symbiosis Pharmaceutical Services Starts Producing Sevuparin for Modus' Future Clinical Development
On 12 October 2021 Modus announced that Symbiosis Pharmaceutical Services, a specialist contract manufacturing organization, has started manufacturing sevuparin drug product securing the supply for the Phase II clinical development. This follows a drug supply agreement between Modus and Symbiosis covering the drug product needs for the Phase II program, beyond the Phase Ib LPS challenge study. Symbiosis, headquartered in Stirling, Scotland, specialises in the GMP manufacture and sterile fill/finish of vials for clinical trials and low-volume commercial supply.

First sevuparin dose administered in Modus Therapeutics' Phase 1b LPS provocation study
On December 1, 2021 Modus announced that the first clinical trial participant had been dosed with sevuparin in the company's clinical Phase 1b LPS provocation study. The start of Modus' first clinical study in the sepsis program meant that the new strategy announced in early 2021 became a reality. Modus expects to complete this study in the second quarter of 2022. The study data will then serve to inform the design of the planned follow-up patient study with sevuparin in sepsis with an estimated start in Q4 2022.



COVID-19 pandemic
The global COVID-19 pandemic has since its outbreak in 2019 affected all aspects of life, business- oriented and private, without distinction. During Q2 and Q3 2021 the global vaccination programs began to lead to a gradual return of life to a more normal state both in terms of investment willingness and business activities. However, the introduction of the new COVID mutation Omicron at the end of 2021 led to the reintroduction of restrictions in many countries. In December, Modus started its phase 1b clinical study in the Netherlands which is ongoing. It is important at present to maintain awareness of potential disruptions in planned clinical activities due to fluctuating and potentially increasing COVID infection and resulting vaccination programs around Europe. Although the effects of COVID in society are markedly reduced, the spread of infection and vaccinations poses a risk of delay in clinical trials as it affects the circumstances of patient recruitment. In a longer perspective from 2022, continued disruptions due to unforeseen infection development can unfortunately not be completely ruled out and therefore still constitute an element of uncertainty in Modus' planned operations.

A WORD FROM OUR CEO

MODUS' NEW STRATEGY, IPO AND RAPID TRANSISITION INTO CLINICAL PHASE DEFINE ITS 2021

Over the course of 2021 we've had a lot to celebrate at Modus. This has been a transformative year for the company, and we're pleased to report on how far we've come in just twelve months. We'd like to thank all our colleagues, collaborators and our investors – including our new investors from the launch of our IPO – for their continued support as we reflect on the last year and look forward to what promises to be an exciting 2022.

Early in 2021 we made a significant decision to launch a new strategy for sevuparin, focusing on the clinical development of our drug candidate as a potential treatment for sepsis/septic shock and other severe inflammatory complications.

Our confidence in sevuparin's potential in sepsis is evidenced by research indicating that the compound can counteract septic inflammation both in vivo in mice, and in vitro in human cells, with a confirmed favourable human safety profile. There are currently no specifically approved treatments for patients with sepsis, and as a result, it remains one of the costliest conditions to treat in the hospital care setting. In 2019, US in-patient care costs for patients with sepsis were estimated to amount to $22 billion. The most severe type of sepsis, septic shock, is a leading cause of death in intensive care units worldwide, with mortality rates typically exceeding 30%. To conclude, there is great incentive to address the high unmet medical need in this disease area.

Our new strategy has already started to pay off, with Modus rapidly moving from concept to clinical development in the space of just nine months, supported by an oversubscribed listing on the Nasdaq First North Growth Market in July 2021. The proceeds from our IPO funded both the Phase 1b provocation study and the manufacture of new sevuparin drug product which secures supply to future clinical trials. Looking further into the second half of 2022, Modus is planning to fund the next steps – preparing and starting a Phase 2a study in patients with sepsis – by means of the proceeds from the warrants that were issued at the IPO to be exercised in May/June.

The Phase 1b study began in December 2021 and is planned to be finalized by end H1 2022. An interim analysis will enable a first presentation of high-level data proposed for April/May.

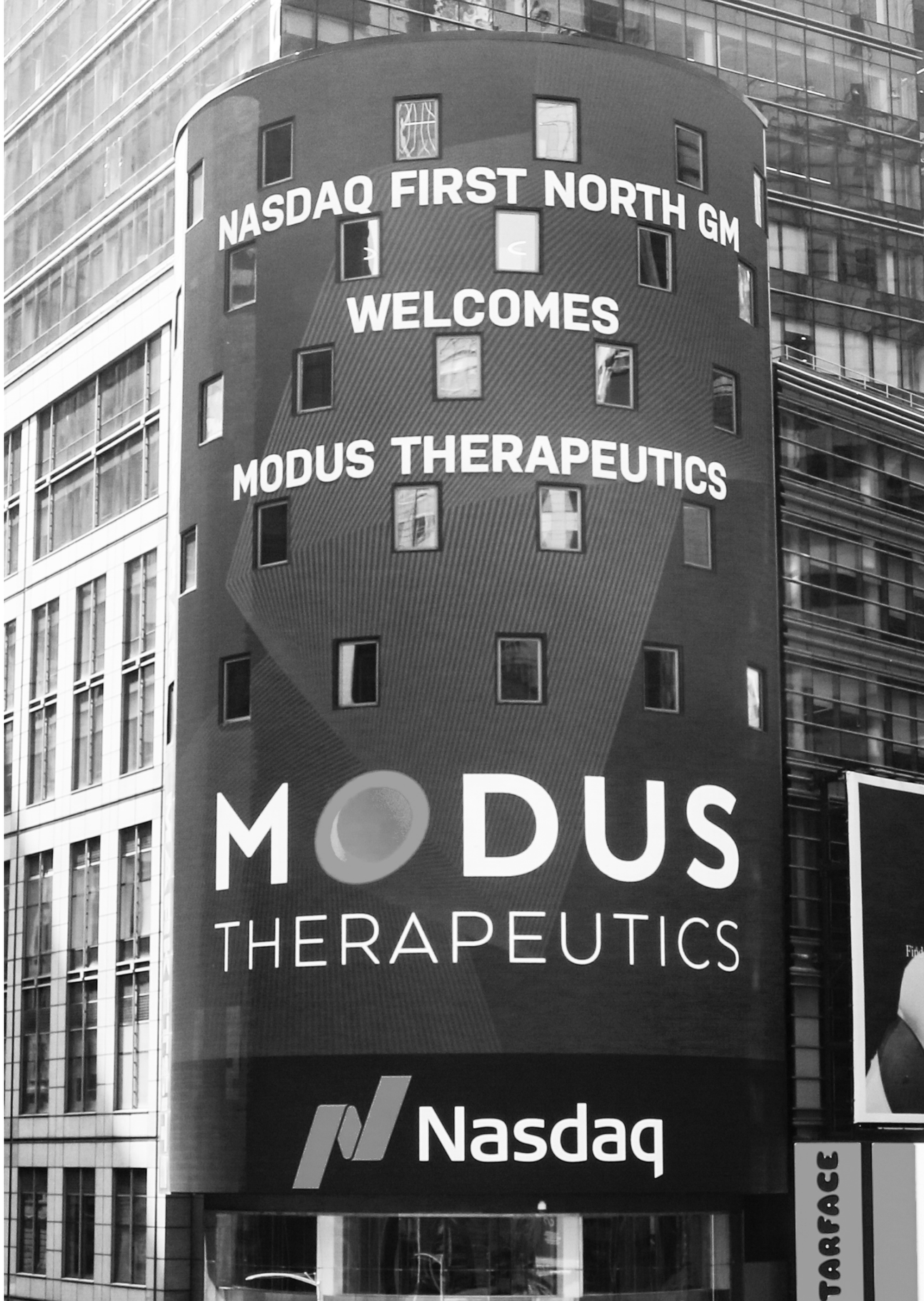
The study will evaluate the effects of sevuparin on the symptoms of healthy volunteer participants who have been injected with the bacterial toxin lipopolysaccharide (LPS) in the skin (local inflammation) and blood (systemic inflammation). Provocation with LPS is a well-established model used to characterize the early stages of septic inflammation. The study will also evaluate the safety profile of sevuparin when used in combination with standard prophylactic, blood-thinning heparin. This study has the potential to provide important information about dose levels and biomarkers for design of the the Phase 2 study, planned to start in Q4 2022, which will evaluate sevuparin in patients with sepsis in comparison to the current standard of care.

Last year's developments also enable Modus to become a stable and long-term partner for future external collaborations. One example came in June 2021, when we announced a partnership with Imperial College London to research the effect of sevuparin in patients with severe malaria. Throughout 2022 we intend to continue continue evaluating new potential collaborations as an essential opportunity to increase the commercial value of sevuparin.

We also made some key additions to our team in 2021, with the appointment of Claes Lindblad as Chief Financial Officer as well as three key Scientific Advisors who will support the company's future development strategy for sevuparin – Professor Eddie Weitzberg, Professor Lennart Lindbom and Professor Mats Wahlgren.

With a growing team, a successful IPO and clinical studies already under way, Modus is well prepared for a successful 2022 as we take the next key steps in sevuparin's development, and we look forward to providing more updates in the near future.

John Öhd
CEO, Modus



MARKET OVERVIEW

Sepsis is one of the most common serious disease conditions in society and despite modern healthcare, mortality from sepsis remains high. In 2019, an estimated 49 million people globally developed Sepsis with about 3.5 million people affected in the seven largest markets (US, Japan, Germany, France, Italy, Spain and UK). In the single largest market, the US, about 2.1 million patients develop Sepsis each year, of which about 270,000 lead to a deadly outcome. Worldwide, more people die annually from sepsis/septic shock than from cancer. In addition, there is currently no specifically approved treatment for patients suffering from sepsis/septic shock. Consequently, there is a great medical need for new sepsis treatments and a huge market potential for sevuparin.

Market potential for sevuparin

The market for sepsis therapies is currently limited due to a lack of treatments for the condition. One study estimated the value of sepsis therapies (including septic shock) at $3.2 billion in 2018, with an expected CAGR of 7.5% through 2027 (transparencymarketresearch.com). The majority of these sales are related to antibiotics. The market share is minimal compared to other disease areas with similar severity. The largest group of drugs for cancer had an estimated $140 billion market in 2019. The anti-coagulants group of drugs had sales of around $20 billion in the same year (Evaluate Pharma). In the event of the launch of sevuparin and/or other drugs under development, the market value will increase dramatically.

The company XPLICO specializes in the valuation of life science companies and has, on behalf of Modus, estimated that the total market potential for sevuparin in septic shock for the 7 major markets amounts to 6 billion USD. The potential for U.S. here amounts to USD 4.9 billion and the market potential in the EU and Japan amounts to USD 1.1 billion. In a recent analysis performed by Carlsquare assuming an earlier deployment of sevuparin in the sepsis treatment cascade the estimated total market potential for the 7 major markets amounted to 27 billion USD in 2036.

Treatable patients

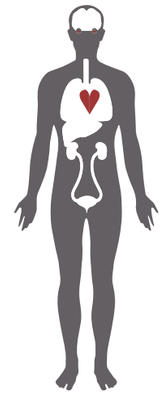
Given that sevuparin is safe and well-tolerated in man and that it has the potential to counteract the harm done by a septic reaction to the insides of the blood vessels thereby preventing leakage of plasma into the tissues, Modus believe that, sevuparin can be applied early in the course of sepsis.

Based on the above it is assumed that approximately 3.7 million patients in the 7 largest markets are candidates for treatment with sevuparin by the by the end of 2036. Sepsis is a vital indication and thus places itself in a high-price segment for medicines where Modus expects a market price for Sevuparin in the range of USD 4000-8000 per treatment depending on the market.

SEVUPARIN AND SEPSIS

Sepsis - A common infection that may lead to vital organ shutdown in a short time

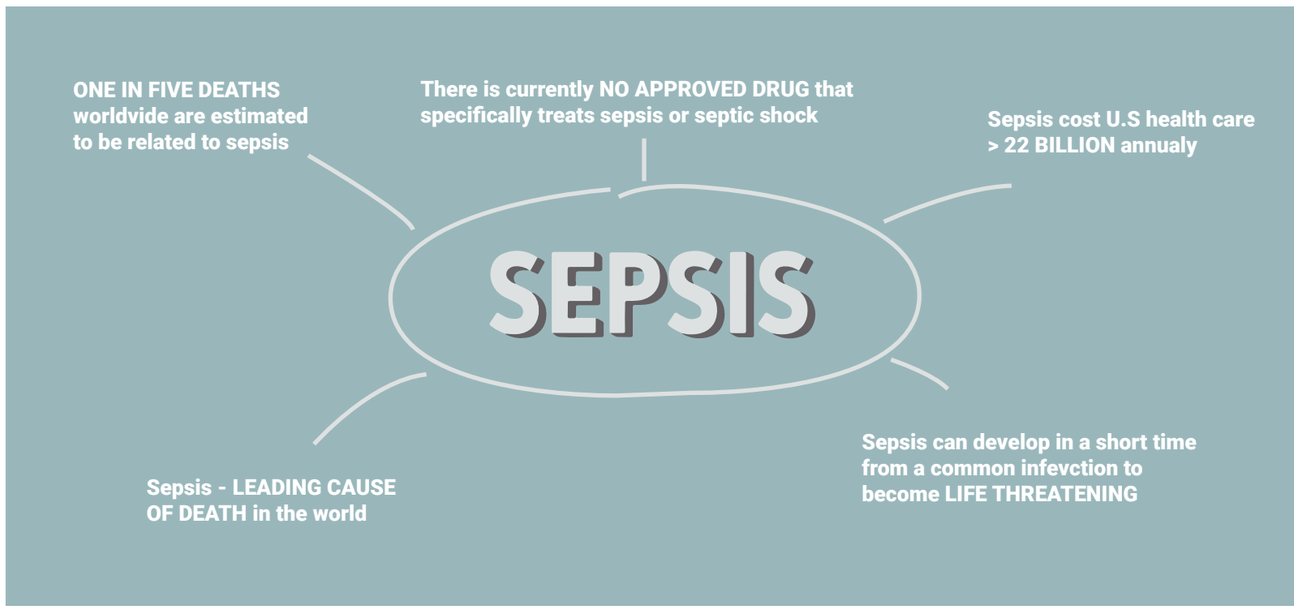
Sepsis and its most severe form, septic shock occur when a bacterial infection causes an exaggerated immune response, resulting in strong inflammation that can lead to harmful substances being secreted into the blood by activated white blood cells. These substances risk damaging the inside of the blood vessels eventually causing leakage of plasma into the tissue.



The consequence of this course of events is an increased risk of hampered organ function, and if the condition is not treated, it may lead to acute organ failure and severe tissue damage. As a result, sepsis can develop in a short time from a common infection to becoming life-threatening affecting the heart, lungs, kidneys, and brain.

Currently no specifically approved drug that treats sepsis or septic shock

According to the WHO, sepsis accounted for approximately 11 million deaths in 2017, corresponding to 19.7 percent of global mortality. The most serious stage of sepsis, septic shock, is a leading cause of death in intensive care units globally, with a mortality rate usually exceeding 30 percent. There is no approved pharmaceutical product available that is specifically developed to treat the actual sepsis reaction. Most patients are already being treated with antibiotics for the infection that caused the condition and the treatment of the sepsis reaction consists of support to counteract its effects on vital functions such as fluid therapy, blood pressure-raising drugs and respiratory aid. Due to the lack of effective treatment, it is cost-intensive to diagnose and treat sepsis / septic shock. In the United States, it is estimated that sepsis costs U.S. health care about $ 22 billion annually, a figure that has increased by about $ 5 billion since 2012.

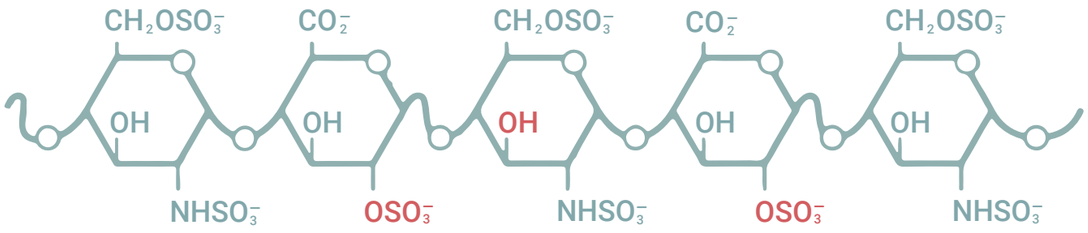


SEVUPARIN
initiating a paradigm shift in sepsis care

Modus Therapeutics ambition is to initiate a paradigm shift in sepsis care and potentially for other systemic inflammatory conditions. It is our belief that our drug candidate – Sevuparin – has the potential to do this.

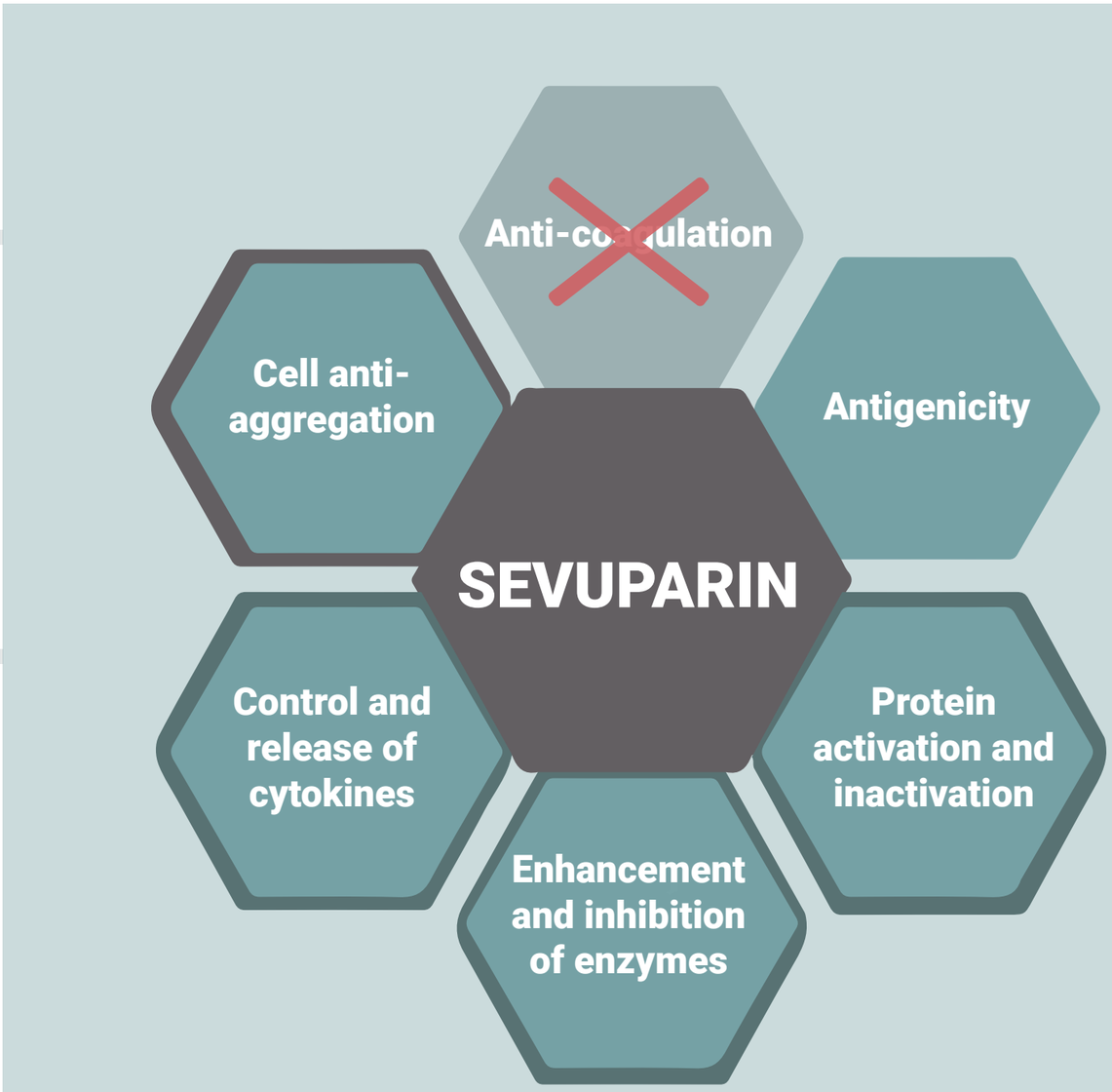
Modification of a proven technology
Heparin – a well-known anticoagulant drug based on a subgroup of polysaccharides – has been observed by researchers in both pre-clinical models and clinical observations, to have potentially beneficial properties in sepsis and systemic inflammation. Heparin has many qualities; however, the problem is that it is a blood thinning medicine which limits dosage due to the risk of bleeding. Modus has solved this problem by inventing a heparin molecule with substantially decreased blood thinning, all while keeping the other benefits of the drug.

HEPARIN ➡ SEVUPARIN



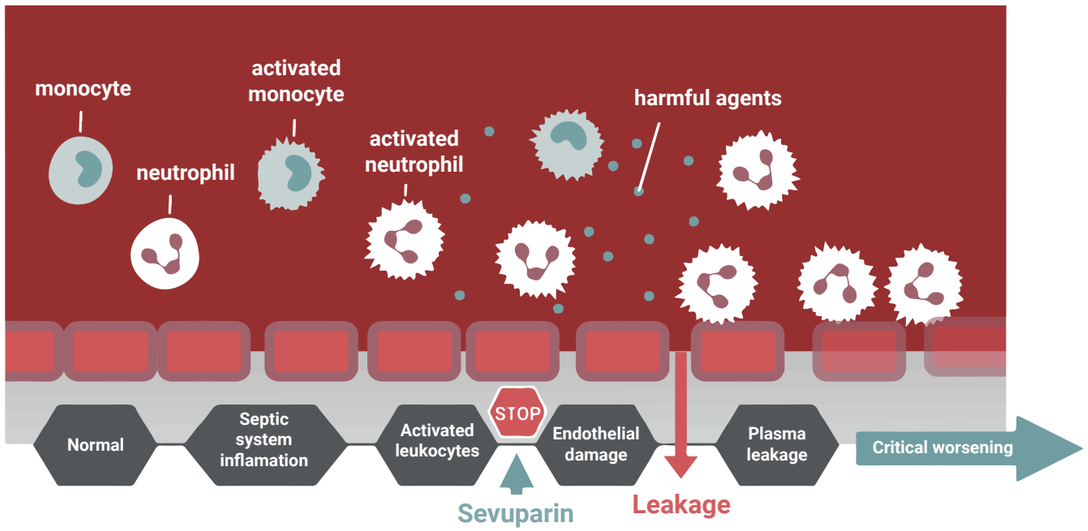
Sevuparin is a unique molecule that is based on Heparin but that has been targeted for modification chemically by modifying 3 residues - altering the pentasaccharide motif that is responsible for the anti-coagulation properties of Heparin to a disaccharide repeat. The sevuparin molecule - is thereby designed to have markedly reduced anti-coagulant activity. The chemically modified sevuparin molecule allows significantly higher doses to be given compared to regular mainstream anticoagulants, without the associated risk of unwanted bleeding - but with retained anti-inflammatory properties.

A broad set of mechanisms
Sevuparin is an innovative proprietary polysaccharide drug with a multimodal mechanism of action, including anti-inflammatory, anti-adhesive and anti-aggregate effects. Sevuparin therfore affects a number of mechanisms that can be targeted with relevance for other kinds of disorders than anti-coagulation such as sepsis and septic shock. A number of different targets that are potently affected by a heparinoid have been identified and for these, sevuparin has the advantage of being dosed without the associated bleeding risk.



Mode of action

Based on preclinical research, sevuparin is believed to counteract systemic inflammation by binding and neutralizing harmful substances secreted by activated white blood cells in sepsis and septic shock, providing robust vascular protection. Sevuparin could thereby break the molecular chain of events that lead to loss of blood vessel integrity, plasma leakage, and ultimately failing organ function.



The effects of Sevuparin help protect the endothelial lining of the blood vessels during septic inflammation and systemic inflammation. In a normal situation white blood cells monitor and manage immune threats. However certain situations when the blood stream is infiltrated by bacteria can lead to over-activation of the white blood cells which react by degranulating and releasing harmful agents that not only threaten bacteria but also the endothelial lining of the blood vessels. This may lead to a destructive chain of events for the patient potentially with ensuing organ failure.

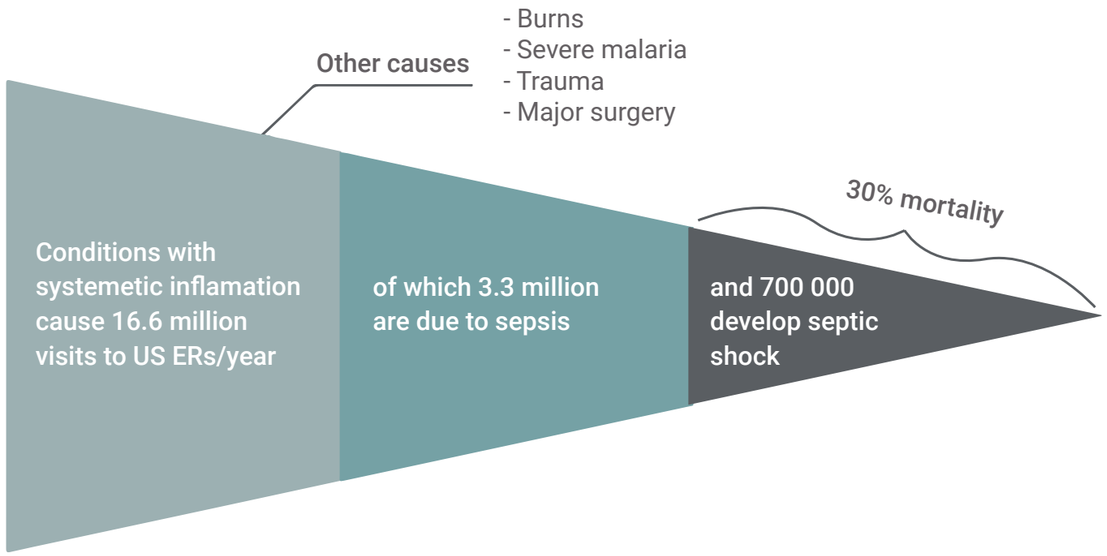
Sevuparin acts by directly binding and neutralizing the harmful agents generated by white blood cells that are known to threaten vascular integrity during systemic inflammation. This can break the destructive molecular chain of events that lead to vascular damage and plasma leakage in patients with sepsis/septic shock and other conditions where systemic inflammation is involved. This activity has been shown in pre-clinical animal models, where sevuparin has been effective in protecting the blood vessels and the lungs of mice and in human cell cultures.

Sepsis – part of a bigger problem

Sepsis is part of an even bigger problem – systemic inflammation disorders. Just as with sepsis these disorders are characterized by an inflammatory reaction that becomes over-determined, often threatening the patient's well-being beyond what is clinically manageable. It can be caused not only by bacteria but also by other situations where the patient's immune system overreacts to bacteria.

Thanks to sevuparin's unique profile with greatly reduced blood-thinning properties and a confirmed safety profile, sevuparin has the potential to harness these potential properties not only for sepsis and septic shock but also other conditions with systemic inflammation. Examples of other such conditions are severe trauma, burns, major surgery, autoimmunity, viral infections and severe malaria to name a few.

Modus continuously evaluates possible research collaborations that can increase the understanding of sevuparin's mode of action while being value adding at the same time. An excellent example of this is the collaboration with Imperial College London around severe malaria. Such collaborations with academic institutions can sometimes lead to so-called investigator-initiated clinical studies as exemplified by the Imperial College collaboration. Furthermore, Modus also collaborates externally to potentially enable new patentable uses of sevuparin.



CLINICAL PROGRAM

Modus drug candidate sevuparin shows robust data from both pre-clinical and clinical studies. All the early development in terms of toxicology and Phase I studies has been completed. In addition, there is an extensive safety profile in man thank to earlier development endeavors in sickle cell disease. We are now rapidly moving from concept to clinical development with a Phase Ib study underway to be followed by a Phase IIa study to be initiated in Q4 2022.

Data from previous studies reduce the risk
Sevuparin has undergone preclinical toxicological testing enabling dosing for up to 14 days in clinical trials. Furthermore, preclinical in vivo efficacy studies have been performed previously in mice indicating beneficial effects on several disease models for, among others, sickle cell disease and malaria, as well as in mouse and in vitro human experimental systems for sepsis.

In clinical trials with healthy phase I volunteers, sevuparin has been shown to be safe and tolerable with single and multiple intravenous dosing within clinically relevant dose ranges. Two patient studies (phase Ib and II) also showed the inhibitory effects of sevuparin on the ability of the malaria parasite in its binding to blood cells and the vessel wall. In a sizeable phase II patient study for the treatment of acute sickle cell disease, sevuparin was shown to have a favorable safety profile, although no improvement in disease status was observed compared with placebo.

In essence, sevuparin is ready for phase II in sepsis and septic shock development.

"Our confidence in sevuparin's potential in sepsis is evidenced by research indicating that the compound can counteract septic inflammation both in vivo in mice, and in vitro in human cells, with a confirmed favourable human safety profile.

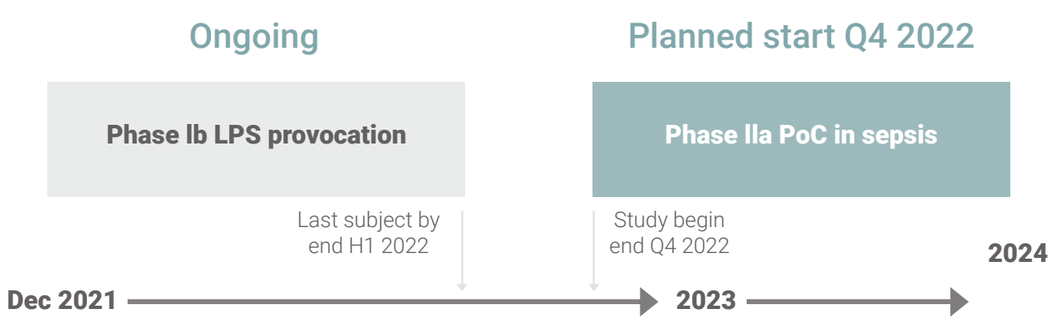
Successful pre-clinical studies ✓

Toxicology and safety packages are in place ✓

PHASE II

A new strategy for the clinical development of sevuparin as a potential treatment for sepsis/septic shock and other severe inflammatory complications
Early in 2021 we made a significant decision to launch a new strategy for sevuparin, focusing on the clinical development of our drug candidate as a potential treatment for sepsis/septic shock and other severe inflammatory complications. Our new strategy has already started to pay off, with Modus rapidly moving from concept to clinical development in the space of just nine months, supported by an oversubscribed listing on the Nasdaq First North Growth Market in July 2021. The proceeds from our IPO funded both the Phase 1b provocation study and the manufacture of new sevuparin drug product which secures supply to future clinical trials. Looking further into the second half of 2022, Modus is planning to fund the next steps – preparing and starting a Phase IIa study in patients with sepsis – by means of the proceeds from the warrants that were issued at the IPO to be exercised in May/June.

CLINICAL PROGRAM



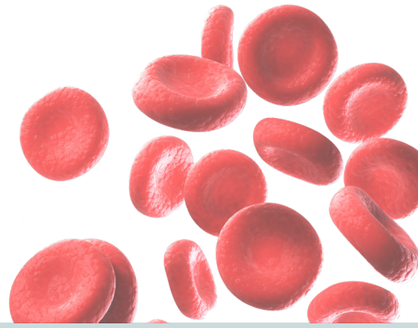
Phase Ib provocation study (LPS Challenge Study) - ongoing
The study is performed as an experimental, sepsis-like model in healthy volunteers and aims to be able to improve the design of the upcoming phase IIa study planned in patients with sepsis. The Phase Ib study recruits 48 healthy volunteers who are injected with the bacterial endotoxin lipopolysaccharide (LPS). LPS causes a strong immunological response that is conceptually similar to a transient sepsis reaction in the subject but is much milder and less dangerous than real sepsis. Patients with real sepsis are very ill and undergo tough treatments in intensive care units, an environment that is not optimal for the initial evaluation of new treatments. Instead, the LPS provocation study can be performed in a controlled environment and provide valuable information that can be used to provide better accuracy and efficacy for future patient studies. The approach of an initial LPS study has several advantages. In addition to the cost-effectiveness of a controlled system where different doses can be evaluated in parallel, it is also possible to study the effect of different doses of sevuparin with regard to symptoms, biomarkers and safety in the early inflammatory response. In a separate part of the study, another 16 healthy volunteers will receive sevuparin in combination with regular heparin given in standard prophylactic doses to study possible interactions between the two drugs. These results will also be used to design future patient studies as sepsis patients always receive profylactic heparin. In the phase Ib study the dosage of sevuparin is addressed in 3 areas:

- Tissue reaction: using the endotoxin in skin to simulate what happens in organs when the inflammation moves from the bloodstream into tissue.

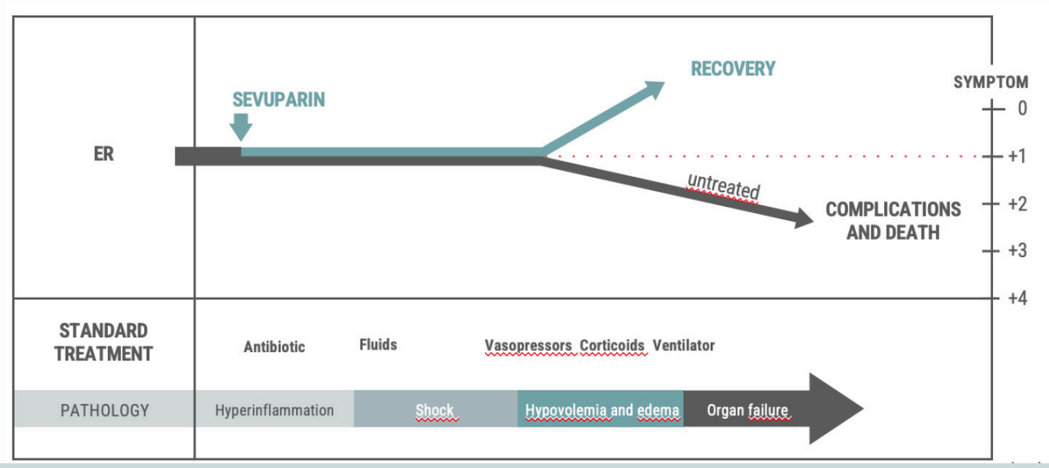
- Systemic reaction: injecting the endotoxin straight into the bloodstream and thereby provoking a reaction similar to the initial sepsis reactions in patients, with symptoms such as fever and the release of inflammation biomarkers.

- Combination with prophylactic anticoagulant heparin: All sepsis patients have an increased risk of blood clots and are therefore given a low prophylactic dose of heparin. Therefore, the combination of sevuparin with regular heparin is evaluated.

The Phase Ib study was started in December 2021 and the last patient visit (LPLV) is planned for the end of Q2 2022.

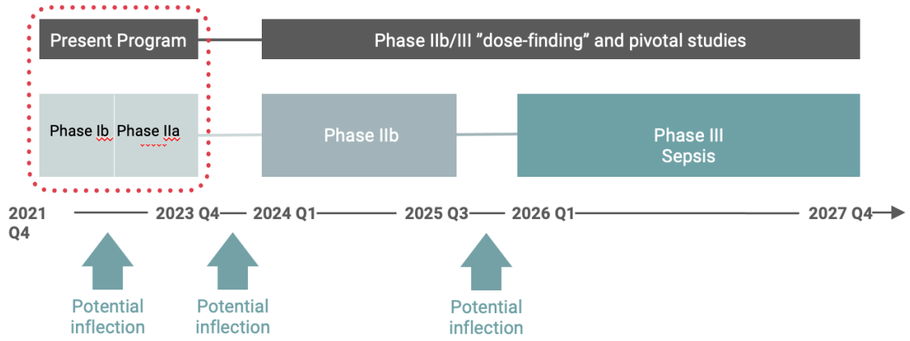


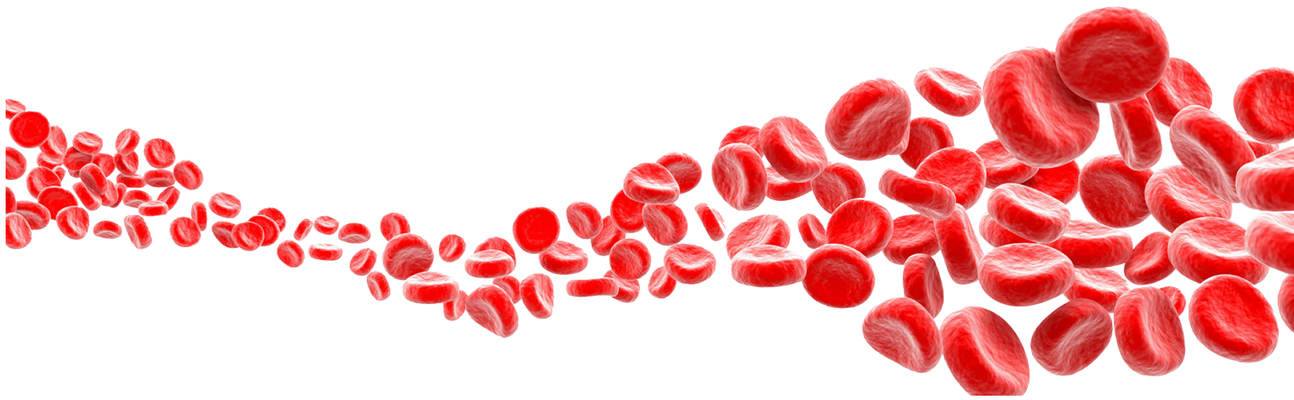
Preliminary Phase IIa Proof of Concept study in sepsis – planned start Q4 2022
In phase IIa, a sevuparin dose supported by the findings in the phase Ib study will be used. Up to approximately 100 patients with sepsis will be recruited at up to 10 clinics primarily in Europe. The aim of the study is to the safety profile of sevuparin along with clinically beneficial effects in comparison to current standard of care. For example, the difference in sepsis symptom measures between treatment group and placebo may be measured, along with time to symptom improvement, measurement of time on a ventilator, and death and complications at day 28 after initiation of treatment. The study will be a proof-of-concept study in which the efficacy of sepuvarin is studied.



BUSINESS MODEL AND GO-TO-MARKET STRATEGY

Modus business model - a clear strategy for value creation
An important part of Modus' strategy is to attract partnerships and buyers for sevuparin by creating product value in our clinical research. We believe that product value is best created through robust clinical data with value-building milestones as a natural part of the development with the possibility to build that value further with a strategic partnership that has presence in the area. A significant such milestone is after the completion of the phase IIa patient study by the end of 2023. Modus definitely has the ability to drive development all the way to registration thanks to the combined experience of our team, supported by consultants who followed Modus for the past 10 years, and our scientific advisors. However, Modus believes that there is more benefit to the value development for a project like this to come under the attention of partner who can drive market entry through an established market structure. Our business model is therefore based primarily on partnership. In he current development plan, a market introduction/ NDA (New Drug Application) can be implemented around the shift 2027/2028.





Timeline in traditional drug development

Faster route to market than traditional drug development
To obtain market support for a registration, two large Phase III studies with a total of more than 1,000 patients over a more extended period are typically required. Given that there is no approved drug for sepsis, the bar is likely to be somewhat lower than for other drugs. Several FDA and EMA programs potentially facilitating development may be available. Modus may have the opportunity for Accelerated Approval upon successful Phase IIb/ early Phase III results if, for example, improvement in symptomatic measures of sepsis can be demonstrated, which could allow for earlier marketing of the sevuparin while additional confirmatory Phase III studies are conducted. There is also the potential to obtain Breakthrough Therapy designation, which could facilitate studies and approvals through lower endpoint requirements (objectives of the study).

Accelerated approval
Issued by both EMA and FDA to accept a drug faster than the traditional process. The FDA intends to review the application and provide a decision within 60 days of receipt of the application for the candidate. Issued for indications with high unmet medical need.

Breakthrough Therapy
A process designed to accelerate the development and review of drugs intended to treat a serious condition where preliminary clinical evidence suggests that the therapeutic agent may show significant improvement over available therapy at one or more clinically important endpoints.

Patent and market protection
Modus patent extends to 2032 in the US and 2033 in Europe, with the possibility of a patent extension of up to five years in each market.

KEY REASONS TO INVEST IN MODUS:

Modus Therapeutics is advancing its clinical program in sepsis/septic shock with the unique, proprietary drug: sevuparin.

Sepsis/septic shock is a leading cause of death in ERs/ICUs worldwide.

Preclinical data indicate a protective role for sevuparin on the vasculature in septic inflammation.

Billion $ commercial potential in sepsis indication alone – no specific approved products currently.

Sevuparin is Phase 2 ready; toxicology and safety package + extensive clinical safety data significantly derisk the program.

Multiple shots on goal with further indications in the systemic inflammation area.

Fast route to market approach; first clinical study (LPS provocation) started Dec 1, 2021.

Patent protection until 2036-37 - potential new IP in pipeline.

SHARE PRICE DEVELOPMENT IN 2021

Modus Therapeutics share was listed on Nasdaq First North Growth Market in Stockholm on July 22, 2021. At the end of 2021, the total number of Modus shares amounted to 16 100 050 and the number of shareholders was 1 076.

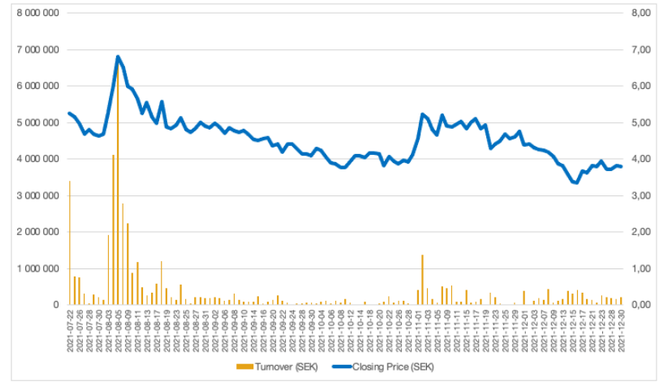
Share capital and ownership

At the end of 2021, Modus share capital amounted to SEK 966 003 distributed between 16 100 050 shares. All shares have equal voting rights and right to dividend. The company's principal owners are Karolinska Development AB (37.9%), KDev Investment AB (17.1%) and John Öhd (10.7%).

Dividend policy

In view of the Modus financial position and negative earnings, the company's Board of Directors does not intend to propose any dividend before the company generates long-term sustainable profit and positive cash flow.

Share price development in 2021



Largest shareholders on December 31, 2021

Owner	No. of shares	Share capital %
Karolinska Development AB	6 104 821	37.9%
KDev Investments AB	2 752 516	17.1%
Öhd, John	1 730 591	10.7%
Nordnet Pensionsförsäkring AB	751 057	4.7%
Hans Wigzell	364 886	2.3%
Kinson Donnelly, Ellen	195 073	1.2%
Östersjöstiftelsen	189 482	1.2%
BNP Paribas SEC Services Paris, W8IMY (GCS)	145 590	0.9%
Försäkringsbolaget Avanza Pension	136 606	0.8%
Svensson, Göran Mattias Alexander	95 783	0.6%
Others	3 633 645	22.6%
Total registered shares	**16 100 050**	**100%**

Financial Calendar

Interim Report Q1 2022	May 9, 2022
Annual General Meeting 2022	May 11, 2022
Interim Report Q2 2022	August 23, 2022
Interim Report Q3 2022	November 22, 2022

Certified Advisor

Svensk Kapitalmarknadsgranskning AB is appointed as the company's certified adviser.
Contact information:
www.skmg.se
Phone: +46 11 32 30 732
e-mail: ca@skmg.se

LEADERSHIP TEAM AND BOARD

John Öhd, M.D., Ph.D
CEO since 2020 and previously CMO since 2018

Born: 1971

Education and experience: MD, PhD. John Öhd has extensive experience in drug development and has previously worked in several different indication areas, including CNS, cancer and blood diseases. Öhd's previous qualifications include the leadership positions within the research organizations of AstraZeneca and Shire and as Chief Medical Officer at the biotechnology company Medivir.

Other current roles: Chief Scientific Officer at Karolinska Development AB. Board member at Umecrine Cognition and Svenska Vaccinfabriken Produktion AB.

Holdings: 1 730 591 shares and 86 000 warrants of series 2021/2024.

Claes Lindblad
CFO since 2021

Born: 1967

Education and experience: Master of Sciences in Chemical and administrative sciences from university of Karlstad. Claes Lindblad has over 25 years of broad experience from leading positions in life science. Lindblad has previously been CFO of the Medtech company OssDsign, where he led the company's financial and administrative functions and played a key role in the company's listing on Nasdaq First North Growth Market 2019. Before that, Lindblad has held several senior positions, including as Country manager for the global and market leading Medtec company ConvaTec, and in the role of Sales director for the OTC and generic portfolio at Nycomed / Takeda.

Other current roles: None

Holdings: 10 812 shares, 7 812 warrants of series TO1 and 86 000 warrants of series 2021/2024.

* Viktor Drvota is independent in relation to the Company and company management but dependent in relation to the Company's major shareholders.

Viktor Drvota, M.D, Ph.D
Chairman since 2016

Born: 1965

Education and experience: MD, PhD, Assoc Prof in Cardiology at Karolinska Institute. Viktor Drvota has over 18 years' experience from venture capital in life sciences. Drvota was responsible for life science at SEB Venture Capital 2002–2016 and has many years of experience of board duties in biotech and medtech companies.

Other current roles: CEO of Karolinska Development AB. Chairman of the board at Modus Therapeutics AB, Modus Therapeutics Holding AB, Umecrine Cognition AB and KDev Investments AB. Board member at UC Research AB, Dilafor AB and Dilafor Incentive AB. Deputy board member at Promimic AB and Svenska Vaccinfabriken Produktion AB.

Holdings: 0

* Torsten Goesch is independent in relation to the Company, the Company management and the Company's major shareholders.

Torsten Goesch, M.D, Ph.D
Board Member since 2014

Born: 1959

Education and experience: Licensed physician, Doctor of Medicine and holds an MBA from the Kellogg School of Management in Chicago. Goesch has more than 25 years of experience from the Life Science sector, including as senior executives within Biogen and Merck KGaA. Goesch also has experience from successful divestments, such as Cytochroma, Enobia and STI Technologies.

Other current roles: Chairman of the Board of Dilafor. Board member of Biosergen, EyeSense, Forward Pharma and ProMore and partner for Rosetta Capital.

Holdings: 0

* Ellen Donnelly is independent in relation to the Company, the Company management and the Company's major shareholders.

Ellen K. Donnelly, Ph.D
Board Member since 2020

Born: 1974

Education and experience: PhD in Neuroscience from the Yale School of Medicine. Donnelly has extensive experience from leadership positions within Life Science, including as former CEO of Modus and senior positions within Pfizer and Combinato Rx. Ellen Donnelly was previously CEO of Epigenetics Division and Juvenescence and management consultant for MEDACorp / Leerink and Swann Strategic Advisors.

Other current roles: CEO Abliva AB. Board member of Alzecure Pharma AB.

Holdings: 195 073 shares.

MANAGEMENT REPORT

THe board and the CEO of Modus Therapeutics Holding AB (publ) hereby present the annual report for fiscal year 2021-01-01 to 2021-12-31. Unless otherwise specified all amounts are stated in SEK thousand.

About Modus nature and direction of the business

Modus Therapeutics is a Swedish biotech company developing sevuparin for diseases with high unmet medical need. The Company's focus is currently to develop sevuparin for patients with sepsis/septic shock, a severe and often fatal condition. The company is listed on Nasdaq First North Growth Market since July 22, 2021 and the Company's Certified Advisor is Svensk Kapitalmarknadsgranskning AB.

Sevuparin is an innovative proprietary polysaccharide drug in clinical phase with a multimodal mode of action including anti-inflammatory, anti-adhesive and anti-aggregating effects. Sevuparin is a heparinoid with significantly reduced anti-coagulant activities which allows much higher doses to be given compared to standard heparinoids without the associated risk of unwanted bleeding. Sevuparin is currently being developed as two formulations – one for intravenous administration and one subcutaneous formulation that can be given in outpatient care or in a home environment. Read more at www.modustx.com.

Ownership structure

At the end of the fourth quarter of 2021 there was a total of 1076 shareholders in Modus Therapeutics Holding AB (publ). The three largest shareholders owned 66% of the capital and votes. The total number of shares was 16,100,050. The main shareholders were, per December 31 2021, Karolinska Development AB (556707-5048) at 37.92%, KDev Investments AB (556880-1608) at 17.10% and John Öhd at 10.75%.

Important events during the fiscal year

New strategy for clinical development of Sevuparin as a potential treatment of sepsis / septic shock

In March 2021 Modus announced an updated strategy for its proprietary drug sevuparin. The strategy focuses on developing the drug candidate towards a possible treatment for sepsis and septic shock and other severe inflammatory complications, based on pre-clinical research indicating that sevuparin can counteract septic inflammation both in mice and in vitro in human cells. The most serious type of sepsis, septic shock, is a leading cause of death in intensive care units globally, with a mortality usually higher than 30%. There is currently no approved drug specifically aimed at treating patients with sepsis. Sepsis is considered to be one of the most cost intensive conditions to treat in health care.

The annual general meeting was held on 3 May 2021

Important decisions made at AGM:

- to make the Company public and adjust the Articles of Association.
- consolidate remaining shares from 137,297,153 shares to 8,600,000 units. The purpose of the consolidation was to reach a number of shares suitable for the upcoming listing.
- through a bonus issue increase the Company's share capital to SEK 516,000
- authorize the board to, in the time until the next AGM, be able to make decisions regarding IPO of a maximum number of shares, convertibles and/or warrants that qualify for subscription of, or entail emission of, a maximum number of shares that can fit into the suggested changed Articles of Association, with or without deviation from the shareholders' preferential rights.
- issue a maximum of 215,000 warrants in series 2021/2024 which corresponds to a maximum 2.5% dilution in the scope of a long-term incitement program for staff and consultants in the Company.

The AGM also decided on policies for electing a nomination committee for the next AGM and instructions for the nomination committee's work.

Modus Therapeutics and Imperial College London sign clinical collaboration targeting severe malaria

On June 11 2021 Modus announced that it has entered a clinical research collaboration with a team led by Professor Kathryn Maitland from Imperial College London, UK. The project aims at researching the effect of the Company's proprietary drug sevuparin in patients with severe malaria. Severe malaria, like sepsis/septic shock, remains an unaddressed medical problem in parts of the world with endemic malaria. The condition primarily affects young children infected with the parasite. In severe malaria, the parasitic infection causes a systemic inflammation syndrome that shares similarities with sepsis and other severe conditions resulting in uncontrolled systemic inflammation, which can then progress into shock and multi-organ failure. The Malaria project is funded by a collaborator grant in science from Wellcome (209265/Z/17/Z) to Professor Maitland's research group at KEMRI-Wellcome Trust Programme, Kilifi Kenya and to the international consortium "Severe Malaria Africa – a consortium for Research and Trials" (SMAART), the goal of which is to identify and research new treatments for severe malaria. Under the collaboration, Modus will supply sevuparin to a future clinical study in patients with severe malaria.

IPO in association with listing on Nasdaq First North

On June 17, the Board of Directors of Modus Therapeutics Holding AB, authorized by the Annual General Meeting on May 3, 2021, decided on a new issue of up to 5,156,300 shares and to apply for admission to trading of the company's shares on Nasdaq First North.

Modus Therapeutics IPO was oversubscribed and the Company was approved for listing on Nasdaq First North

On July 13, 2021, the subscription period in Modus Therapeutics Holding issue of units before listing on the Nasdaq First North Growth Market ended. The issue was subscribed to a total of approximately SEK 37.3 million, corresponding to a subscription ratio of approximately 113 percent. The Company thus received approximately SEK 33 million before issue costs amounting to approximately SEK 3.7 million. On July 20, the Company was approved for listing on Nasdaq First North and the first day of trading was on July 22.

Modus Therapeutics appoints key scientific advisors

On 23 September 2021 Modus announced that it had appointed a panel of key scientific advisors – Professor Eddie Weitzberg, Professor Lennart Lindbom and Professor Mats Wahlgren from Karolinska Institutet – who will support the Company's future scientific development for sevuparin.

Symbiosis Pharmaceutical Services starts producing sevuparin for Modus' future clinical development in sepsis/septic shock

On 12 October 2021 Modus announced that Symbiosis Pharmaceutical Services, a specialist contract manufacturing organization (CMO), has started manufacturing the sevuparin drug product securing the supply for the Phase II clinical development in sepsis/septic shock and other complications resulting from systemic inflammation. This cooperation follows a drug supply agreement between Modus and Symbiosis covering the production needs of sevapurin for patient studies beyond the Phase Ib LPS challenge study. Symbiosis Pharmaceutical Services, headquartered in Stirling, Scotland, is a contract manufacturing organization (CMO) specializing in the GMP manufacture and sterile fill/finish of vials for clinical trials and low-volume commercial supply.

Modus engages Lago Kapital as a liquidity guarantor

On 21 October 2021 Modus announced that it has engaged Lago Kapital as a liquidity guarantor for the Company's share. Lago Kapital will ensure the opportunity to trade in the Company's shares by continuously placing trading items on each buy and sell page in the order book. This is in accordance with Nasdaq First North Growth Market regulations regarding liquidity guarantee and means that the liquidity guarantor quotas the purchase and sale volume corresponding to at least SEK 15,000 with a spread of a maximum of 4% between the buy and sell price. The purpose of the liquidity guarantee is to improve the liquidity of the share and reduce the difference between the bid and ask price during ongoing trading. For this purpose, Karolinska Development lends 40,000 MODTX shares to Lago Kapital pro bono.

Modus Therapeutics receives regulatory approval to start a phase 1b clinical LPS challenge study with sevuparin in the Netherlands

On November 9 2021 Modus Therapeutics Holding AB announced that it had received the approval for its planned Phase 1b clinical trial with sevuparin by the competent authorities in The Netherlands. The planned randomized, placebo-controlled Phase 1b study will evaluate the effects of intravenous sevuparin on the dermal and systemic lipopolysaccharide (LPS) induced inflammatory responses in healthy volunteers. The LPS challenge is a well-established model used to characterize the early stages of a septic reaction. The study will also evaluate the safety profile for sevuparin in combination with standard prophylactic treatment with anticoagulant heparin. The Phase 1b study is performed in cooperation with the Center for Human Drug Research, CHDR in Leiden, The Netherlands. CHDR is an independent contract research organization (CRO) specializing in advanced clinical drug research in early phases. CHDR is specifically interested in and has extensive experience of advanced inflammation models which makes the organization well suited to work on the early clinical development stages of sevuparin.

First sevuparin dose administered in Modus Therapeutics' Phase 1b LPS provocation study

On December 1, 2021, Modus announced that the first clinical trial participant has been dosed with sevuparin in the Company's clinical Phase 1b LPS provocation study. The start of Modus first clinical study in the sepsis program marks the realization of the Company's new strategy adopted early in 2021. Modus expects to complete this study in the second quarter of 2022 with the first interim data planned for presentation in April / May. The completed study then forms the basis for the planned follow-up patient study with sevuparin in sepsis with an estimated start in Q4 2022.

Expected future development and significant risks and uncertainties

The development of pharmaceutical agents for the treatment of disease is a historically risky endeavour with the estimated likelihood of a specific therapeutic making it through all stages of development to the market of 11.9%, with Phase II products having the lowest likelihood of success of all phases (estimated at 30.7%; BIO, June 2016). The factors that contribute to this high level of risk include many things that are outside of the control of the Company, including lack of drug efficacy, patient safety, the competitive landscape, changes in legislation, lack of access to manufacturing material etc

The Board continuously monitors the Company's current and forecasted cash flow to secure that the Company has the means and resources to operate the business in the strategic direction that the board has decided on. Since Modus primarily is a research and development company, the Company's long term cash needs is determined by the scope and results of the clinical research performed on the Company's drug candidate sevuparin. Per the end of December 2021, the Group's cash and cash equivalents amounted to 20.6 MSEK.

The IPO during Q3 was subscribed to a total of about 37,3 MSEK including warrants corresponding to a subscription ratio of about 113 percent. 5,156,300 shares and 5,156,300 TO1 warrants were issued, and Modus thus received about 33 MSEK before issue costs, which amounted to about 3,7 MSEK.

Further financing of the Company including the planned Phase 2 a study starting in Q4 2022 will, in accordance with the previously published prospectus, be made through TO1 warrants. Subscriptions of shares from subscription of shares from warrants can be made during the time May 19 2022 to June 9 2022. The TO1 warrants can give the Company at the most 45 MSEK before issue costs.

The company's development projects will require additional capital injections from investors to be able to realize set goals and values. There are no guarantees that the required capital can be raised to finance the development on favorable terms, or that the capital can be procured at all. The Board and the CEO make the assessment that these projects will be able to be completed and put into use, and they also make the assessment that the prospects for future capital raising are good provided that the development project delivers according to plan. Should capital raising activities according to the above not be fulfilled, there is significant uncertainty regarding the group's ability to continue operations.

During Q4 2021 the global vaccination programs began to lead to a gradual return of life to some level of normality. However, the new COVID mutation Omicron at the end of 2021 led to the reintroduction of restrictions in many countries. In December, Modus started its Phase 1b clinical study in the Netherlands which is ongoing. It is important at present to maintain awareness of potential disruptions in planned clinical activities due to fluctuating and potentially increasing COVID infection and resulting vaccination programs around Europe. Although the effects of COVID in society are markedly reduced, the spread of infection and vaccinations poses a risk of delay in clinical trials as it affects the circumstances for the recruitment of subjects or patients. In a longer perspective from 2022, continued disruptions due to unforeseen infection development can unfortunately not be completely ruled out and therefore still constitute an element of uncertainty in Modus' planned operations.

Consequences of the pandemic in the bigger perspective that may have a potential effect on Modus business activities can be, for example, the uncertainty of the negative effects that might linger on into 2022 - such as a lack of resources or staff, lack of material supply to production and manufacturing and/or disruptions in logistical chains. Another factor could be macro-economic effects with a consequential uncertainty on the financial markets impacting the willingness to invest.

Financial overview (TSEK)

Group Company	2021	2020	2019	2018	2017
Net sales	-	-	-	-	-
Profit/Loss after financial items	-20 691	-6 020	-43 575	-49 651	-42 425
Balance sheet total	21 191	7 491	2 051	46 951	13 083
Quick asset ratio, %	74,3	93,4	Neg	50,9	Neg
Average number of employees	2	1	4	4	4

Parent Company	2021	2020	2019	2018	2017
Net sales	505	609	1 491	2 954	1 777
Profit/Loss after financial items	-6 525	63 115	-233 478	-3 838	-1 789
Balance sheet total	89 871	77 314	2 414	243 843	155 178
Quick asset ratio, %	82,0	98,5	Neg	87,7	87,3
Average number of employees	2	1	2	2	1

Definitions

1) Equity in relation to balance sheet total.

Proposed distribution of earnings

Share premium reserve	295 800 403
Accumulated loss	-191 332 837
Net loss for the year	-31 724 965
SEK	**72 742 602**

The Board of Directors proposes that the accumulated loss be carried forward as retained earnings	72 742 602
SEK	**72 742 602**

Regarding the company's results and financial position in other respects, please refer to income statements, balance sheets and accompanying, supplementary disclosures set out below.

FINANCIAL STATEMENTS

Consolidated income statement

TSEK	Note	2021-01-01 - 2021-12-31	2020-01-01 - 2020-12-31
Net sales		-	-
Research and development costs	3	-13 544	-3 723
Administration costs	3	-7 094	-2 299
Other operating income		-	2
Other operation expenses		-52	-
Operating profit/loss		**-20 690**	**-6 020**
Other interest received and similar items		-	2
Interest expenses and similar profit/loss items		-1	-1
Total results from financial investments		**-1**	**1**
Profit/loss after financial items		**-20 691**	**-6 019**
Income tax		-	-
Profit/loss for the period		**-20 691**	**-6 019**
Profit/loss attributable to			
Parent company shareholders		-20 691	-6 019
Earnings per share before and after dilution (SEK)		-1,67	-1,02
Average number of shares, thousands		12 376	5 912

Consolidated balance sheet

TSEK	Note	2021-12-31	2020-12-31
Assets			
Financial assets	6		
Other long-term receivables		50	-
Total financial assets		**50**	**-**
Other receivables		249	138
Prepaid expenses and accrued income		244	8
Total short-term receivables		**493**	**146**
Cash and bank		20 648	7 345
Total current assets		**21 141**	**7 491**
Total assets		**21 191**	**7 491**
Equity and liabilities			
Share capital		966	44
Additional paid-in capital		295 926	257 226
Retained earnings including net loss for the year		-281 158	-250 275
Total equity attributable to equity holders of the parent company		**15 735**	**6 995**
Total equity		**15 735**	**6 995**
Accounts payable - trade		4 485	108
Current tax liabilities		-	26
Other liabilities		139	49
Accured expenses and deferred income		833	313
Total current liabilities		**5 457**	**496**
Total equity and liabilities		**21 191**	**7 491**

Group account changes in the equity

TSEK	Share capital	Additional paid-in capital	Received earnings incl net loss for the year	Equity to main shareholder	Total Equity
Equity at 2020-01-01	**1 189**	**244 295**	**-248 170**	**-2 686**	**-2 686**
Profit/loss for the year			-6 019	-6 019	-6 019
Reduction of share capital	-3 914		3 914		
Transactions with shareholders:					
New issue of shares	2 769	7 931		10 700	10 700
Subscription of convertible loans		-5 200		-5 200	-5 200
Convertible loans with obligatory conversion		10 200		10 200	10 200
Equity at 2020-12-31	**44**	**257 226**	**-250 275**	**6 995**	**6 995**
Equity at 2021-01-01	**44**	**257 226**	**-250 275**	**6 995**	**6 995**
Profit/loss for the year			-20 691	-20 691	-20 691
Transactions with the shareholders:					
New issue of shares by IPO	309	32 691		33 000	33 000
Cost attributable to new share issue		-3 695		-3 695	-3 695
Subscription of convertible loans	141	-141		-	-
Interest on convertible loans from shareholders		10 000	-10 000	-	-
Option premiums		-155	281	126	126
Capitalization issue	472		-472	-	-
Equity at 2021-12-31	**966**	**295 926**	**-281 157**	**15 735**	**15 735**

The equity is assignable to the shareholders of the parent company.

Share capital and share classes
The share capital consists of 16 100 500 ordinary shares.

Consolidated cash flow statement

TSEK	Note	2021-01-01 - 2021-12-31	2020-01-01 - 2020-12-31
Operating profit/loss		-20 690	-6 020
Interest received		-	2
Interest paid		-1	-1
Cash flow from operating activities before changes in working captial		**-20 691**	**-6 019**
Increase (-) Decrease (+) in current receivables		-347	528
Increase (-) Decrease (+) in current liabilities		4 960	-1 740
Cash flow from operating activities		**-16 078**	**-7 231**
Acquisition of financial assets		-50	-
Cash flow from investment activities		**-50**	**-**
New issue of shares		33 000	3 000
Cost attibutable to new share issue		-3 695	-
Option premiums received		126	-
Convertible loans		-	10 200
Cash flow from financing activities		**29 431**	**13 200**
Cash flow for the period		**13 303**	**5 969**
Cash and equivalents at the beginning of the year		7 345	1 376
Cash and cash equivalents at year-end		**20 648**	**7 345**

Parent company income statement

TSEK	Note	2021-01-01 - 2021-12-31	2020-01-01 - 2020-12-31
Net sales		505	609
		505	**609**
Research and development costs	3	-1 057	-975
Administration costs	3	-5 967	-1 775
Other operating expenses		-5	-
Total operating expenses		**-7 029**	**-2 750**
Operating profit/loss		**-6 524**	**-2 141**
Profit/loss from participations in Group companies	4	-	65 257
Interest expenses and similar profit/loss items		-1	-1
Total results from financial investments		**-1**	**65 256**
Profit/loss after financial items		**-6 525**	**63 115**
Year-end appropriations	5	-25 200	-
Income tax expense		-	-
Net profit/loss for the year		**-31 725**	**63 115**

Parent company balance sheet

TSEK	Note	2021-12-31	2021-12-31
Assets			
Financial assets	6		
Participations in Group companies		70 000	70 000
Other long-term assets		50	-
Total financial assets		**70 050**	**70 000**
Other receivables		129	22
Prepaid expenses and accrued income		206	-
Total short-term receivables		**335**	**22**
Cash and bank		19 486	7 292
Total current assets		**19 821**	**7 314**
Total assets		**89 871**	**77 314**
Equity and liabilities			
Share capital		966	44
Total restricted equity		**966**	**44**
Share premium reserve		295 800	251 945
Retained earnings		-191 333	-238 975
Profit/loss for the year		-31 725	63 115
Total non-restricted equity		**72 743**	**76 085**
Total equity		**73 709**	**76 129**
Accounts payable		353	17
Liabilities to Group companies		15 024	820
Current tax liabilities		-	40
Other liabilities		139	50
Accrued expenses and deferred income		646	258
Total current liabilities		**16 162**	**1 185**
Total equity and liabilities		**89 871**	**77 314**

Parent company changes in equity

TSEK	Share capital	Share premium	Retained earnings	Profit/loss for the year	Total equity
Equity at 2020-01-01	**1 189**	**244 014**	**-14 411**	**-233 478**	**-2 686**
Disposition of previous years' result			*-233 478*	*233 478*	-
Reduction of share capital	-3 914		3 914		-
Profit/loss for the year				63 115	63 115
Transactions with shareholders:					
New issue of shares	2 769	7 931	-5 200		5 500
Convertible loan with obligatory conversion			10 200		10 200
Equity at 2020-12-31	**44**	**251 945**	**-238 975**	**63 115**	**76 129**
Equity at 2021-01-01	**44**	**251 945**	**-238 975**	**63 115**	**76 129**
Disposition of previous years' result			*63 115*	*-63 115*	-
Profit/loss for the year				-31 725	-31 725
Transactions with shareholders:					
New issue of shares by IPO	309	32 691			33 000
Cost attributable to new share issue		-3 695			-3 695
Subscription of convertible loans	141	14 859	-15 000		-
Capitalization issue	472		-472		-
Equity at 2021-12-31	**966**	**295 800**	**-191 332**	**-31 725**	**73 709**

Parent company cash flow statement

TSEK	Note	2021-01-01 - 2021-12-31	2020-01-01 - 2020-12-31
Operating profit/loss		-6 524	-2 141
Interest paid		-1	-1
Cash flow from operating activities before changes in working capital		**-6 525**	**-2 142**
Increase (-) Decrease (+) in current receivables		-313	-22
Increase (-) Decrease (+) in current liabilities		657	-1 415
Cash flow from operating activities		**-6 181**	**-3 579**
Acquisition of shares in subsidiary	6	-	-3 000
Acquisition of other fixed assets		-50	-
Made Group contribution		-10 880	-
Cash flow from investment activities		**-10 930**	**-3 000**
New issue of shares		33 000	3 000
Cost attributable to new share issue		-3 695	-
Convertible loans		-	10 200
Cash flow from financing activities		**29 305**	**13 200**
Cash flow for the year		**12 194**	**6 621**
Cash and cash equivalents at beginning of year		7 292	671
Cash and cash equivalents at year-end		**19 486**	**7 292**

NOTES

General information
This consolidated account statement includes the parent company Modus Therapeutics Holding AB, company registration number 556851-9523 and the subsidiary Modus Therapeutics AB, company registration number 556669-2199. The parent company in the largest corporate group of which Modus Therapeutics Holding AB is subsidiary is Karolinska Development AB, corporate registration number 556707-5048, located in Solna.

Note 1 Accounting principles and valuation principles
Modus Therapeutics Holding ABs consolidated accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's general advice BFNAR 2012:1 Annual accounts and consolidated accounts (K3).

Accounting currency
The company's accounting currency is Swedish kronor (SEK thousand). At each balance sheet date, monetary items denominated in foreign currencies are translated at the exchange rate on the balance sheet date. Exchange rate differences are reported in operating profit or as a financial item based on the underlying business event, in the period in which they arise.

Consolidated financial statements
The consolidated financial statements include subsidiaries in which Modus Therapeutics Holding AB holds the majority of the votes at the Annual General Meeting and companies in which, by agreement, have a controlling influence are classified as subsidiaries and consolidated in the consolidated financial statements. The subsidiaries are included in the consolidated financial statements from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceases. The consolidated financial statements have been prepared in accordance with the acquisition method.
The time of acquisition is the time when the controlling influence is obtained. Identifiable assets and liabilities are initially valued at fair values at the time of acquisition. The minority's share of the acquired net assets is valued at fair value. Goodwill consists of the difference between the acquired identifiable net assets at the time of acquisition and the acquisition value, including the value of the minority interest, and is initially valued at acquisition value.
Intercompany balances between group companies are eliminated in their entirety.

Revenue recognition
Revenue is reported at the fair value of the compensation received or will be received, less VAT, discounts, returns and similar deductions.

Leasing
Leasing agreements where the lessor essentially retains all risks and rewards of ownership are classified as operational agreements. Leasing fees are expensed on a straight-line basis in the income statement during the leasing period. In the Group, there are only leasing agreements that are classified as operational agreements.

Remuneration to employees
Remuneration to employees in the form of salaries, bonuses, paid holidays, paid sick leave, etc. and pensions are recorded as costs in accordance with earnings. Pension costs and other post-employment benefits, these are classified as defined-contribution or defined-benefit pension plans. In the Group, there are only defined contribution pension plans. There are no other long-term benefits for employees.

Income tax
The tax cost consists of the sum of current tax and deferred tax.

Current tax
Current tax is calculated on the taxable profit for the period. Taxable profit differs from the reported profit in the income statement as it has been adjusted for non-taxable income and non-deductible expenses and for income and expenses that are taxable or deductible in other periods. Current tax liability is calculated according to the tax rates that apply on the balance sheet date.

Deferred tax
Deferred tax is reported on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax value used in calculating taxable income. Deferred tax liabilities are reported for in principle all taxable temporary differences, and deferred tax assets are reported in principle for all deductible temporary differences to the extent that it is probable that the amounts can be utilized against future taxable surpluses.

Intangible assets
Acquisition through separate acquisitions
Intangible assets acquired separately are reported at acquisition value less accumulated depreciation and any accumulated write-downs. Depreciation takes place on a straight-line basis over the asset's estimated useful life, which is estimated at 5 years. Estimated useful lives and depreciation methods are reassessed if there is an indication that these have changed compared with the estimate at the previous balance sheet date. The effect of any changes in estimates and assessments is reported in the future. Depreciation begins after the acquisition date or when the asset can be used.

Expenditure on development activities
Development expenses are capitalized when they meet the criteria according to K3 chap. 18. In other respects, development expenses are expensed as normal operating expenses. The most important criteria for activation are that the product of the development work has a demonstrable future earnings or cost savings and that there are technical and financial conditions for completing the development work. The development work for Modus Therapeutics AB does not meet all the criteria for activation, thus no expenses have been capitalized. After the first reporting occasion, internally generated intangible fixed assets are reported at acquisition value after deductions for accumulated depreciation and any accumulated write-downs. Depreciation begins in connection with the asset being capitalized and amortized on a straight-line basis over an estimated useful life of 5 years. An intangible fixed asset is removed from the balance sheet upon disposal or disposal or when no future economic benefits are expected from the use or disposal / disposal of the asset. The gain or loss that arises when an intangible fixed asset is removed from the balance sheet is the difference between what may be received, after deduction of direct sales costs, and the asset's carrying amount. This is reported in the income statement as other operating income or other operating expenses.

Impairment of non-financial fixed assets
When there is an indication that the value of an asset has decreased, an impairment test is performed. If the asset has a recoverable amount that is lower than the carrying amount, it is written down to the recoverable amount. When assessing impairment, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash-generating units). For assets, other than goodwill, that have previously been written down, an examination is made on each balance sheet date as to whether reversal should be made. Impairment losses and reversals of impairments within the business are reported in the income statement.

Financial instruments
Financial instruments are reported in accordance with the rules in Chapter 3, Chapter 11, which means that valuation is based on acquisition value. Financial instruments reported in the balance sheet include securities, accounts receivable and other receivables, short-term investments, accounts payable and loan liabilities. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred virtually all risks and benefits associated with ownership. Financial liabilities are removed from the balance sheet when the obligations have been settled or otherwise ceased.

Impairment testing of financial fixed assets
At each balance sheet date, Modus Therapeutics Holding assesses whether there is any indication of impairment in any of the financial fixed assets. Impairment occurs if the decline in value is deemed to be permanent. Impairment is reported in the income statement item Profit from other securities and receivables that are fixed assets. The need for impairment is tested individually for shares and participations and other individual financial fixed assets that are significant.

Cash and bank balances
Cash and bank include cash and available balances with banks and other credit institutions as well as other short-term liquid investments that can easily be converted into cash and are subject to an insignificant risk of value fluctuations. To be classified as cash and cash equivalents, the term may not exceed three months from the time of acquisition.

Equity
Ordinary shares, other contributed capital and retained earnings are classified as equity. Financial instruments that are judged to meet the criteria for classification as equity are reported as equity even if the financial instrument is legally designed as a liability.

Warrants
The Group has only issued warrants that have been transferred at fair value. Premiums received for issued options to acquire shares in companies are reported as a supplement to equity, based on the option premium, at the date when the option was transferred to the counterparty.

Cash flow analysis
The cash flow analysis shows the company's changes in the company's cash and cash equivalents during the financial year. The cash flow analysis has been prepared according to the indirect method. The reported cash flow only includes transactions that resulted in inflows and outflows.

The parent company's accounting and valuation principles
The same accounting and valuation principles are applied in the Parent Company as in the Group, except for the cases listed below.

Shares in subsidiaries
Shares and participations in subsidiaries are reported at acquisition value after deductions for any write-downs. The acquisition value includes the purchase price paid for the shares. Any capital injections are added to the acquisition value when they are provided. Both received and paid group contributions are reported as appropriations in accordance with the alternative principal, as income or cost. Dividends from subsidiaries are reported as income when the right to receive dividends is deemed secure and can be calculated in a reliable manner.

Note 2 Important estimates and assessments
Some important accounting assessments made in the application of the Group's accounting principles are described below:

Assumption of going concern
However, the business is still uncertain and dependent on the necessary resources to be able to complete the development, which leads to estimates of the conditions for developing drugs and the possibility of generating future economic benefits. The Board and the CEO assess that these projects can be completed and put into use. The company's development project will require additional capital injections from investors for the values to be realized. There are no guarantees that the required capital can be raised to finance the development on favorable terms, or that such capital can be raised at all. The Board assesses that the pro spects for future capital raising are good provided that the development project delivers according to plan and the annual report has therefore been prepared with assumptions of going concern for at least twelve months.

Note 3 Employee salaries and benefits

	Group		*Parent company*	
Average number of employees	**2021**	**2020**	**2021**	**2020**
Male	2	1	2	1
Female	-	-	-	-
Total	**2**	**1**	**2**	**1**

	Group		*Parent company*	
Gender distribution of senior executives	**2021**	**2020**	**2021**	**2020**
Board members				
Female	1	1	1	1
Male	2	2	2	2
CEO and senior executives				
Female	-	-	-	-
Male	2	1	2	1

	Group		*Parent company*	
Salaries, other benefits and social contribution	**2021**	**2020**	**2021**	**2020**
Board, CEO and business management	2 660	1 229	2 660	1 229
Total	**2 660**	**1 229**	**2 660**	**1 229**
Social contribution	701	452	701	452
Pension cost to board and CEO	506	267	506	267
Total salaries, social contributions and pension costs	**3 866**	**1 948**	**3 866**	**1 948**

Alloted warrants	2021-12-31		2020-12-31	
	Number of outstanding warrants	Average exercise price, SEK per warrant	Number of outstanding warrants	Average exercise price, SEK per warrant
Opening balance	-	-	-	-
Exercised during the period	172 000	8,32	-	-
Total	**172 000**	**8,32**	**-**	**-**

At the Annual General Meeting on May 3, 2021, it was decided to issue a maximum of 215,000 warrants to a long-term incentive program for employees and consultants in the Company called "Incentive Program 2021/2024". The scope of the program corresponds to a maximum of 2 percent dilution before listing. Each warrant entitles the holder to subscribe for one new share in the Company at a subscription price corresponding to 130 percent of the subscription price applicable upon listing on Nasdaq First North SEK 6.40. Subscription of new shares with the support of the warrants shall take place during the period from 1 September 2024 to 31 October 2024. At the date of this report, 172,000 warrants had been granted and acquired. In addition, there are no outstanding share-related incentive programs in the Company.

Note 4 Profit/loss from participations in Group companies

	Parent company	
TSEK	**2021**	**2020**
Nedskrivningar	-	-
Reversal of impairment of participation in group companies	-	65 257
Total	**-**	**65 257**

Not 5 Bokslutsdispositioner

	Parent company	
TSEK	**2021**	**2020**
Group contribution paid	-25 200	-
Total	**-25 200**	**-**

Note 6 Financial assets

Participation in Group companies	*Parent company*	
TSEK	**2021**	**2020**
Cost of acquisition at opening balance	233 156	230 156
Shareholders contributions, paid	-	3 000
Total accumulated cost of acquisition	**233 156**	**233 156**
Impairment at opening balance	-163 156	-228 413
Reversal of impairment	-	65 257
Impairment at closing year	**-163 156**	**-163 156**
Net book value	**70 000**	**70 000**

Subsidiary / Corp. reg. no / Domicile	**Equity %**	**Shares of votes%**	**Numbers of shares**	*Carrying amount* **2021**
Modus Therapeutics AB	100%	100%	100 000	70 000
556669-2199, Stockholm				
				70 000

Other long-term receivables	*Group*		*Parent company*	
TSEK	**2021**	**2020**	**2021**	**2020**
Opening balance	-	-	-	-
Additional receivables	50	-	50	-
Outgoing accumulated acquisition value	**50**	**-**	**50**	**-**
Net book value	**50**	**-**	**50**	**-**

Long-term receivables are deposits for rent.

Note 7 Transactions with related parties

	Group		Parent company	
Total	**2021**	**2020**	**2021**	**2020**
Sales to Group companies	-	-	505	609

On April 8, 2021, Karolinska Development AB issued a capital adequacy guarantee to Modus of a maximum of SEK 2 million. As Modus from 22 / 7-2021 is listed on Nasdaq First North, this capital adequacy guarantee has expired. On June 2, 2021, the Company decided on a directed set-off issue in order to fulfill its obligations in accordance with a bridge loan agreement with Karolinska Development AB. According to the agreement, the claim that Karolinska Development AB had on the Company was set off against shares in the Company at a subscription price of SEK 6.40 per share. The loan, which was taken in October 2020, and its loan fee amounted to a total of SEK 15 million, of which the loan comprised SEK 5 million and the loan fee corresponded to the loan amount X 2. The transaction had no effect on cash flow. For remuneration to senior executives and the Board, see Note 3.

Note 8 Important events after the end of the financial year

The current situation in Russia and Ukraine is not considered to have any significant impact on the company's operations.

CERTIFICATION

This report has been prepared in both Swedish and English. In the event of discrepancies between the versions, the Swedish version applies.

Stockholm April 14, 2022

Viktor Drvota,
Chairman of the board

Torsten Goesch,
Board member

John Öhd,
CEO

Ellen K. Donnelly,
Board member

Our audit report was given on April 14, 2022
Ernst & Young AB

Oskar Wall,
Auktoriserad revisor

AUDITOR'S REPORT

To the general meeting of the shareholders of Modus Therapeutics Holding AB, corporate identity number 556851-9523

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Modus Therapeutics Holding AB for the year 2021-01-01 - 2021-12-31. The annual accounts and consolidated accounts of the company are included on pages 28-49 in this document.

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

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

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

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

Significant uncertainties regarding the assumption of going concern

We would like to draw attention to the information provided in the management report, which states that the Group's going concern assumption depend on contributions from investors.

Should funds not be received to the extent expected by the Board of Directors, there is a significant uncertainty that could lead to significant doubts about the company's ability to continue its operations. We have not modified our statement because of this.

Other Information than the annual accounts and consolidated accounts

This document also contains information other than the annual report and consolidated accounts found on pages 1-27. 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. 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 Man ging 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 effectivness 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 discl sures 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, spervision and performance of the group audit. We remain solely responsible for our opinions.

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

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 Modus Therapeutics Holding AB for the year 2021-01-01 - 2021-12-31 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

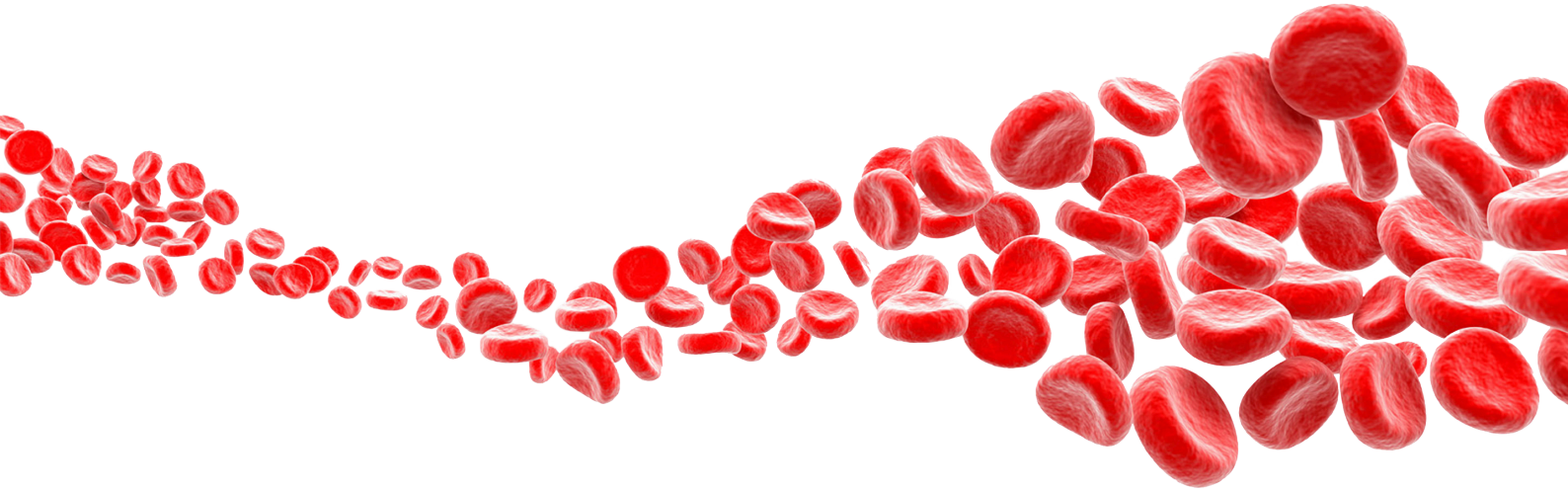
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's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

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

Stockholm April 14, 2022

Ernst & Young AB

Oskar Wall
Authorized Public Accountant



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