2023

Annual Report and Consolidated Accounts for aXichem AB (publ)

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aXichem

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This is an unofficial translation of the original Swedish version. In case of discrepancies, the Swedish version shall prevail.

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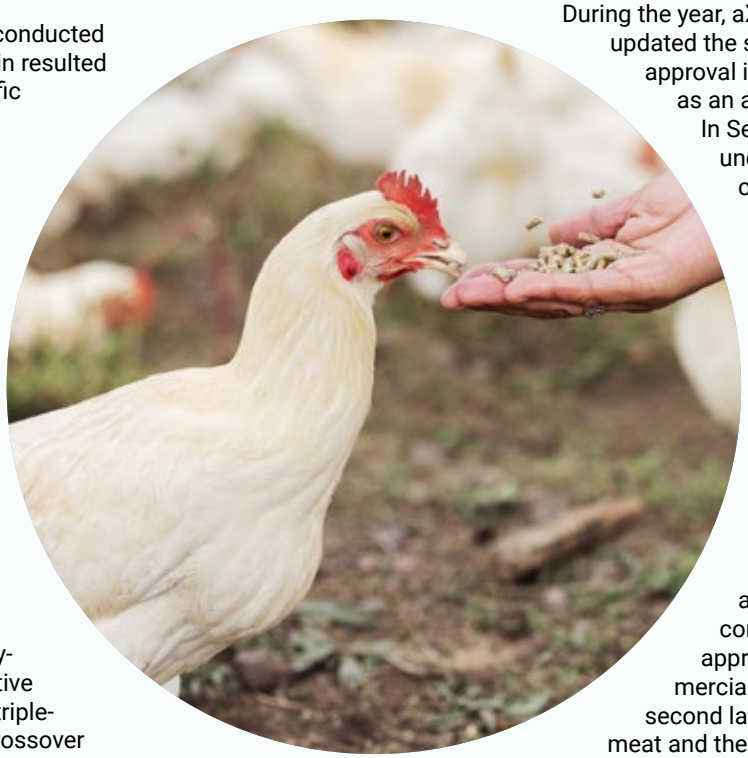
2023 IN BRIEF

FEBRUARY

The well-known brand Muscletech, with the product Muscletech Burn iQ™ in which aXivite® is one of the active ingredients, made its product available through yet another strong sales channel, namely the world-leading American retailer GNC (General Nutrition Corporation). GNC is a leading global health and wellness brand that provides high-quality, science-based health food products. GNC is a perfect showcase for aXivite.

APRIL

During the year, previously conducted studies with phenylcapsaicin resulted in several published scientific articles.



”Effects of different doses of phenylcapsaicin on strength training performance, muscle damage, protein breakdown, metabolic response and estimation of perceived exertion and recovery: A randomized, triple-blind, placebo-controlled, crossover study.” has been published in the Journal of the International Society of Sports Nutrition (JISSN). In Frontiers in Physiology, ”Effects of phenylcapsaicin on aerobic capacity and physiological parameters in active young men: a randomized, triple-blind, placebo-controlled, crossover study”. The demands for scientific support for ingredients in nutritional supplements are increasing and the published articles provide aXichem with effective and well-substantiated sales arguments.

JUNE

An important step towards the goal of approval in Brazil of phenylcapsaicin as a feed additive was taken in June. The Ministry of Agriculture, Livestock and Food Supply in Brazil (MAPA) then granted approval for phenylcapsaicin as a new raw material for zootechnical feed additives, to be used in both poultry and pig feed. This meant that the safety assessment in the approval process was completed and that a final approval was the next step. Read more about this under December!

In June, an exclusivity agreement was pharmaceutical companies.The agreement concerns aXivite in the category of sleep-promoting products and gives Uriach exclusivity for a melatonin formulation with aXivite in the markets of Spain, Portugal and Germany, among others. In order to obtain exclusivity, Uriach undertakes an annual purchase of aXivite of at least 400,000 Euro. In November, the company received the first order within the framework of the agreement, which was followed by further orders thereafter.

SEPTEMBER

During the year, aXichem has continuously updated the status of the application for approval in the EU for phenylcapsaicin as an additive in chicken feed there. In September, the application underwent so-called public consultation and in October came word from the authority EFSA that their scientific opinion was being prepared for publication.

DECEMBER

The application for approval in Brazil for phenylcapsaicin as an additive in poultry and piglet feed was approved by MAPA and DIPOA. This was an important milestone and one of the company’s goals for 2023. The approval opens the door to commercialization in Brazil, the world’s second largest producer of chicken meat and the largest exporter. For the corresponding application in the EU, EFSA chose to give a so-called ”Inconclusive Scientific Opinion” regarding phenylcapsaicin as an additive in chicken feed. In the opinion, EFSA concludes that there are some data gaps, in the areas of environmental safety, consumer safety and efficacy. aXichem will carry out the studies required to fill the gaps and expects this to take approximately six months from the start of the studies. The supplementary information is then submitted to the EFSA/EU Commission, until a ratified approval, according to the regulations six to twelve months. The work therefore continues and the goal is unchanged to reach approval in the EU for phenylcapsaicin as an additive in chicken feed.

THE CEO HAS THE FLOOR

Working with innovative ingredients and animal feed additives is about creativity, knowledge and competence. But it's also about persistence

During the last two years, we have invested a lot of time and resources to achieve the market approvals required for the commercialization of phenylcapsaicin as an additive in animal feed. Regulatory processes require persistence in all senses of the word. The joy was therefore very great when we were able to reach one of our goals for the year and in December (finally) get market approval in Brazil for phenylcapsaicin. Brazil is one of the world's largest producers and exporters of chicken meat and an actor that has a good grasp of the negative effects salmonella infection can have (read more about this on page 13). Brazil is thus an excellent market for aXichem to introduce aXiphen®. At the time of writing, launch and sales to selected customers are underway. aXichem and Chr. In 2024, Olesen will implement a comprehensive marketing campaign to educate and inform stakeholders across the spectrum, from industry professionals to regulatory bodies and consumers, about aXiphen's benefits. Our goal is to set a new standard in the industry and contribute to a safer and more sustainable meat production.

The year when aXivite gained a scientific basis to stand on
aXichem's strategy for sales in the Dietary supplements business area, and for the brand aXivite®, is to establish collaborations with small to medium-sized innovative distributors and producers of dietary supplements in the EU and the USA, where we have market approval for phenylcapsaicin according to Novel Food and GRAS Food.

In 2022, we conducted an exciting study in collaboration with our partners LifeProNutrition and Indiex Sport Nutrition at the University of Valencia and the University of Pablo Olavide in Spain in the field of sports science/physical training. The results were published in several articles in 2023. "Effects of different doses of phenylcapsaicin on strength training performance, muscle damage, protein breakdown, metabolic response, and estimation of perceived exertion and recovery: A randomized, triple-blind, placebo-controlled, crossover study." was published in the Journal of the International Society of Sports Nutrition (JISSN). "Effects of phenylcapsaicin on aerobic capacity and physiological parameters in active young men: a randomized, triple-blind, placebo-controlled, crossover study" was published in Frontiers in Physiology.

Studies are ongoing for feed approval in the EU
In order to be able to offer phenylcapsaicin in animal feed within the EU, in the same way as is now happening in Brazil, we have some way to go. The perseverance of the team and the support of the supporters, which I mentioned at the beginning, became clear when the authority EFSA, in December, announced an "Inconclusive Scientific Opinionon" for our Feed Additive application. We had of course hoped for an approval, but I want to emphasize that this is not a rejection of the application, but an obstacle that we can overcome. The answer is further study to fill the gaps that EFSA and the EU see. We have brought in extra resources and had a close dialogue with the regulatory authorities, above all regarding the impact studies. Phenylcapsaicin has an effect in an environment with salmonella and not in the clean environment that EFSA requires. This has now been clarified and the study has been given a design that partly can live up to EFSA's requirements, partly show effect. Studies began in April and I estimate that it takes about six months, from the start of the study, to produce the data that the authority requests. Then follows the authority's processing, which according to the regulations lasts up to six months, until a formal approval. The handling process is not predictable despite time indications from the EU, so that say exactly when we can have a message is unfortunately not possible. With possible delays, however, it is reasonable to estimate a time frame of six to twelve months after completed studies. In the first half of 2025, we should know.

”We entered 2024 with market approval for our products aXiphen and aXivite in our priority business areas: animal feed and dietary supplements. aXichem is better equipped than ever to create commercial opportunities and sales”

It cannot be emphasized enough how important this is to us in the continued commercialization of aXivite. As consumers' knowledge of nutrition and health increases, the demands for studies and scientific arguments become clear. The market for food supplements for better performance during physical training shows a growth of approximately 8-9 percent in the EU and the USA respectively. aXivite has already entered leading brands such as MuscleTech® and Hydroxycut® and together with our distributors we are working to continue growing in the segment. We have seen a positive start to 2024 and see signs that the pace of new product development will return to the pace it was holding before the pandemic. A pleasing example is the company Uriach, which is launching its melatonin product Aquilea, with aXivite as a bio-enhancer, and which at the end of the year placed an order that was followed by more. We have with our existing customers and through several new collaborations with companies such as Triquetra Health, Silvaco and Silver Fern Brand good opportunities to gradually increase sales of aXivite in both the EU and the USA.

With strong faith in a hot product
I mentioned at the outset how important it is to have support from partners and owners. I am grateful for the trust that our shareholders have shown by participating in the share issue in the first quarter of 2023 as well as in the recent issue of units. The added capital makes it possible to continue work on obtaining EU approval for aXiphen, to be able to produce in line with planned demand for both aXiphen and aXivite, and to intensify the marketing of the products in selected markets.

We entered 2024 with market approval for our products aXiphen and aXivite in our priority business areas: animal feed and dietary supplements. aXichem is better equipped than ever to create commercial opportunities and sales.

It will be extremely exciting to see how aXiphen is received in Brazil and how we together with Chr. Olesen can establish the product in this huge market. I see that aXiphen with its unique properties and advantages can contribute to a sustainable, profitable and healthy meat production in Brazil, and that more markets will follow in the future.

aXivite has the potential to become an increasingly relevant ingredient in dietary supplements. The debate surrounding the health risks that obesity entails, as well as the trend of increased drug use to achieve weight loss, contributes to giving attention to dietary supplements for improved weight control. I strongly believe that we have a really hot product and together with the team and our supporters, in the form of partners, customers and shareholders, we continue to develop aXichem into a long-term successful company.

aXichem's Operation

AXICHEM IN BRIEF

OPERATION

aXichem develops, patents and markets natural analogue industrial chemicals, i.e. synthetically produced substances that have similar and comparable properties to natural substances. aXichem's commercial focus is the in-house developed patented product phenylcapsaicin, which is marketed under the registered trademarks aXiphen® as an additive in animal feed, respectively aXivite® as an ingredient in food supplements and as a bio-enhancer.

Phenylcapsaicin is a synthetically produced natural analogue of capsaicin. Natural capsaicin is extracted from chili and is the substance that causes the perceived heat of plant species in the genus Capsicum (chili pepper). Phenylcapsaicin has the same properties as natural capsaicin, but studies have also shown several unique benefits. Compared to natural capsaicin, pheylcapsaicin can be produced in large volumes, with consistent and controlled quality, at a low cost. The product is gentle on the environment and has several potential areas of application.

BUSINESS AREA ANIMAL FEED

Within the animal feed business area, aXichem's focus is to establish aXiphen® as an additive in poultry feed and pig feed. aXiphen® has been shown in studies and tests to be able to reduce the occurrence of salmonella in chickens while promoting their growth. There is today a great need to find a replacement for antibiotics in meat production, due to an increasing problem with resistant bacteria. In the EU, USA and Brazil, among others, the preventive use of antibiotics has been banned, which opens up interesting possibilities for aXiphen® as a feed additive.

aXiphen has been approved in Brazil since December 2023 as an additive in poultry feed and pig feed. The product will be introduced to the market in the first half of 2024 in collaboration with the distributor Chr. Olesen, with the goal of achieving sales of approximately SEK 10 million during the year. In 2022, aXichem submitted an application to the authority EFSA for approval for phenylcapsaicin as a feed additive according to the Feed Additive regulation in the EU. The review process continues and the company assesses that with data from supplementary studies, an approval should be possible in the first part of 2025.

In the USA, the regulations for additives in animal feed are called GRAS feed. aXichem has an application for approval for aXiphen under these regulations which is ready to be submitted, but a strategic decision has been made to prioritize the regulatory process in the EU and then proceed with approval in the USA and relevant markets in Asia.

BUSINESS AREA DIET ALLOWANCES

The company has market approval for aXivite as an ingredient in food supplements in the EU since 2019, according to the Novel Food regulations, and in North America since 2018, according to GRAS Food. aXivite has been well received, especially in North America. The market is driven by increased public knowledge about health, exercise and well-being as well as higher demands for scientifically tested ingredients in food supplements, which is a good fit for aXivite, which was documented in several scientific articles in 2023.
However, lead times for product development and launch of consumer products within the agreements entered into with in front all Iovate and Uriach have been longer than expected in 2023, which has affected aXichem's sales development in the business area and entailed a revision of set sales targets. However, the beginning of 2024 has shown a positive trend and several new products, with aXivite as an active ingredient, are planned. aXichem's goal is a continued gradual increase in sales within nutritional supplements with the goal of reaching approximately SEK 20-25 million by the end of the third quarter of 2024.

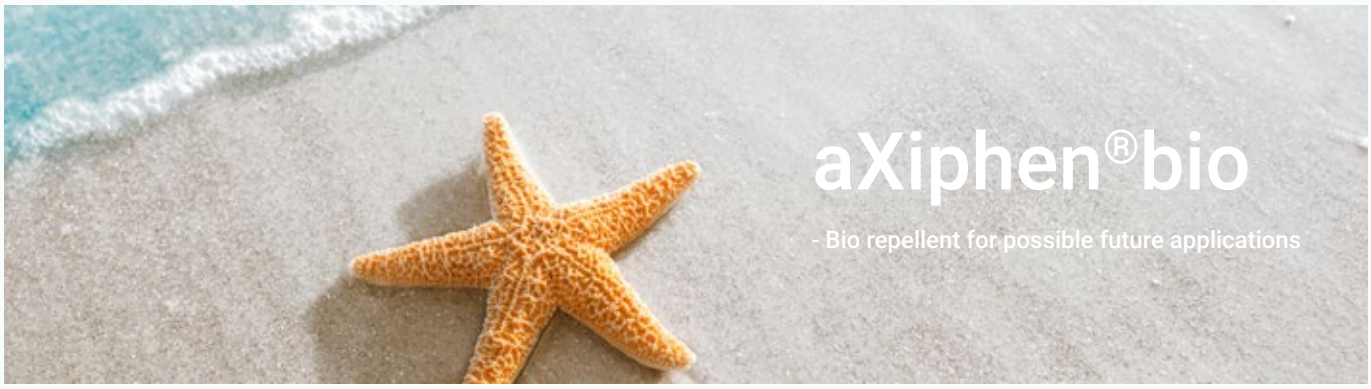
BUSINESS MODEL

aXichem develops, patents and markets natural analogue industrial chemicals under its own brands. The products are adapted and manufactured by subcontractors and then delivered to aXichem's customers as powder or in liquid form. aXichem's customers are producers of animal feed and manufacturers of food supplements. They manufacture and market end products with different characteristics that they sell under their own brands to wholesalers or retailers, who in turn manage the sales to the end consumer.

aXichem contracts subcontractors who adapt and manufacture the products according to the Company's wishes. aXichem has an agreement with a global producer, via their Swedish company, for the production of phenylcapsaicin, which is refined into aXiphen® and aXivite® by producers in Switzerland and Germany respectively. aXichem owns the specification and production process, which means that the suppliers do not own any specific property that cannot be replaced in a reasonable time.

The refined product is sold as an ingredient/additive to aXichem's customers, who manage the production and marketing of dietary supplements and animal feed themselves. For aXiphen®, the Company has agreements regarding marketing, sales and distribution in the EU and South America with Chr. Olesen, a global company headquartered in Denmark. aXichem is also in dialogue with several major feed producers with the aim of signing commercial agreements in Brazil during 2024 and in the EU as soon as market approval is obtained.

PRODUCT NAMES AND BRANDS



THE COMPANY'S DEVELOPMENT

Phenylcapsaicin for use as an additive in animal feed and as an ingredient in food supplements has undergone an extensive number of tests and studies on the way to regulatory approvals, industrialization and commercialization.

2012
Comprehensive study regarding metabolism. The study indicated that aXiphen® is absorbed, distributed, and degraded in the same way as natural capsaicin. The study also showed that aXiphen® affects metabolism in a similar way to natural capsaicin.

2016
Study to prove the effectiveness of aXiphen® as a component in chicken feed.

2018
Approval according to GRAS food in the USA.

2019
Approval according to Novel Food in the EU.

2020
Production tests regarding Salmonella prevalence on the floor of chicken houses were carried out in a full-scale commercial trial, with production of chicken under agricultural conditions, in the Netherlands. Chickens received 15 ppm phenylcapsaicin in the feed in a standard starter diet. The production test included approximately 1.6 million questions. The test showed a statistically significant reduction in the number of stables with salmonella-positive floor tests. The European Production Efficiency Model, EPEF, also showed that breeding efficiency increased by 14% compared to traditional feeding.

2021
aXivite® shows in a study with 39 healthy volunteers to have a significant effect on reducing % body fat. The study also shows significant results in key blood biomarkers related to overall gut health.

The clinical trial was conducted as a randomized double-blind clinical trial at a research center in Ohio, USA.

2021-2022
aXichem conducts a significant number of studies and tests regarding the efficacy and tolerability of phenylcapsaicin. It was also mapped how the product breaks down in nature prior to the submission of the company's application for Feed Additive approval in the EU.

2022
Indicative positive results were obtained in 2022 from a completed study whose purpose was to evaluate and determine the effect of phenylcapsaicin on electrical muscle activity, biochemical responses and neuromuscular performance. The study was carried out at the University of Valencia de Olavide University.

The results of the study were published in April 2023 in a scientific article in the Journal of the International Society of Sports Nutrition (JISSN). The results of the study, in which twenty-five male athletes were tested with the squat exercise, showed that a high dose (2.5 mg) of phenylcapsaicin reduced the perceived fatigue of the effort in the active muscle, improved mechanical performance and produced less muscle damage compared with placebo or a low dose (0.625 mg) of phenylcapsaicin.

2023
Approval in Brazil for phenylcapsaicin as a feed additive in poultry feed and in pig feed.

COMMERCIALIZATION

In the animal feed business area, aXichem collaborates with the Danish distributor Chr. Olesen Group to market aXiphen® in Europe and South America.

A prerequisite for commercialization of the company's products is market approval. At the end of 2023, aXichem received market approval in Brazil for aXiphen® as an additive in poultry feed and pig feed. In collaboration with Chr. Olesen has started work on introducing aXiphen® to stakeholders on the market in Brazil, and an extensive marketing campaign is planned. During the first half of 2024, it is the company's goal to carry out commercial production tests in collaboration with a number of selected feed producers to gradually reach larger volumes.

The application for market approval of aXiphen within the EU was submitted in 2022. At the end of 2023, the authority EFSA announced the results of its scientific review (scientific opinion). EFSA assessed that additional data were needed in the areas of effect, consumer safety and environmental impact. aXichem will therefore carry out further studies to supplement what EFSA considers to be missing. It is the company's goal to have an approval in place during the first part of 2025 and then begin commercialization of the product within the EU.

In order to sell aXiphen® on the US market, the company needs a GRAS feed approval. The work to get this approval in place began in 2021, but due to changes in the regulations over time, the company has been required to update the application with new information. aXichem, however, assesses that the market in the USA when it comes to sustainable salmonella control in chicken production is less mature and also more fragmented than the European one and has therefore decided to prioritize the regulatory work in order to reach the market in the EU.

aXivite®, which is the company's ingredient for food supplements, has market approval in both the USA - GRAS food, and in the EU - Novel Food. Sales take place partly through our own sales force, partly through distributors focusing on the market segments gut health, weight control, fitness and exercise. aXivite is also marketed as a bio-enhancer in food supplements for better sleep. For the US market, aXichem has a distributor agreement with SEE Nutrition, a research and development agreement with the Canadian company Iovate Health Sciences International (Iovate) and a letter of intent with Silver Fern Brand. Iovate is one of the leading producers of nutritional supplements for weight control and physical training with brands such as MuscleTech and Hydroxycut in its product portfolio. aXichem and Iovate have jointly conducted tests and studies with aXivite®. These positive results have led to aXivite® now being included in the MuscleTech BurnIQ product line and included in Iovate's best seller Hydroxycut.

aXichem today has a well-established distribution network in Europe with representation in around ten countries. During 2023 the most active markets have been Spain and Italy, where aXichem is represented by Pharmafoods and Respharma respectively.

At the beginning of 2024, aXichem signed a letter of intent with Silvaco, for distribution in the Scandinavian countries. Distributors work, in their respective geographic markets, with a number of different producers who each develop their own consumer products. It takes an average of six to twelve months from the time aXichem receives the first order for product development until a new consumer product is ready for launch. Several consumer products with aXivite® as an active ingredient are now available through various sales channels, such as muscletech.com, amazon.fr and apyforme. com.

In 2023, aXivite was also introduced in a new area of food supplements, where the product's properties as a bio-enhancer, through the Italian drug and food supplement company Uriach, had a breakthrough in a melatonin product. A collaboration that for aXichem is worth approximately four million kroner on an annual basis.

"In 2023, a patent application was submitted for aXivite® as a performance-enhancing ingredient in dietary supplements intended for physical training"

RESEARCH AND DEVELOPMENT

aXichem works in market areas that place high demands on innovation. Above all, the market for dietary supplements is influenced by trends in lifestyle, exercise and new findings on the connection between diet and health. aXichem's products must also live up to various regulatory requirements for documented safety and efficacy. Being at the forefront of research and product development is therefore a very important competitive factor for the company.

The industrial synthesis of phenylcapsaicin, i.e. the exact composition of the product to be able to produce in large volumes with maintained properties, is continuously improved in order to achieve the very best conditions for large-scale production. The research and development work is led by aXichem's Chief Technical Officer (CTO) who collaborates with a small team of contracted chemists. All have extensive experience and knowledge in both experimental and industrial chemistry.

aXichem has over time carried out tests and studies in a laboratory environment to obtain data and gain a deeper understanding of the mechanisms that influence the effect of phenylcapsaicin. Prior to the submission of the Feed Additive application in the EU in 2022, additional effect and tolerance studies were carried out as well as studies regarding long-term environmental impact. Studies and tests provide additional data that can be used to deepen or build new customer relationships. New data can also lead to new applications within existing market segments or patent applications.

PATENT STRATEGY AND PATENTS

aXichem continuously works to patent commercially interesting inventions to further develop existing intangible values and create new ones. The patent is also an important competitive protection in the continued market establishment of the company's products. aXichem's patent strategy also includes identifying additional patents adapted to protect the product in new areas or specific applications. Since its inception, the company has collaborated with the Norwegian patent agency Bryn Aarflot in patent and intellectual property law matters.

When aXichem enters into new cooperation or research and development agreements, it is of the utmost importance that existing patents are protected and that, within the framework of the agreement, opportunities are given to apply for new patents. The patent situation is also an important factor in the company's regulatory processes.

aXichem has global patent protection for the molecule phenyl capsaicin, derivatives of phenylcapsaicin, the method of producing the main molecule and derivatives of the molecules and the use of these as ecologically degradable, environmentally friendly repellents.

The company also has the international patent rights for the use of phenylcapsaicin in surface treatments with a growth-inhibiting effect.

AXICHEM'S MOST IMPORTANT PATENTS IN BRIEF

During 2015-2016, the company submitted three patent applications. Two of these were intended to strengthen the protection of the company's product in chicken feed (phenylcapsaicin as a growth promoter respectively salmonella inhibitors) and the third provides protection for phenylcapsaicin in certain medical applications (phenylcapsaicin as a TRPV1 agonist).

In 2017, aXichem received two new patents regarding aXiphen as a growth promoter and bioenhancer, respectively.

In 2019, the company received a new patent for aXiphen, as a salmonella inhibitor for poultry. The patent provides comprehensive protection for the use of aXiphen, and other synthetic analogues, as an ingredient in poultry feed, among other things to prevent salmonella in various types of birds. The patent protection is valid until November 2035 and covers aXiphen as an ingredient in feed for e.g. chickens, hens, turkeys, ducks and applies to domesticated poultry, raised in commercial facilities, as well as wild birds.

In 2021, the patent for the industrial production process for phenylcapsaicin was approved. The patent takes into account the industrial process' requirements for robustness, commercially available raw materials and other prerequisites regarding practical parameters to enable full-scale production of the product.

In 2022, aXichem received patent approval to protect phenylcapsaicin for use in the treatment of idiopathic pulmonary fibrosis (IPF). IPF is characterized by progressive fibrosis (scarring) of the lungs, which means that symptoms worsen over time. The disease picture involves a persistent cough, recurrent lung infections and severe shortness of breath. The background to the disease is largely unknown, but factors such as smoking, viral infections and stomach/intestinal-related problems such as gastro-oesophageal reflux may have possible causal links.

In 2022, the company also received patent approval for phenylcapsaicin as a substance for the treatment of leaky gut. Leaky gut means that the intestinal wall's protective barrier has weakened and thus lets toxins and bacteria through into the bloodstream. Leaky gut carries the risk of a number of different medical conditions.

In 2022, a patent application was filed for phenylcapsaicin as a bio-enhancer for substrates of certain Cytochrome P450 isoforms, enzymes involved in the metabolism of several common drugs. Phenylcapsaicin has been tested as a bio-enhancer for Cytochrome P450 together with several active substances and significant positive results were shown with a specific substrate of Cytochrome P450, which among other things regulates melatonin.

In 2023, a patent application was submitted for aXivite® as a performance-enhancing ingredient in food supplements intended for physical training. The title of the patent is "Physical performance aid" and has its background in effect data from above all a study conducted by aXichem. The study has mapped the effects of different doses of phenylcapsaicin on strength training performance, muscle damage, protein breakdown, metabolic response and estimation of perceived effort and recovery.

BUSINESS AREA ANIMAL FEED

The market approval in Brazil for phenylcapsaicin, as an additive in poultry and pig feed, opens the first market for aXichem in the animal feed business area. The approval was obtained in December 2023 and together with the distributor Chr. Olesen is now working on introducing the product to animal breeders and feed manufacturers. As support in the sales process, the company has effect data from production tests carried out in, among other places, the Netherlands, which show aXiphen's capacity to prevent and prevent salmonella and at the same time promote animal growth. Similar production tests will be carried out in Brazil in 2024 to give local producers the opportunity to get to know aXiphen and its benefits.

aXiphen® – documented effect in problems with salmonella in production facilities.

aXiphen was evaluated in a production test regarding salmonella prevalence on the floor of chicken houses in a full-scale commercial trial in 2020. The test was conducted in an environment with production of chickens under commercial agricultural conditions, in the Netherlands.

The chickens received 15 ppm phenylcapsaicin added to the feed in a standard starter diet. The production test included approximately 1.6 million birds. The test showed a statistically significant reduction in the number of stalls with salmonella-positive floor tests. The European model for production efficiency, EPEF, also showed that breeding efficiency increased by 14% compared to traditional feeding.

SIGNIFICANT MARKET POTENTIAL FOR AXIPHEN IN BRAZIL AND IN THE EU

Salmonella is a widespread problem in global chicken production and costs large sums every year.

According to "Brazil: Poultry and Products Annual" published by the Foreign Agricultural Service of the U.S. Department of Agriculture (September 13, 2023) Brazil is the second largest producer of chicken meat in the world after the United States, and the largest exporter of chicken meat in the world. Forecasts indicate an increase of chicken meat production by three percent by the end of 2023 to reach 14.9 million tonnes (MMT). Production is expected to increase by one percent in 2024, reaching almost 15.1 MMT. These forecasts are a record for Brazil and are based on high demand, positive socio-economic development and improved production costs. Brazil is working to open new markets as well as to increase product diversification in existing markets.

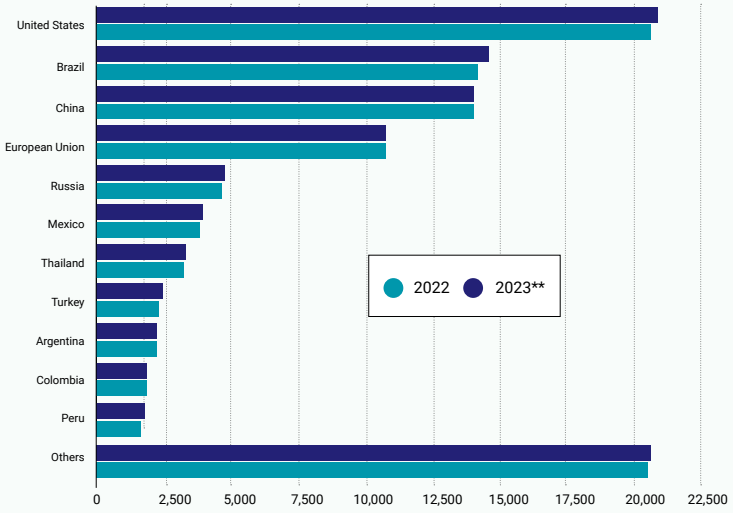
The EU's estimated costs for salmonella outbreaks amount to roughly 3 billion euros per year according to a study by Wessels K., Rip D., Gouws P. (2021), "Salmonella in Chicken Meat: Consumption, Outbreaks, Characteristics, Current Control Methods and the Potential of Bacteriophage Use".

According to the report "Europe Poultry Feed Market - Growth, Trends, Covid-19 impact and forecast 2023 - 2028", published by Morder Intelligence, based on data from, among others, the European Feed Manufacturers Federation (FEFAC), the poultry feed market in Europe is estimated to host around 30 billion Euros. The market is estimated to show an annual growth of approximately 4%. Increased demand for protein in the form of meat and eggs as well as a relatively high average standard of living are some of the factors driving market growth.

SAFE AND SALMONELLA-FREE MEAT EXPORT TOP OF THE AGENDA IN BRAZIL

Salmonella control has been a priority area for Brazil's meat exports for a number of years. The British Food Standards Agency (food.gov.uk) has drawn up special rules and recommendations for export control of, among other things, chicken meat produced in Brazil. The background to the regulations is the extensive deficiencies in the country's meat production that the police and relevant authorities in Brazil discovered and investigated in a major operation in 2017 (Carne Fraca) and which the EU was able to confirm in a subsequent review. Among other things, it was established that salmonella-infected meat was exported to the EU. The review resulted in the export/import controls of meat from Brazil to the EU and the UK being significantly strengthened. At the initiative of the Brazilian authorities, the EU carried out a follow-up inspection in 2021. The inspection showed that the Brazilian authorities had made significant progress with improved requirements and procedures. In order for Brazil to obtain a market for its large production of chicken meat, it is necessary that the positive development continue. Chicken producers are therefore keen to prevent and prevent salmonella and open to new innovative, effective solutions. aXichem therefore views positively the possibilities for a successful establishment of aXiphen in Brazil.

Production of chicken meat 2022 and 2023 globally, per country (1000 tons)



** forecast

BUSINESS AREA SUPPLEMENTS

The market for dietary supplements is strongly influenced by various trends in lifestyle and health. The North American market is driving when it comes to new trends. The tone-setting debate of recent years has focused on the increased health risks of obesity and diabetes. This has contributed to intensifying product development in the area of weight control. The debate has also led to increased interest in nutritional supplements for weight control across all age groups, an interest that is predicted to continue to increase. At the same time, the number of training facilities has increased and the own opportunity to influence health has come into focus.

GUT HEALTH AND WEIGHT CONTROL

aXichem's product aXivite has shown positive effects on people's intestinal health and metabolism in studies. Together with physical exercise, the product has also been shown in a study to be able to contribute to weight loss. The positive effects have already occurred at very low doses of aXivite. It is also possible to use aXivite as an ingredient in different product categories such as powder, capsules or drink.

The North American market for weight management products is estimated by Morderintelligence.com to reach a value of approximately USD 8.1 billion by 2024 and is expected to reach USD 10.06 billion by 2029, growing at an estimated average annual growth rate (CAGR) of approximately 4.3% during the forecast period to 2024 -2029.

Interestingly, the European weight management products market was valued at around USD 3.6 billion and is expected to see a CAGR of around 7.7% during 2024-2029.

SPORTS AND TRAINING

In 2023, several articles were published in scientific journals with results from the study that was carried out the year before in collaboration with aXichem's partners LIFEPro Nutrition and Indiex Sport Nutrition, as well as the University of Valencia and Pablo de Olavide University. The aim of the study was to evaluate the effect of phenylcapsaicin on electrical muscle activity, biochemical responses and neuromuscular performance.

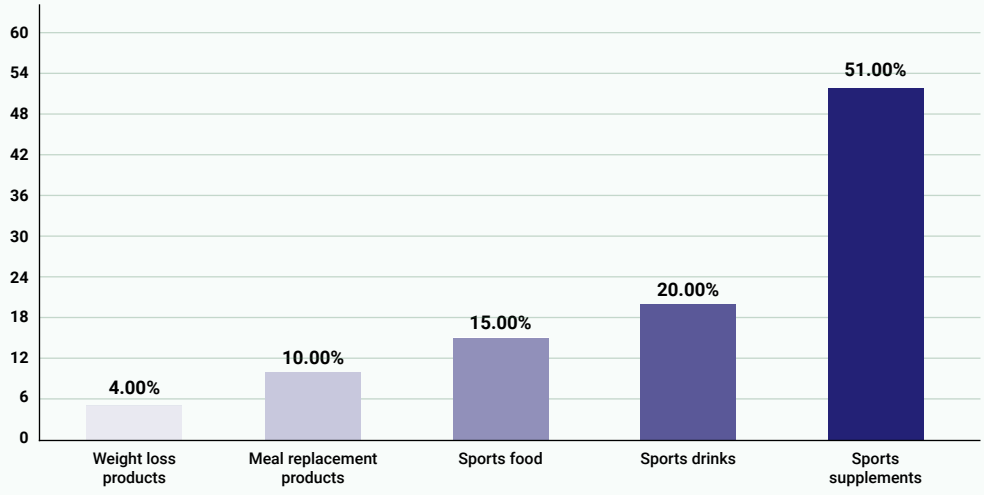
The results of the study, in which twenty-five trained male athletes were tested in a so-called squat exercise (knee bends), showed that a high dose (2.5 mg) of phenylcapsaicin reduced the perceived fatigue of the effort in the active muscle, provided an improved mechanical performance, and provided less muscle damage compared to placebo or a low dose (0.625 mg) of phenylcapsaicin. The high dose thus produced significantly higher squatting speed, lower perceived effort and lower levels of aspartate aminotransferase (a biomarker for muscle damage) 24 hours after exercise compared to the low dose and placebo.

For nutritional supplement manufacturers who develop products for target groups who train at an elite level, or have similar ambitions with their training, this is very interesting data. Scientific articles were published in 2023 in the journals Frontiers in Physiology and the Journal of the International Society of Sports Nutrition (JISSN).

According to a report by precedenceresearch.com, the global sports nutrition (sports nutrition) market was valued at around USD 22.5 billion in 2022 and is expected to reach over USD 52.11 billion by 2032. Globally, a CAGR of 9. 3% during the forecast period 2023 to 2032. The North American region dominates the market and makes up about 45%. Europe is also expected to have a good growth trend during with a CAGR of 8.9% from 2022 to 2032 according to sphericalinsights.com.

Through a network of established distributors and producers, aXichem continues the commercialization of aXivite both in the USA and in Europe. The producers each develop their unique consumer products depending on market focus and demand. The lead time from aXichem receiving the first order for product development until a new consumer product is ready for launch is approximately six to twelve months. A number of new products with aXivite as an active ingredient are expected to reach the market in 2024.

SPORTS NUTRITION MARKET SHARE, BY PRODUCT, 2022 (%)



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BIO ENHANCER FOR MELATONIN AND CURCUMIN

Melatonin is a body hormone produced by the pineal gland in the brain and regulates human sleep-wake cycles. The production of melatonin is controlled by light and darkness, and disruption of the human sleep-wake cycle can lead to sleep problems. For the short-term treatment of sleep problems, synthetically produced melatonin is a common over-the-counter drug.

Phenylcapsaicin has been shown in tests to be able to inhibit a specific substrate of Cytochrome P450, the one that, among other things, regulates melatonin. This means that phenylcapsaicin causes melatonin to break down more slowly in the body.

The global market for melatonin products is expected to grow by approximately 7.2 percent per year during 2020-2027 and was estimated to be worth USD 437 million in 2019, according to Melatonin Market Analysis, 2020, Coherent Market Insights.

In June 2023, aXichem signed an exclusivity agreement with Uriach regarding the use of aXivite in one of Uriach's meletonin products, Aquilea®. The agreement gives Uriach exclusivity for a melatonin formulation with aXivite in the markets in Spain, Portugal, Germany, Austria and Romania. To obtain this exclusivity, Uriach has committed to an annual purchase of aXivite in volumes corresponding to a value of at least 400,000 Euro. Uriach has a great commitment to innovation and growth in dietary supplements and the new version of Aquilea® with aXivite is planned to be ready for launch in the second quarter of 2024.

Curcumin (turmeric) is, like capsaicin, a substance with anti-inflammatory antiseptic properties. Curcumin, which is the active substance in turmeric, has been officially named an antioxidant by the American Cancer Society. Research into ntioxidants is still relatively new, but there is consensus that a good balance of antioxidants, which are found in many foods, contributes to increasing the body's ability to deal with so-called oxidative stress that can damage or destroy cells in the body and cause disease. Tests with phenylcapsaicin and curcumin, in a so-called Caco-2 model, have shown that phenylcapsaicin, even at low doses, increased the absorption of curcumin. Curcumin with aXivite® is available on the market today in a product marketed and sold by aXichem's related company aXimed.

MARKET REGULATION WITH HIGH REQUIREMENTS

For aXichem to be allowed to market and sell its products for different applications and in different geographical markets, the company must demonstrate through data from tests and studies that phenylcapsaicin is not harmful to either humans, animals or the environment. The regulations are there to protect all living things from the harmful effects of new products. The requirements often differ between regions and countries. In some cases, new supplementary studies are required, but sometimes already collected data can be used. When the reviewing authority assesses that all requirements are met, a market approval is obtained for the product.

MARKET AREAS REGULATED BY EU NOVEL FOOD LEGISLATION

The Novel Food regulations regulate which new substances within food and dietary supplements and so-called PARNUT (foodstuffs for particular nutritional uses) may be marketed and sold within the EU. aXichem received approval for phenyl-capsaicin according to Novel Food at the end of 2019. This means that aXichem can market and sell aXivite® in Europe within food supplements and nutraceuticals and use aXiphen® for tests in products intended for animal feed.

MARKET AREAS REGULATED BY EU FEED ADDITIVE LEGISLATION

To sell phenylcapsaicin and aXiphen® in larger volumes and position the product as a standard product in animal feed, with a focus on poultry production, European feed manufacturers require a product approval for aXiphen® according to the EU Feed Additive Directive. The company submitted its application to the European Food Safety Authority (EFSA) in the first quarter of 2022. The application was assessed as complete and the review began in September 2022. The next step is EFSA's "risk assessment phase", i.e. a risk assessment of the product. During this phase, where EFSA aims to handle the case in six months, EFSA can put questions to the company. When EFSA asks a question, the review is paused during the time that the company works on answering the question.

This means that the time that an application can be in the risk assessment phase can vary greatly, from months to years, depending on the nature of the questions and how long the applicant needs to answer the questions. In December 2022, aXichem received a number of questions from EFSA, which were answered at the beginning of 2023. During 2023, the review continued and in December it was announced that EFSA could not make a clear risk assessment, but gave an "incomplete" (inconclusive) statement.

This means that EFSA has concluded that there are some data gaps in the supporting material in the application, in the areas of environmental safety, consumer safety and effect. aXichem will need to carry out a number of new studies to fill these gaps and estimates that it will take approximately six months from the start of studies to produce the required information. The new material must then be reviewed, which according to the EU's own description of the process takes approximately 6-12 months, which means that aXichem estimates that an approval can be in place during the first half of 2025.

MARKET AREAS REGULATED BY GRASS FOOD IN THE UNITED STATES

The EU's Novel Food is equivalent in the US to GRAS food and covers substances and chemicals used in food and dietary supplements. GRAS is the abbreviation for Generally Recognized as Safe (generally recognized as safe) and aXichem received approval according to GRAS food 2018. Several new products with aXivite® as an active ingredient are today available on the market in the USA.

MARKET AREAS REGULATED BY GRASS FEED IN THE UNITED STATES

To sell and market aXiphen® in the animal feed business area on the American market, certification according to GRAS feed is needed. aXichem intends to apply for approval according to GRAS feed and has the basis for an application. However, the company has decided to prioritize the establishment of aXiphen® in Brazil and the application for approval according to the EU's Feed Additive before proceeding with GRAS feed.

MARKET AREAS REGULATED BY BRAZIL'S FEED ADDITIVE

In Brazil, feed additives must be approved and listed as a raw material by the Ministry of Agriculture, Livestock and Food Supply (MAPA) and registered as a feed additive (Feed Additive) by the Department of Inspection of Animal Products (DIPOA). In December 2023, phenylcapsaicin received Feed Additive approval in Brazil, which means that aXiphen can be marketed and sold as a new raw material for zootechnical feed additives, in poultry feed and pig feed.

TEAM AND CORE VALUES

aXichem is a knowledge-intensive company in an early commercial phase. The team consists of both employed staff and consultants. These have their workplaces partly at the head office in Malmö, partly at aXichem's office in Bergen and at their respective home offices in the USA and Europe. The organization's structure places high demands on communicative ability and each employee's drive and responsibility. aXichem's goal is to offer a positive and creative work environment where employees have great opportunities to influence their work. The watchwords are competence, creativity and respect.

COMPETENCE

Recruiting and retaining personnel with the right skills and experience is a prerequisite for aXichem's continued establishment on the market and for developing new competitive ingredients and products in the future. To ensure continuous competence development, everyone is encouraged to take their own initiative to participate in courses and conferences in the areas that affect our operations and each one's expertise. We value the ability to work in a team and to be able, together with others, to create good conditions for everyone in the team to perform at a high level.

CREATIVITY

aXichem's business is the result of creativity, the courage to think new and combine this with genuine entrepreneurship. The company always looks positively at ideas that can develop operations both in research, development and production as well as in marketing, sales and administration.We strive to positively evaluate new ideas and approaches to solve the challenges we face.

RESPECT

As an employer, aXichem must ensure that all employees are treated equally and have the same rights. Everyone must also be treated equally in terms of working conditions and terms of employment. Employees are expected to treat each other with respect and live up to Swedish legislation in their actions towards everyone inside and outside the organization. Together, we work for an open and transparent corporate culture, with great faith in the ability of the individual and the team. The goal is for everyone to feel involved in the company's success by clearly seeing their role in the development of the business.

HEALTH CARE ALLOWANCE AND HEALTH INSURANCE BENEFITS

The company would like to see that the employees make use of the wellness allowance that the company offers. aXichem applies flexible working hours and there is an opportunity for those who wish to take a break from the working day to, for example, work out at the gym or take a walk.

aXichem's employees also have health insurance that provides extended protection in the event of illness. We strive to create a culture together where every individual is given the opportunity to achieve a balance between work and leisure. Our watchwords are competence, creativity and respect. The employees must be given the conditions to develop, perform and contribute to the company's development and success. Everyone must know and understand the company's goals and experience that through their work they have a role in the company's success.

SUSTAINABILITY FOR ANIMALS, PEOPLE AND THE ENVIRONMENT

aXichem's vision is to, with a strong anchoring in nature and science, be an innovative, market-leading and reliable supplier of safe, effective and sustainable products that can improve human and animal health. Production takes place through GMP-certified (Good Manufacturing Practice) sub-suppliers in Sweden and in other countries around the world.

Our objective is to create value for partners and customers, employees, suppliers and shareholders.

We develop products that contribute to animals and people living a healthier life. With aXiphen® feed for animal feed, we contribute to chicken producers being able to operate antibiotic-free in a cost-effective way and salmonella-free farming. aXivite® as a bioenhancer has the potential to reduce the dose in certain medicines, which is positive for both humans and the environment.

In our strategy and in our corporate culture, sustainable development is included as an obvious and important foundation.

In our work for a sustainable business model, we have chosen to focus on the areas within the UN's Agenda 2030 where we see that we can influence through our operations and our actions. The goals become clear as part of our daily work in how we make decisions, how we interact with partners and suppliers, in risk management and in work environment and employee issues.

				
Sub-goal	**Sub-goal 3.3** Combat communicable diseases.	**Sub-goal 3.4** Reduce the number of deaths from non-communicable diseases and promote mental health.	**Sub-goal 5.1** Ensure full participation of women in leadership and decision-making.	**Sub-goal 12.4** Responsible handling of chemicals and waste.
aXichem	Our products reduce/ eliminate salmonella in chickens and other poultry and thus prevent infection to humans.	Our products promote intestinal health and prevent inflammatory conditions, which affect people's health both physically and psychologically.	We work for gender equality in our internal decision-making processes and we treat all employees with respect and openness with our partners, customers and suppliers.	Our subcontractors for production are all certified according to ISO9001 and the majority are also certified according to ISO14001 and ISO 45001. We strive for all our suppliers to have a stated and communicated sustainability policy.

AXICHEM'S SHARE

TRADING PLACE AND SHARE PRICE DEVELOPMENT

aXichem's A shares are admitted to trading on the Nasdaq First North Growth Market. The first day of trading on the Nasdaq First North Growth Market was November 27, 2013. The A share has ISIN code SE0005250719 and is traded under the short name AXIC A. Trading can take place in lots of up to one (1) share.

The number of shares and votes in the company as of 31 December 2023 was 21,496,325 and the company's share capital amounted to SEK 4,299,265. The company has only one class of shares, series A shares, with 1 vote per share.

The quota value is SEK 0.20 per share.

As of December 31, 2023, aXichem had 2,433 shareholders. The ten largest owners are shown in the table on page 36. Board and senior executives' shareholdings are shown in the description on pages 24-25.

LIQUIDITY GUARANTEE

During 2023, Penser Bank Corporate Finance (since October 2023 part of Carnegie Investment Bank) has been a liquidity guarantor for aXichem's share with the aim of improving liquidity and reducing the difference between the buy and sell price for the share on the Nasdaq First North Growth Market. However, the board assesses that the need for a liquidity guarantor, according to the rules introduced by Nasdaq First North Growth Market in January 2024, does not currently exist and therefore the liquidity guarantor agreement was terminated on May 1, 2024.

DIVIDEND

Anyone who is registered as a shareholder in the company on the dividend record date is entitled to a dividend. As the company does not yet have any income, the question of dividend distribution has not been relevant. The company therefore does not yet have a dividend policy either.

CONVERTIBLE LOAN

In February 2023, the company, with the support of the authorization of the general meeting, carried out an issue of shares with preferential rights for existing shareholders for approximately SEK 50 million before issue costs. The rights issue was 70 percent subscribed and brought aXichem approximately SEK 34.7 million before issue costs and repayment of part of the SEK 20 million loan that the company took out in 2022 from Formue Nord Fokus A/S. Furthermore, the board decided to take out a new loan from Formue Nord of approximately SEK 10.53 million, which fell due at the end of the first quarter of 2024.

In February 2024, aXichem's board decided, subject to the approval of the general meeting, which was obtained on March 6, 2024, to carry out an issue of shares and warrants, so-called Units, with preferential rights for existing shareholders, for approximately SEK 40.3 million before issue costs. One Unit consisted of five A shares and five warrants of series TO1A.

The subscription price per Unit amounted to SEK 7.50, corresponding to SEK 1.50 per A share. The rights issue is covered to 70 percent by subscription and guarantee commitments. The rights issue was 70 percent subscribed and brought aXichem approximately SEK 28.2 million before issue costs.

Part of the issue proceeds was used to repay part of the convertible loan from Formue Nord Fokus A/S.

The board also decided to take out a new convertible loan from Formue Nord Fokus A/S of approximately SEK 5.3 million, which partially replaces the existing convertible loan.

The loan bears an annual interest rate of STIBOR 3 months plus 12 percent and is due for payment on March 31, 2025, unless the convertibles have been converted before then. The conversion rate amounts to SEK 1.95. If the convertible loan is converted in its entirety, the number of shares increases by 2,699,055 and the share capital by SEK 539,811. aXichem's board works continuously to ensure the company's long-term financing.

SHARE CAPITAL DEVELOPMENT

YEAR	EVENT	CHANGE IN NUMBER OF SHARES	TOTAL NUMBER OF SHARES	CHANGE IN SHARE CAPITAL	TOTAL SHARE CAPITAL	QUOTA VALUE
2007	Company formation	10 000 000	10 000 000	500 000	500 000	0,05
2008	New share issue	925 000	10 925 000	46 250	546 250	0,05
2008	New share issue	232 000	11 157 000	11 600	557 850	0,05
2009	New share issue	753 555	11 910 555	37 678	595 528	0,05
2012	New share issue	1 572 348	13 482 903	78 617	674 145	0,05
2012	New share issue	266 666	13 749 569	13 333	687 478	0,05
2012	New share issue	140 000	13 889 569	7 000	694 478	0,05
2013	Exchange convertibles	779 991	14 669 560	39 000	733 478	0,05
2013	Aggregation	-11 002 170	3 667 390	0	733 478	0,20
2014	New share issue	2 444 925	6 112 315	488 985	1 222 463	0,20
2014	New share issue	328 321	6 440 636	65 664	1 288 127	0,20
2015	New share issue	2 146 879	8 587 515	429 376	1 717 503	0,20
2015	New share issue	666 666	9 254 181	133 333	1 850 836	0,20
2016	New share issue	5 552 508	14 806 689	1 110 502	2 961 338	0,20
2018	New share issue	192 560	14 999 249	38 512	2 999 850	0,20
2019	New share issue	681 784	15 681 033	136 357	3 136 207	0,20
2019	New share issue	250 000	15 931 033	50 000	3 186 207	0,20
2021	New share issue	604 603	16 535 636	120 920	3 307 127	0,20
2023	New share issue	4 960 689	21 496 325	992 137	4 299 265	0,20

FUTURE PROSPECTS

aXichem continues the work with the commercialization of the company's first natural analogue substance phenylcapsaicin, under the brands aXiphen® in the animal feed market and aXivite® in the food supplement market.

aXichem cooperates with specialized distributors, who either have their own production or cooperate with innovative leading producers. Production and logistics take place through subcontractors and the production process is optimized for commercial volumes.

In November 2023, aXichem revised its sales targets in the food supplements business area. The background to this is that lead times for product development and launch of consumer products within the agreements with aXichem have been longer than expected and the number of launched products thus fewer. New products are expected to be launched in 2024 and the company sees an increased and positive interest from food supplement producers, which should generate new agreements in the future. aXichem's goal is to have achieved cumulative sales of aXivite® of approximately SEK 20–25 million during the third quarter of 2024, calculated from February 2023.

Since December 2023, aXiphen has been approved for sale and use in Brazil as an additive in chicken feed and piglet feed. The launch of the product in Brazil will begin in the first half of 2024 and aXichem has a goal of achieving sales of approximately SEK 10 million in 2024.

aXichem is conducting studies in 2024 to supplement the application for market approval within the EU for phenylcapsaicin added to chicken feed. After the submission of the supplementary data, EFSA's and the EU Commission's processing, until a ratified approval, according to the regulations, is six to twelve months, which may mean an approval in 2025.

WORDS AND TERMINOLOGY

Antioxidant	Antioxidants are chemical compounds that counteract oxidation. Oxidation is a chemical reaction that can produce free radicals, which thereby lead to chain reactions that can damage organisms' cells.
Bio enhancer	Substance that increases the uptake in the body of other substances.
Capsaicin	Substance that causes the perceived heat of plant species in the genus Capsicum (chili peppers).
Caco-2 cells	Human intestinal adenocarcinoma cells with the ability to express differentiation properties typical of mature intestinal cells, such as enterocytes and mucosal cells. These cells are valuable tools for in vitro studies concerning the function and differentiation of intestinal cells.
Curcumin	Curcumin is the active substance in turmeric. The substance has been officially named an antioxidant by the American Cancer Society.
Cytochrome P450 isoform	A large group of isoenzymes (heme proteins) that are key components of the multifunctional oxidation system that is partly responsible for the biosynthesis of steroids, fatty acids and bile acids, and partly the bioconversion of many foreign compounds into mutagenic and carcinogenic substances.
EFSA	European Food Safety Authority. EU regulatory authority for food and animal feed.
Phenylcapsaicin	Synthetic derivative of capsaicin.
Chemical synthesis	Chemical synthesis means that chemical reactions are used to intentionally produce one, or sometimes several, chemical compounds from other chemical compounds. Synthesis often occurs in both organic chemistry and inorganic chemistry.
Natural analogue industrial chemicals	Synthetically produced substances with similar and comparable properties to natural substances.
Nutraceuticals	Vitamins and dietary supplements, come from the English words nutrition and pharmaceuticals, and imply that something you eat works as medicine.
Oxidative stress	Oxidative stress is called the biochemical process where either reactive oxygen compounds produced by the organism itself damage cells and organs, or substances taken into the body do that damage (for example, substances in cigarette smoke).
Substrate	Molecule that binds to the active surface of an enzyme. The enzyme catalyzes a chemical reaction that causes the substrate to be converted into a product.
Triple bonded capsaicin derivative	Variants of aXichem's natural analogue capsaicin molecule.
TRPV1 agonist	In the brain, the capsaicin receptor TRPV1 is found in various regions and nerve pathways. Studies show that both activation and inhibition of TRPV1 are conceivable drug strategies for treating a range of diseases and emotional states in the central nervous system. An agonist is a substance or drug that can enhance or affect certain activities that take place in the body's cells.


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CAFFEINE EVOLVED
DIETARY SUPPLEMENT
60 RAPID RELEASE LIQUID CAPSULES

BOARD OF DIRECTORS

Jan Gustavsson
Board member and chairman since 2017.

Born: 1946.

Holdings: 28,572 A shares.

Education: : Phil. Bachelor of Science in Accounting and Finance, Lund University.

Other ongoing assignments: Owner of JGB Consulting.

Previous assignments in the last five years: Chairman of the Board of Interlite AB, Chairman of the Board of Sotenäs RehabCenter AB. Board member of Ikano Bostad Stockholm Holding AB.

Torsten Helsing
Board member since 2007 and CEO since 2016.

Born: 1957.

Holdings:1,927,784 A shares through Manakin Ltd and 44,175 A-shares through related parties.

Education: Primary school education.

Other ongoing assignments: CEO of aXimed AB, aXimed AS and Driftkultur AS. Chairman of Guizhou aXimed Health Food Co., Ltd, Soya AS and aXichem AS. Board member of aXimed HK Ltd, Manakin Ltd and Tofu AS.

Previous assignments in the last five years: None.

Jørn Berthelsen
Board member since 2017.

Born: 1949.

Holdings: 25,348 A shares and 1,640 A shares through related parties.

Education: BSc in Biology, Bachelor of Commerce, University of Copenhagen.

Other ongoing assignments: Board deputy in Seawood AB, board member in aXimed AS.

Previous assignments in the last five years: Board member and COO in Bertram Pharma ApS until 2017.

Christian Månsson
Board member since 2023.

Born: 1980.

Holdings: 34,398 A shares and 32,217 A shares through related parties.

Education: Master's degree in chemical engineering from Lund University of Technology and bachelor's degree in Economics from Lund University of Economics.

Other ongoing assignments: CEO and board member of Life Science Partner Skåne AB. Board member of Carbiotix AB (publ) and Öresund Growth Partner AB.

Previous assignments in the last five years: None.

BOARD OF DIRECTORS

Gunilla Savring
Board member since 2014.

Born:1962.

Holdings: 19,757 A shares through Savring Consulting AB.

Education: Executive MBA, Lund University.

Övriga pågående uppdrag: Board member of Aqilion AB, managing director and board member of Savring Consulting AB.

Previous assignments in the last five years: Board member of Clinical Laserthermia Systems AB.

Edward van den Elsen
Board member since 2022.

Born: 1968.

Holdings: No shares in the company.

Education: BSc in Animal Nutrition and Animal Husbandry, University of Wageningen

Other current positions: CEO of and owner of Solfeed BV, Solfeed Feed Service BV and MijnVoer.nl. Owner of EMWith BV. Non-executive board member (non executive board member) in Victam BV.

Previous assignments in the last five years: None

EXECUTIVE MANAGEMENT

Torsten Helsing
CEO

Born: 1957.

Board member since 2007 and CEO since 2016

For more information about Torsten Helsing, see above under ”Board of directors”.

Lucas Altnpost
Deputy CEO, Head of Market and Sales since 2017.

Born: 1967.

Holdings: 111,643 A shares and 100,000 options.

Education: Bachelor’s degree in Business Administration, University of Lausanne.

Other ongoing assignments: Chairman of the board in Norbiotech. Board member of aXichem AS.

Previous assignments in the last five years: No previous assignments

Erik Lager
Chief Technical Officer since April 2019.

Born: 1975.

Holdings: 17,143 A shares and 100,000 options.

Education: File dr. organic chemistry, Lund University,

Other ongoing assignments: No other ongoing assignments.

Previous assignments in the last five years: No previous assignments

Gunilla Savring
Board member since 2014 and Chief Investor Relations and Communications Officer since 2016.

Born: 1962.

Board member since 2014. For more information about Gunilla Savring, see above under ”Board of directors”.

Board of Director's Report and Financial Information

BOARD OF DIRECTOR'S REPORT

The board and the managing director of aXichem AB (publ) may hereby issue an annual report and consolidated accounts for the financial year 2023. The annual accounts are drawn up in SEK thousand Swedish kronor.

THE COMPANY'S ACTIVITIES

aXichem's business concept is to develop, patent and market natural analogue industrial chemicals.

The company's first product is a natural analogue substance, phenylcapsacin, which is sold under the brands aXiphen® and aXivite®. The product is a synthetically produced and patented capsaicin derivative, which has several advantages compared to natural capsaicin.

Phenylcapsaicin has several potential uses, but the company's focus is to launch the product as an additive in animal feed, an ingredient in dietary supplements and as an enhancer of bioavailability. Marketing in animal feed takes place under the aXiphen® brand, and in food supplements and bioavailability under the aXivite® brand.

In studies, phenylcapsaicin has shown a positive effect on intestinal health in both animals and humans. As an additive in poultry feed, the product has also been shown to counteract and prevent salmonella. The production of raw materials and of products ready for delivery takes place through established subcontractors. Marketing and sales are made primarily through distributors but also through aXichem's own sales resources. The company's goal is to be an innovative global supplier of industrial natural analogue chemicals to actors who manufacture end products containing aXichem's raw materials.

REGISTERED OFFICE

The company's registered office is in Lund municipality.

ECONOMIC DEVELOPMENT

The group is in the commercialization phase and has limited turnover. The group's net sales amounted to SEK 1,809,000 (SEK 5,007,000). The parent company's net sales amounted to SEK 1,809 thousand (SEK 5,007 thousand).

The group's profit amounted to SEK -20,815 thousand (SEK -17,260 thousand), which corresponds to SEK -1.03 (SEK -1.04) per share. The parent company's profit amounted to SEK -20,861 thousand (SEK -17,327 thousand).

LIQUIDITY AND FINANCIAL POSITION

The group's cash and cash equivalents amounted on 31 December 2023 to SEK 4,309 thousand (SEK 6,549 thousand). The parent company's cash and cash equivalents amounted to SEK 4,111 thousand (SEK 6,374 thousand).

On February 23, 2023, the board decided, with the support of the annual general meeting's authorization, to carry out an issue of shares with preferential rights for existing shareholders of approx. SEK 50 million before issue costs, which were estimated to amount to approximately SEK 6.9 million. The rights issue was covered to 70 percent by subscription and guarantee commitments.

The issue was carried out to scale up operations in connection with the planned commercialization of aXiphen® in poultry feed and for to repay part of the convertible loan of SEK 20 million that was raised from Formue Nord Fokus A/S in April 2022. The board also decided to take out a new convertible loan from Formue Nord Fokus A/S of approximately SEK 10.53 million. The loan carries an annual interest rate of 12 percent, the conversion rate amounts to SEK 9.10 and is due for payment on March 31, 2024, to the extent that it has not been converted before then. Upon full conversion, the Company's share capital will increase by SEK 231,347.60, through the issuance of 1,156,738 new A shares.

On 24 March 2023, the outcome of the rights issue was announced. Through the rights issue, which was subscribed to 70 percent, approximately SEK 34.7 million was added to aXichem before issue costs. The number of shares in aXichem increased by 4,960,689 shares from 16,535,636 shares to 21,496,325 shares and the share capital increased by SEK 992,137.80 from SEK 3,307,127.20 to SEK 4,299,265.

After the end of the period, on February 1, 2024, it was announced that the board had decided, subject to approval at an extraordinary general meeting, to carry out an issue of shares and warrants ("Units"), with preferential rights for existing shareholders, for approximately SEK 40.3 million before issue costs. A Unit consisted of five A shares and five warrants of series TO1A. The subscription price per Unit amounted to SEK 7.50, corresponding to SEK 1.50 per A share. The warrants were issued free of charge. 70 percent of the rights issue was covered by subscription and guarantee commitments.

The issue is carried out to commercialize aXiphen® and aXivite®, carry out the additional studies required for market approval of phenylcapsaicin (aXiphen®) in the EU and to repay part of the convertible loan taken out from Formue Nord Fokus A/S in February 2023.

The board also decided to take out a new convertible loan from Formue Nord Fokus A/S of approximately SEK 5.3 million, which replaces the previous convertible loan.

On March 26, 2024, the outcome of the issue was announced, which was carried out after approval at the extraordinary general meeting on March 6, 2024. A total of 3,761,858 Units were subscribed and the Rights issue was thus subscribed to 70 percent. Through the rights issue, approximately SEK 28.2 million was added to aXichem before issue costs.The number of shares increased by 18,809,290, from 21,496,325 to 40,305,615 and the share capital increases by SEK 3,761,858, from SEK 4,299,265 to SEK 8,061,123. Upon full exercise of the warrants of series TO1A issued in connection with the Rights Issue, the number of shares will increase by a further 18,809,290, from 40,305,615 to 59,114,905, and the share capital will increase by a further SEK 3,761,858 , from SEK 8,061,123 to SEK 11,822,981.

The board's and management's shareholding after the completed new share issue in March 2024:

Board
Jan Gustavsson, 39 292 A shares, 10 720 TO1A
Torsten Helsing, 2 927 784 A shares, 1 000 000 TO1A
Christian Månsson, 923 418 A shares, 789 020 TO1A
Jörn Berthelsen, 56 280 A shares, 31 235 TO1A
Gunilla Savring, 31 957 A shares, 12 200 TO1A

Management
Lucas Altepost, 144 979 A shares, 33 335 TO1A
Torsten Helsing (see above)
Erik Lager, 26 073 A shares, 8 930 TO1A
Gunilla Savring (see above)

EQUITY

The group's equity at the end of the year was SEK 48,527 thousand (SEK 40,327 thousand) and the equity ratio amounted to 79% (66%). At the end of the year, the parent company's equity was SEK 48,254,000 (SEK 40,084 thousand) and the equity ratio amounted to 79% (66%).

Equity per share in the group at the end of the year amounted to SEK 2.26 (SEK 2.44).

INVESTMENTS

During the year, the group invested SEK 5,103 thousand (SEK 2,608 thousand) in intangible fixed assets relating to patents and balanced development expenses. During the year, investments in tangible fixed assets were made at SEK 0 thousand (SEK 0 thousand).

The parent company's investments in intangible fixed assets amounted to SEK 5,103 thousand (SEK 2,608 thousand). Investments in tangible fixed assets amount to SEK 0 thousand (SEK 0 thousand).

OWNERSHIP STRUCTURE

The company is listed on NASDAQ OMX First North. As of 31 December 2023, the company had 2,433 shareholders. The ten largest owners according to the public share register and trustee list as of 31 December 2023 are presented in the table on page 48.

ANTICIPATED FUTURE DEVELOPMENT

aXichem continues work with the commercialization of phenylcapsaicin under the brands aXiphen®, as a component in poultry feed and pig feed with the possibility of being able to prevent salmonella, and aXivite®, as a health-promoting ingredient in food supplements.

Within the food supplements business area, the company has since 2018 approval for marketing and sales of phenylcapsaicin according to GRAS food in the USA and since 2019 approval according to Novel Food for marketing and sales within the EU. Sales in both markets have begun and the company expects a gradual increase in sales of aXivite in the areas of intestinal health, exercise and weight control.

In 2024, a melatonin product with aXivite as a bio-enhancer will also be launched. The goal is to achieve sales of SEK 20-25 million at the end of the third quarter 2024.

Within the animal feed business area, the company received its first Feed Additive approval in December 2023. Phenylcapsaicin is thus approved in Brazil for marketing and sales as an additive in poultry feed and pig feed. Launch will take place in the first half of 2024 in collaboration with the distributor Chr. Olesen and the company assess that sales of approximately SEK 10 million are possible in 2024 and have a goal of achieving sales of approximately SEK 40 million in 2025.

At the beginning of 2022, aXichem submitted an application for Feed Additive approval within the EU for phenylcapsaicin as an additive in chicken feed. The company was asked at the end of 2023 to supplement certain data in the application. The approval process continues, and it is the company's goal to achieve approval during the first part of 2025.

Applications for market approval for the use of phenylcapsaicin in animal feed in the USA and India are being prepared. However, the company has chosen to prioritize for aXiphen the establishment in Brazil and approval in the EU, and for aXivite continued commercialization in the USA and the EU.

The company assesses that in the coming years you will see a gradually increasing order intake in both animal feed and dietary supplements.

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

Regulatory issues are considered the biggest single risk for the company.

EVENTS AFTER THE BALANCE SHEET

- On January 8, 2024, it was announced that aXichem's distributor Chr. Olesen has prepared the first batch of aXiphen for delivery to Chr. Olesen's facilities in Brazil from where it will be delivered to industrial production trials on the Brazilian market.
- On January 10, 2024, aXichem announced new orders for aXivite® from Uriach. The orders are linked to the production of a new melatonin formulation for Uriach's Aquilea® brand with aXivite®. The first order was announced in November 2023, and with the additional orders placed, the total order value from Uriach to date is around 60,000 Euro.
- On January 15, 2024, the company announced that a new product, GLP-Activate with aXivite®, is being launched by the US-based company Triquetra Health. The GLP-1 hormone (Glucagon-like peptide 1) is produced in the intestine and is considered to control appetite, hunger, blood sugar and various aspects of metabolism. Triquetra Health's product GLP-Activate can provide the body with natural extracts and nutrients that can support the body's own GLP-1 production. The hormone GLP-1 has been identified as one of the keys to healthy weight control and good gut health.

- On January 30, 2024, aXichem communicated that a letter of intent (LOI) had been signed with Silvaco A/S, a key player in the dietary supplement, pharmaceutical, food, feed and cosmetics industry in Scandinavia. This LOI marks the beginning of an exciting collaboration aimed at introducing aXivite on the Scandinavian food supplement market.
- On February 1, 2024, it was announced that the company's board, subject to the approval of the general meeting, decided to carry out an issue of shares and warrants ("Units") with preferential rights for existing shareholders of approximately SEK 40.3 million before issue costs ("Preferred issue"). A Unit consists of five A shares and five warrants of series TO1A. The subscription price per Unit amounts to SEK 7.50, corresponding to SEK 1.50 per A share. The warrants are issued free of charge. The rights issue is covered to 70 percent by subscription and guarantee commitments. The rights issue requires the approval of an extraordinary general meeting, which is planned to be held on March 6, 2024. At the same time, the company announced an updated target for the sale of aXiphen in Brazil. Launch and sales of the product have begun in collaboration with the distributor Chr. Olesen and the goal of achieving sales of approximately SEK 10 million this year and then sales of approximately SEK 40 million in 2025.
- On February 2, 2024, a call to an extraordinary general meeting on March 6, 2024 was published.
- On 13 February 2024, the company announced that it had signed a letter of intent (LOI) with Silver Fern Brand, a supplier of premium health supplements. The collaboration aims to integrate aXivite into a wider product range to meet the demand for scientifically supported dietary supplements.
- On March 6, 2024, an extraordinary general meeting was held. The meeting decided, in accordance with the board's proposal, to amend the articles of association regarding limits on the number of shares and share capital. The share capital must be a minimum of SEK 4,250,000 and a maximum of SEK 17,000,000. The company must have a minimum of 21,400,000 and a maximum of 85,600,000 shares. Furthermore, the meeting decided in accordance with the board's proposal to carry out a rights issue of Units.
- On March 13, 2024, it was announced that the food supplement supplier, OmneDiem®, is launching two new products on the US market with aXichem's innovative ingredient aXivite®. These launches represent an expansion of aXivite's applications in the areas of exercise and health, and are another step in the company's work to broaden its global market presence and customer base.
- On March 26, 2024, the company announced the outcome of the rights issue, the "Rights Issue", whose subscription period ended on March 25, 2024. A total of 2,701,257 Units, corresponding to approximately 50.3 percent of the Rights Issue, supported by unit rights. In addition, 14,182 Units were subscribed without the support of unit rights, corresponding to approximately 0.3 percent of the Rights Issue. Finally, 1,046,419 Units were subscribed according to the guaranteed commitments.
- On April 24, 2024, a new order for aXivite® was announced within the agreement with the pharmaceutical company Uriach. The order is linked to the production of a new melatonin formulation for Uriach's brand Aquilea® with aXivite®. This means that the total order value from Uriach, within the agreement the parties have, now amounts to approximately 150,000 Euro. aXichem also received an order for aXivite® from its Spanish distributor Pharmafoods worth 13,700 Euro for development of a new consumer product to be launched later this year.

“During the year, data from completed studies with phenylcapsaicin have been published in three scientific articles in Frontiers in Physiology and the Journal of the International Society of Sports Nutrition, respectively”

IMPORTANT EVENTS IN 2023

QUARTER 1

- On 3 January, aXichem announced that the company has received questions from the European Food and Safety Authority (EFSA), regarding its feed additive application. This is a normal and expected part of the process, and questions will be answered by the aXichem team. In accordance with EFSA's process, this means that the legal maximum time for approval is currently set to September 2023.
- On January 25, aXichem announced that Chr. Olesen has added aXiphen® to its official product portfolio. The inclusion of aXiphen® in the product line is the first step in a pre-launch marketing program and further confirms Chr. Olesen's commitment to providing innovative and high-quality feed solutions to the market.
- On February 1, aXichem announced that the product Muscletech Burn iQ™, where aXivite® is one of the active ingredients, is now available to the market through another strong sales channel, namely the world-leading American retailer GNC (General Nutrition Corporation). GNC is a leading global health and wellness brand that provides high-quality, science-based products and solutions.
- On February 7, aXichem announced that the company has started a production collaboration with the Swedish unit of an established, large manufacturer of chemical substances. The collaboration concerns the manufacture of aXichem's raw material phenylcapsaicin and secures additional capacity for future sales of aXiphen® to the feed market. aXichem assesses that sales to a value of approximately SEK 60–80 million are possible during the first 12–18 months after market approvals in the EU and in Brazil.
- On 7 February, the company announced that it expects significantly increased sales over the next twelve months from the sale of the company's natural analogue product phenylcapsaicin in the area of dietary supplements and nutrients. Products with aXivite® as an active ingredient have been launched at leading retailers such as GNC (General Nutrition Corporation) and Amazon. The company therefore assesses that a continued positive development for aXivite® can result in revenues of approximately SEK 20-25 million over the next twelve months.
- On February 22, aXichem announced that aXivite® will be launched in three new products on the US market under the best-selling Hydroxycut brand. The new products are a result of aXichem's strategic partnership with Iovate, a market leader in dietary supplement products for exercise and weight control.
- On February 23, the company announced that the board, with the support of the authorization of the general meeting, decided to carry out an issue of shares with preferential rights for existing shareholders for approximately SEK 50 million before issue costs. The rights issue is covered to 70 percent of the subscription- and guarantee comittments. The issue is carried out to scale up operations in connection with the planned commercialization of aXiphen® in poultry feed and to repay part of the convertible loan taken out in April 2022. The board has also decided to take out a new convertible loan from Formue Nord of approx. 10.53 MSEK.
- On March 3, aXichem published its prospectus on the occasion of the rights issue.
- On 24 March, the outcome of the completed proxy issue was announced. A total of 4,960,689 shares were subscribed and the rights issue was thus 70 percent subscribed. Through the rights issue, approximately SEK 34.7 million will be added to aXichem before issue costs. A total of 3,608,646 shares, corresponding to approximately 51 percent of the rights issue, were subscribed with the support of subscription rights. In addition, 1,352,043 shares were subscribed without the support of subscription rights, corresponding to approximately 19 percent of the rights issue, of which approximately 12 percent of the rights issue refers to subscription attributable to issued underwriting guarantees.

QUARTER 2

- On 3 April, it was announced that aXichem answered and submitted the questions asked by EFSA, which was announced on 3 January, regarding the company's Feed Additive application. The submission is now registered with EFSA and the so-called ”clock stop”, i.e. the extension of the time of a total of six months established by EFSA to process this type of application, has been lifted. The new legal deadline for EFSA's review process is now set for 17 June 2023.
- On April 24, it was announced that a scientific article describing the study ”Effects of different doses of phenylcapsaicin on strength training performance, muscle damage, protein breakdown, metabolic response and estimation of perceived exertion and recovery: A randomized, triple-blind, placebo-controlled, crossover -study.” has been published in the Journal of the International Society of Sports Nutrition (JISSN). The published study has been supported by aXichem, in collaboration with the Spanish companies LIFE-Pro Nutrition and Indiex Sport Nutrition, and was carried out in 2022 at the University of Pablo Olavide - High Performance Center (CIRFED)
- On 24 April it was announced that a new order had been received from the distributor Res Pharma in Italy. The order concerns aXivite® and the ordered volume will be used for the development of consumer products in collaboration with two different producers. The order value amounts to SEK 120,000.
- On April 25, it was announced that aXichem submitted a patent application for aXivite® as a performance-enhancing ingredient in food supplements intended for physical training. The title of the patent is ”Physical performance aid” and has its background in significant effect data from above all the study described in the recently published scientific article in the Journal of the International Society of Sports Nutrition.
- On May 10, the company announces that data from a new clinical study regarding aXivite® has been published in an article in the scientific journal Frontiers in Physiology, ”Effects of phenylcapsaicin on aerobic capacity and physiological parameters in active young males: a randomized, triple- blinded, placebo controlled, crossover trial”. The results of the study add further compelling evidence supporting the remarkable benefits of aXivite®, a breakthrough capsaicin analog with improved bioavailability.

- On 26 May, aXichem published the company's annual report for 2022. The annual general meeting was held on 16 June and the communiqué from the general meeting was published on the same day.
- On May 29, it was announced that aXichem had received a new order from its Polish distributor BART. The ordered volume will be used in continued production of the product for weight control that was launched last year. The total order value amounts to approximately SEK 400,000.
- On June 8, the company announces that the Ministry of Agriculture, Livestock and Food Supply in Brazil (MAPA) has granted approval for phenylcapsaicin as a new raw material for zootechnical feed additives, to be used in both poultry and pig feed. This constitutes the safety assessment in the approval process. The upcoming phase will review the effect of phenylcapsaicin according to the applications.
- On June 13, it was announced that the European Food Safety Authority (EFSA) informed the company that the authority needs additional time to review the company's application for Feed Additive approval in the EU product phenylcapsaicin as a feed ingredient. The new time for a statement is August 5, 2023.
- On June 27, it is announced that the Spanish partner Life Pro Nutrition has launched two new dietary supplement products — Life Pro Wild Ripped and Life Pro Wild Ripped Low Stim — with a focus on the weight loss segment. aXivite is the main ingredient in both products. Life Pro Nutrition has also placed a smaller order, worth SEK 70,000, for the development of additional products with aXivite®.
- On June 27, the company announced that it had entered into an exclusivity agreement with Uriach, one of Europe's oldest and steadily growing pharmaceutical companies, regarding aXivite in the category of sleep-promoting products on the dietary supplement market. The agreement, which is a supply and research agreement, gives Uriach exclusivity for a melatonin formulation with aXivite in the markets of Spain, Portugal, Germany, Austria and Romania. In order to obtain this exclusivity, Uriach has committed to an annual purchase of aXivite in volumes corresponding to a value of at least 400,000 Euro. Uriach will also fund a new study, the results of which will be owned jointly by Uriach and aXichem.

QUARTER 3

- On 3 August, it is announced that a new scientific article has been published that describes the role of phenylcapsaicin for improved performance in sports and training. The article, which is the third in a row, was published in the respected scientific journal Frontiers in Physiology and confirms aXichem's determined work in research and development for a deeper understanding of the effects of phenylcapsaicin.
- On 19 September, aXichem announced the updated status of its application for Feed Additive approval in the EU for phenylcapsaicin and stated that the application would be considered at the plenary meeting held by the FEEDAP panel on 26–28 September 2023, after which EFSA's statement on its own scientific the risk assessment can be published.
- On September 26, the company communicated that the company's application for Feed Additive approval in the EU is now open for so-called "public consultation", which means that third parties can provide comments on the application and constitutes an important part of EFSA's regulations for openness and transparency. "Public consultation" is a mandatory part of the approval process and will end on 16 October 2023.

QUARTER 4

- On 10 October it is announced that EFSA has published the protocol of the FEEDAP panel on 26–28 September 2023. At the meeting, the panel approved EFSA's opinion on risk assessment and it will proceed for written adoption after the results of "public consultation" has been processed. This means that the next step is for the public consultation to be completed on 16 October and, if no comments are received from the public, EFSA's scientific opinion will be prepared for publication. The final step is then for the EU to formulate the regulations for the use of phenylcapsaicin and publish these in The Official Journal of the European Union. When the regulation is published, the product is formally approved.
- On October 31, aXichem communicated that EFSA has changed the status of the company's Feed Additive application to "Publishing" in the EFSA portal. This means that EFSA's opinion on aXichem's Feed Additive application is now being prepared for publication. After the publication of EFSA's opinion, the EU Commission can, based on EFSA's opinion and the expertise of the standing committee, formulate the rules for the use of phenylcapsaicin and publish these in The Official Journal of the European Union. When the regulation is published, the product can be formally approved.
- On November 13, the company announced an important milestone in the collaboration with Uriach. In accordance with the agreement signed in June this year, Uriach has placed its first order for the production of a new melatonin formulation for the product Aquilea® with aXivite®. The product launch is planned for April 2024. The total value of this first order is 21,500 Euro.
- On December 14, it was announced that EFSA has published an "Inconclusive Scientific Opinion" for aXichem's ongoing Feed Additive application regarding phenylcapsaicin (aXiphen®). In the opinion, EFSA concludes that there are some data gaps, in the areas of environmental safety, consumer safety and effectiveness, in the application submitted by the company. aXichem estimates that the company needs approximately six months to produce the required information.
- On December 19, the company communicated that the application for product registration in Brazil for phenylcapsaicin has been approved by the Ministry of Agriculture, Livestock and Food Supply (MAPA) and the Department of Inspection of Animal Products (DIPOA). The product registration of aXichem's natural analogue product means that the authorities have approved phenylcapsaicin as a new raw material for zootechnical feed additives, to be used in both poultry and piglet feed. The approval is an important milestone for aXichem and opens the door to commercialization in Brazil, the world's second largest producer of chicken meat and the largest exporter.

The Group

FINANCIAL OVERVIEW (TSEK)

	2023	2022	2021	2020
Net sales	1 809	5 007	4 362	1 227
Profit/loss after financial items	-20 789	-17 235	-15 058	-13 514
Balance sheet total	61 490	61 251	58 773	55 748
Equity ratio, %	79	66	96	96
Number of shares at the end of the period	21 496 325	16 535 636	16 535 636	15 931 033
Average number of shares	20 300 323	16 535 636	16 335 206	15 931 033
Equity per share, SEK	2,26	2,44	3,40	3,37
Basic earnings per share, SEK	-1,03	-1,04	-0,92	-0,85
Diluted earnings per share, SEK	-1,03	-1,04	-0,92	-0,85

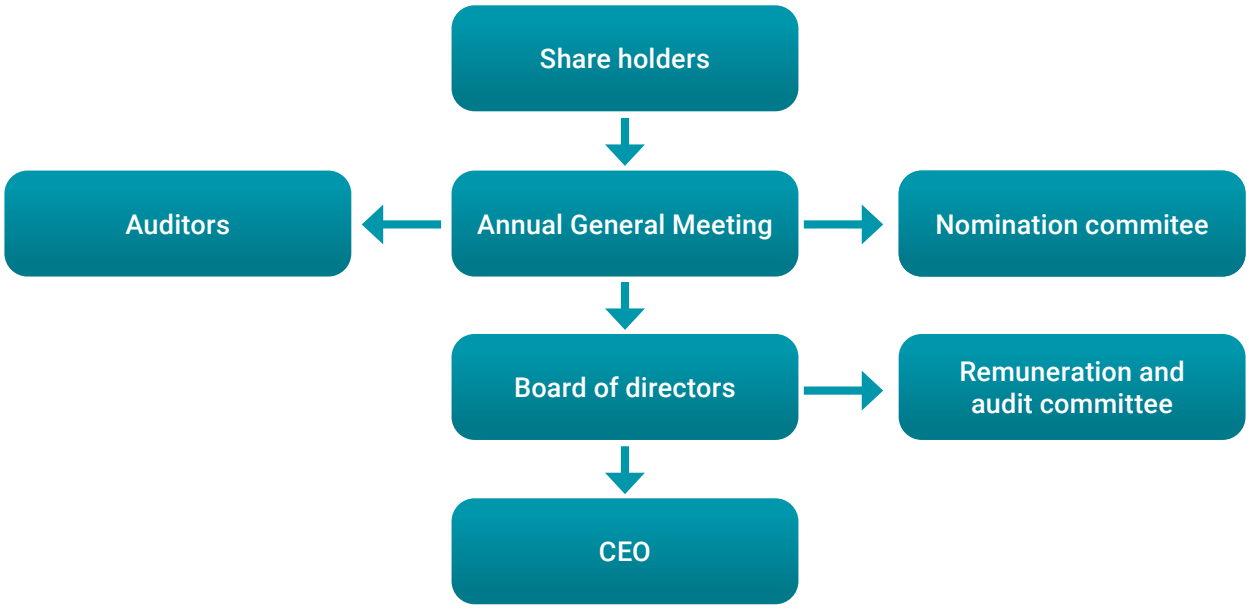
Parent Company

FINANCIAL OVERVIEW (TSEK)

	2023	2022	2021	2020
Net sales	1 809	5 007	4 362	1 227
Profit/loss after financial items	-20 861	-17 327	-15 253	-13 507
Balance sheet total	61 387	61 170	58 529	55 744
Equity ratio, %	79	66	96	96
Number of shares at the end of the period	21 496 325	16 535 636	16 535 636	15 931 033
Average number of shares	20 300 323	16 535 636	16 335 206	15 931 033
Equity per share, SEK	2,24	2,42	3,39	3,37
Earnings per share after tax, SEK	-1,03	-1,05	-0,93	-0,85

aXichem has outstanding employee options and convertible debt.
There is no dilutive effect on earnings per share as long as the group's earnings are negative.

CORPORATE GOVERNANCE



aXichem AB (publ) is a public Swedish limited liability company based in Lund. The group consists of aXichem AB and the subsidiary aXichem AS in Norway, as well as the majority-owned subsidiary Incendia Pharma AB in Sweden. On 31 December 2023, the group had seven employees, of which two in the Norwegian subsidiary aXichem AS. In addition to employed staff, a consultant works in market and sales in the USA and is attached to the head office in Malmö

EXTERNAL AND INTERNAL REGULATIONS

aXichem is a Swedish public limited company where governance, management and control are distributed between the shareholders, the board, the managing director and the company management. The management of the company is based on aXichem's articles of association, the Swedish Companies Act, rules and recommendations that follow from the company's listing on the Nasdaq First North Growth Market, Stockholm, as well as other applicable laws and regulations.
For aXichem, it is not mandatory to apply the Swedish Code of Corporate Governance (the "Code"), published by the Swedish Board of Corporate Governance. However, it is the board's intention to gradually adapt the company to the Code in parts deemed relevant for the company and the shareholders.

SHAREHOLDERS

The number of owners of aXichem's A share as of 31 December 2023 amounted to 2,433. The ten largest shareholders appear in the table below.

OWNERSHIP

Owners as of 2023-12-31	No of shares	Share in %
LMK Bolagen	2,770,233	12.89%
Manakin Ltd	1,913,484	8.90%
Avanza Pension	1,271,761	5.92%
Nordnet Pensions-försäkring	756,074	3.52%
Pierre Sahlstrand	662,685	3.08%
Pension Futur	557,637	2.59%
Per Vasilis	475,323	2.21%
Aktiesel. Arbejdernes Landsbank	291,813	1.36%
Ingemar Claesson	291,600	1.36%
Ålandsbanken	281,997	1.31%
Total	**9,272,607**	**43.14%**
Other shareholders	12,223,718	56.86%
Total	**21,496,325**	**100,00%**

The information is based on publicly available information obtained by the company.

ANNUAL GENERAL MEETING 2023

25.38% of the shares were represented and 25.38% of the votes were represented at the meeting, which was held on June 16, 2023. The election committee consisted of Torsten Helsing, as representative of Manakin Ltd, and Peter Ragnarsson, as representative of LMK Venture, and with Jan Gustavsson as chairman.

The following decisions were taken at the meeting:

- In accordance with the board's proposal, it was decided that no dividend would be paid.
- The members of the board and the managing director were granted discharge from liability for the 2022 administration.
- In accordance with the nomination committee's proposal, it was decided that the board should consist of five ordinary members without deputies. In accordance with the nomination committee's proposal, board members Jørn H. Berthelsen, Edward van den Elsen, Jan Gustavsson, Torsten Helsing and Gunilla Savring were re-elected, and Christian Månsson was elected as new board memeber. The meeting re-elected Jan Gustavsson as chairman of the board. Mazars AB was re-elected auditor.
- It was further decided that remuneration to the board should be paid with six price base amounts to the chairman of the board and three price base amounts each to the other board members.
- The meeting further decided that Peter Ragnarsson (LMK Venture) and Torsten Helsing (Manakin LTD) be re-elected as members of the nomination committee ahead of the 2024 annual general meeting, and that the nomination committee should have the option to decide to appoint a third member to the nomination committee, as a representative of the company's other shareholders. Such possible third member must be appointed by the chairman of the board.
- The meeting further decided according to the board's proposal to amend the articles of association with regard to limits for share capital and the number of shares in the company. The share capital must be a minimum of SEK 2,500,000 and a maximum 10,000,000 kroner. The company must have at least 10,000,000 and a maximum of 40,000,000 shares.
- The board was authorized to, at the latest until the time of the next annual general meeting and on one or more occasions and with or without preferential rights for the share-holders, decide on the issue of new shares, convertibles and/or warrants, however, that such issue must not result in the company's share capital exceeding the company's maximum permitted share capital according to the articles of association. Such an issue decision must also be able to be made with a provision for in-kind, set-off or other conditions.

FINANCIAL REPORTING

The board monitors the quality of the financial reporting through instructions for the CEO and setting requirements for the content of the reports on financial conditions that are continuously submitted to the board. The board takes part in and ensures financial reporting such as quarterly reports and annual reports and has delegated to the company management to ensure press releases with financial content and presentation material in connection with meetings with the media, owners and financial institutions.

EXTERNAL AUDITORS

The principal auditor at Mazars AB is authorized auditor Annika Larsson. Annika Larsson does not hold any shares in the company. Mazars AB has not received compensation for services other than auditing.

THE OPERATING ACTIVITIES

The CEO has overall responsibility for the group and the business's strategic issues. The board is responsible for ensuring that there is an effective system for internal control and risk management, the responsibility for working with these issues has been delegated to the CEO. In the organization, powers and responsibilities have been defined in policies, guidelines and descriptions of responsibilities.

COMPENSATION OF SENIOR EXECUTIVES

The management's and CEO's fixed remuneration must be competitive and based on the individual's area of responsibility and performance.

Variable compensation must be limited and linked to predetermined and measurable criteria designed with the aim of promoting the company's long-term value creation.

For the managing director, the notice period from the company's side is twelve months and from the individual's side six months. For management personnel, the notice period from the company's side is three months and from the individual's side three months.

Remuneration to the board and senior executives is shown in note 3.

FEES TO AUDITORS

Mazars AB holds the audit assignment. Audit assignment refers to review of the annual report and bookkeeping as well as the management of the board and the managing director, other tasks that the company's auditor is responsible for performing as well as advice or other assistance that is caused by observations during such review or the implementation of such other duties. The fee for the audit assignment in 2023 has amounted to SEK 473,000 (324,000).

TRANSACTIONS WITH RELATED RELATIVES

Jan Gustavsson, chairman of the board, has received SEK 50,000 in consulting fees in his company JBG for services outside the board assignment. Lucas Altepost, vice president has received SEK 36,000 in his company Norbiotech.

INTERNAL CONTROL AND RISK MANAGEMENT IN THE FINANCIAL REPORTING

Internal control over financial reporting is an integral part of corporate governance within aXichem. It contains routines to ensure the group's assets and the accuracy of the financial reporting and thereby aims to protect the owners' investment in the company.

The group's organization is designed so that it can quickly react to changes in the market. Operative decisions are therefore made at company level, while decisions on strategy, orientation, acquisitions and overall financial issues are made by aXichem's board.

The CEO reports continuously to the board to increase awareness, transparency and control of the company's accounting, financial reporting and risk management.

RISK ASSESSMENT

Risk assessment is based on the group's financial goals. The overall financial risks are defined and largely industry specific. By carrying out risk analyzes based on the group's balance sheet and profit and loss account, aXichem identifies which risks may pose a threat to reaching the company's business and financial goals.

APPROPRIATION OF PROFIT (AMOUNT IN TSEK)

Proposal for distribution of profit	
THE ANNUAL GENERAL MEETING'S DISPOSAL ARE:	
Share premium reserve	40 792 382
Retained ernings	-2 019 871
Profit/loss for the period	-20 860 827
	17 911 684
THE BOARD PROPOSES THAT:	
to the share premium reserve is transferred	17 911 684
to retained earnings is transferred	0
	17 911 684

The Group

INCOME STATEMENT (AMOUNT IN TSEK)

	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
OPERATING INCOME			
Net sales		1 809	5 007
Other operating income		867	211
Total operating income		**2 676**	**5 218**
OPERATING EXPENSES			
Raw materials and consumables		-400	-1 189
Other external costs		-6 302	-7 012
Personnel Costs	3	-9 233	-7 749
Depreciations of tangible and intangible assets		-3 834	-3 511
Other operating expenses		-225	-302
Total operating expenses		**-19 994**	**-19 763**
OPERATING PROFIT/LOSS		**-17 318**	**-14 545**
INCOME FROM FINANCIAL INVESTMENTS			
Interest and similar income		0	0
Interest expenses and similar profit/loss items		-3 471	-2 690
Total net financial items		**-3 471**	**-2 690**
Profit/loss after financial items		**-20 789**	**-17 235**
Tax on profit for the year	4	-25	-25
Profit/loss for the year		**-20 814**	**-17 260**
Attributable to:			
Parent company shareholders		-20 811	-17 257
Non-controlling interest		-3	-3

The Group

BALANCE SHEET (AMOUNT IN TSEK)

	Note	2023-12-31	2022-12-31
ASSETS			
FIXED ASSETS			
Intangible assets			
Capitalised development expenditure	5	16 830	15 129
Patents	6	27 137	27 544
		43 967	**42 673**
Tangible assets			
Equipment, tools and installations	7	27	52
		27	**52**
Financial assets			
Shares in associated companies and jointly controlled companies	9	0	0
		0	**0**
Total fixed assets		**43 994**	**42 725**
CURRENT ASSETS			
Inventories etc.			
Finished goods		1 483	0
Raw materials		7 342	4 991
Advance payments for goods and services		0	1 090
		8 825	**6 081**
Current receiveables			
Accounts receivable		3 545	5 106
Other receivables		175	272
Prepaid expenses and accrued income		642	518
		4 362	**5 896**
Cash and bank balances		4 309	6 549
Total current assets		**17 496**	**18 526**
TOTAL ASSETS		**61 490**	**61 251**

The Group

BALANCE SHEET (AMOUNT IN TSEK)

	Note	2023-12-31	2022-12-31
EQUITY AND LIABILITIES			
Equity			
Share capital	10	4 299	3 307
Other capital contributions		174 522	146 483
Other equity		-109 505	-92 227
Profit/loss for the period		-20 811	-17 257
Shareholders' equity attributable to Parent company shareholders		48 505	40 306
Non-controling interest		22	21
Total shareholders' equity		**48 527**	**40 327**
Liabilities			
Convertible loans	11	10 268	18 758
Accounts payable		1 131	798
Tax liabilities		25	25
Other liabilities		413	486
Accrued expenses and deferred income		1 126	857
Total liabilities		**12 963**	**20 924**
TOTAL EQUITY AND LIABILITIES		**61 490**	**61 251**

The Group

CHANGE OF CONSOLIDATED SHAREHOLDERS' EQUITY (AMOUNT IN TSEK)

	Share capital	Other capital contribu-tions	Other equity incl. the pro-fit/loss för the period	Sharehol-ders' equity attributable to parent company shareholders	Non controlling interest	Toal share holder's equity
Opening balance 2023-01-01	**3 307**	**146 483**	**-109 484**	**40 306**	**21**	**40 327**
Convertible debentures		117		117		117
Warrants premium		371		371		371
Exchange rate differences			-17	-17		-17
New share issue	992	33 733		34 725		34 725
Costs new share issue		-6 182		-6 182		-6 182
Transaction with non-controlling interest			-4	-4	4	0
Profit/loss for the period			-20 811	-20 811	-3	-20 814
Closing balance 2023-12-31	**4 299**	**174 522**	**-130 316**	**48 505**	**22**	**48 527**

The Group

CASH FLOW ANALYSIS (AMOUNT IN TSEK)

	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
OPERATING ACTIVITIES			
Operating profit/loss		-17 318	-14 545
Adjustments for non-cash items	12	4 302	3 765
Interest received		0	0
Interest paid		-2 370	-1 637
Tax paid		-25	-35
Cash flow from operating activities before changes in working capital		**-15 411**	**-12 452**
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Decrease(+)/increase(-) in inventories		-2 744	-3 494
Decrease(+)/increase(-) in operating receivables		2 047	-2 792
Decrease(+)/increase(-) in operating liabilitie		431	-360
Cash flow from operating activities		**-15 677**	**-19 098**
INVESTING ACTIVITIES			
Acquisition of intangible non-current assets	5,6	-5 103	-2 608
Cash flow from investing activities		**-5 103**	**-2 608**
FINANCING ACTIVITIES			
New share issue		28 543	0
Convertible loans		0	18 800
Amortization convertible loans		-10 000	0
Cash flow from financing activities		**18 543**	**18 800**
Cash flow for the year		**-2 237**	**-2 906**
Cash at the beginning of the period		6 549	9 454
Exchange rate differences in cash and cash equivalents		-3	1
Cash at the end of the period		**4 309**	**6 549**

Parent Company

INCOME STATEMENT (AMOUNT IN TSEK)

	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
OPERATING INCOME			
Net sales		1 809	5 007
Other operating income		867	211
Total operating income		**2 676**	**5 218**
OPERATING EXPENSES			
Raw materials and consumables		-400	-1 189
Other external expenses		-7 342	-8 017
Personnel costs	3	-8 235	-6 787
Depreciation of intangible and tangible fixed assets		-3 834	-3 511
Other operating expenses		-225	-302
Total operating expenses		**-20 036**	**-19 806**
OPERATING PROFIT/LOSS		**-17 360**	**-14 588**
INCOME FROM FINANCIAL INVESTMENTS			
Profit/loss from participations in Group companies		-30	-49
Interest expenses and similar profit/loss items		-3 471	-2 690
Total financial items		**-3 501**	**-2 739**
Profit/loss after financial items		**-20 861**	**-17 327**
Profit/loss before tax		**-20 861**	**-17 327**
Taxes	4	0	0
Profit/loss for the period		**-20 861**	**-17 327**

Parent Company

BALANCE SHEET (AMOUNT IN TSEK)

	Note	2023-12-31	2022-12-31
ASSETS			
FIXED ASSETS			
Intangible assets			
Capitalised development expenditure	5	16 830	15 129
Patents	6	27 137	27 544
		43 967	**42 673**
Tangible assets			
Tangible assets	7	27	52
		27	**52**
Financial assets			
Participations in group companies	8	138	138
Participations in associated companies	9	0	0
		138	**138**
Total fixed assets		**44 132**	**42 863**
CURRENT ASSETS			
Inventories etc.			
Finished goods		1 483	0
Raw materials		7 342	4 991
Advance payments for goods and services		0	1 090
		8 825	**6 081**
Current receivables			
Accounts receivable		3 545	5 106
Other receivables		132	228
Prepaid expenses and accrued income		642	518
		4 319	**5 852**
Cash and bank		4 111	6 374
Total current assets		**17 255**	**18 307**
TOTAL ASSETS		**61 387**	**61 170**

Parent Company

BALANCE SHEET (AMOUNT IN TSEK)

	Not	2023-12-31	2022-12-31
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital	10	4 299	3 307
Fund for development expenditure		26 043	23 534
		30 342	**26 841**
UNRESTRICTED EQUITY			
Share premium reserve		40 793	29 641
Retained ernings		-2 020	929
Profit/loss for the year		-20 861	-17 327
		17 912	**13 243**
Total equity		**48 254**	**40 084**
LIABILITIES			
Convertible loans	11	10 268	18 758
Accounts payable		1 091	777
Liabilities to Group companies		502	541
Other liabilities		176	183
Accrued expenses and deferred income		1 096	827
Total liabilities		**13 133**	**21 086**
TOTAL EQUITY AND LIABILITIES		**61 387**	**61 170**

Parent Company

CHANGE OF SHAREHOLDERS' EQUITY (AMOUNT IN TSEK)

	Share capital	Fund for development expenditure	Share premium reserve	Retained earnings incl. profit/loss for the year	Total equity
Opening balance 2023-01-01	**3 307**	**23 534**	**29 640**	**-16 397**	**40 084**
Convertible debentures				117	117
Warrants premium				371	371
New share issue	992		33 733		34 725
Costs new share issue			-6 182		-6 182
Change fund for development expenses		2 509		-2 509	0
Disposition of profit according to the annual general meeting			-16 398	16 398	0
Profit/loss for the period				-20 861	-20 861
Closing balance 2023-12-31	**4 299**	**26 043**	**40 793**	**-22 881**	**48 254**

Parent Company

CASH FLOW ANALYSIS (AMOUNT IN TSEK)

	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
OPERATING ACTIVITIES			
Operating profit/loss		-17 360	-14 588
Adjustments for non-cash items	12	4 292	3 755
Interest paid		-2 370	-1 637
Cash flow from operating activities before change in working capital		**-15 438**	**-12 470**
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Decrease (+) /increase (-) in inventories		-2 744	-3 494
Decrease (+) /increase (-) in operating receivables		2 059	-2 835
Decrease (+) /increase (-) inoperating liabilities		420	-159
Cash flow from operating activities		**-15 703**	**-18 958**
INVESTING ACTIVITIES			
Acquisition of intangible non-current assets	5,6	-5 103	-2 608
Cash flow frominvesting activities		**-5 103**	**-2 608**
FINANCING ACTIVITIES			
New share issue		28 543	0
Convertible loans		0	18 800
Amortization convertible loans		-10 000	0
Cash flow from financing activities		**18 543**	**18 800**
Cash flow for the year		**-2 263**	**-2 766**
Cash at the beginning of the period		6 374	9 140
Cash at the end of the period		**4 111**	**6 374**

ADDITIONAL INFORMATION

Note 1

Accounting principles and valuation principles
The Group and the parent company apply the Annual Accounts Act and the Accounting Board's general advice BFNAR 2012:1 (K3) when preparing their financial reports.

Accounting currency
The annual report is drawn up in Swedish kronor and the amounts are stated in SEK 000 unless otherwise stated.

Group accounts
The consolidated accounts include the parent company and the subsidiaries in which the parent company directly or indirectly holds more than 50% of the votes or otherwise has a decisive influence. The consolidated accounts are prepared according to the acquisition method, which means that equity that existed in the subsidiaries at the time of acquisition is eliminated as a whole. The group's equity only includes the part of the subsidiaries' equity that was added after the acquisition.

Internal profits within the group are eliminated in their entirety.

When recalculating foreign subsidiaries, the daily rate method is used. This means that the balance sheets are recalculated according to the exchange rates on the balance sheet date and that the income statements are recalculated according to the period's average exchange rates. The translation differences that arise are taken directly against the group's equity.

Holdings without controlling influence
The group treats transactions with holdings without controlling influence as transactions with the group's shareholders. The share of assets and liabilities, incl. goodwill belonging to non-controlling interests has been valued based on the group's acquisition value at the time of the business acquisition. In the case of acquisitions from non-controlling interests, the difference between the purchase price paid and the actual acquired share of the reported value of the subsidiary's net assets is reported in equity. Profits and losses on disposals to holdings without controlling influence are also reported in equity. When the group no longer has a controlling influence, each remaining holding is revalued at fair value and the change in carrying value is reported in the group's income statement. The fair value is used as the first reported value and forms the basis for continued reporting.

Shares in group companies
In the parent company, shares in group companies are initially reported at acquisition value, which includes any transaction expenses that are directly attributable to the acquisition of the shares. Issue proceeds and shareholder contributions are added to the acquisition value. Should the fair value be lower than the reported value, the shares are written down to the fair value if the decline in value can be assumed to be permanent.

Shares in associated companies and jointly controlled companies
Associated companies are those companies in which the group has significant but not controlling influence, which generally applies to shareholdings comprising at least 20% of the votes. In jointly managed companies, the business is carried out jointly by two or more parties according to the agreement. Holdings in associated companies and holdings in jointly controlled companies are reported according to the equity method and are initially valued at acquisition value. Should the fair value be lower than the reported value, the shares are written down to the fair value if the decline in value can be assumed to be permanent.

Cash flow analysis
The cash flow analysis has been prepared according to the indirect method whereby adjustment has been made for transactions that did not entail receipts or payments. In addition to cash and bank balances, short-term liquid investments that can easily be converted into a known amount and that are exposed to an insignificant risk of value fluctuation are classified as liquid assets.

Valuation principles
Assets, provisions and liabilities have been valued at acquisition value unless otherwise stated below.

Income statement
Merchandise sales
Sale of goods is recognized when the company has transferred to the buyer the essential risks and benefits associated with ownership, normally when the customer has the goods in their possession. The income is recognized at the fair value of what has been received or will be received. The company therefore reports the income at nominal value (invoice amount) if the compensation is received in liquid funds in connection with delivery. Deductions are made for discounts given.

ADDITIONAL INFORMATION

Self-developed intangible fixed assets
Development expenses are reported according to the capitalization model as intangible fixed assets when the following criteria are met:

- it is technically and economically possible to complete the asset,
- intention and condition exist to sell or use the asset,
- it is likely that the asset will generate income or lead to cost savings,
- the expenses can be calculated satisfactorily.

The acquisition value of an internally generated intangible asset consists of the directly attributable expenses required for the asset to be used in the manner intended by management. Internally developed intangible assets are depreciated over the estimated useful life. Depreciation begins as soon as the asset is completed so that it can be used. An asset's reported value is immediately written down to its recovery value if the asset's reported value exceeds its assessed recovery value.

Tangible and intangible fixed assets
Tangible and intangible fixed assets are reported at acquisition cost with deductions for scheduled depreciation based on an assessment of the asset's useful life.

The following depreciation periods are applied:
Balanced development expenses 10 years
Patents 10 years
Equipment, tools and installations 5 years

Balanced development expenses are written off based on the estimated useful life of 10 years, which is based on analyzes of how long the asset will add value to the group.

Write-downs
Intangible fixed assets that have not yet been completed are tested for impairment every year or as soon as there is an indication of a decline in value. During the impairment test, the asset's recovery value is determined. If the asset's book value exceeds the recovery value, the asset is written off down to this value. The recovery value is defined as the higher of the market value and the value in use. The value in use is defined as the present value of the estimated future payments that the asset generates. Write-downs are reported on the income statement.

Leasing
Leases are classified as either finance or operating leases. Financial leasing exists when the economic risks and benefits associated with the leased object have in all material respects been transferred to the lessee. Otherwise, it is a matter of operational leasing. The group has no financial leasing agreements, which is why all leasing agreements are reported as operational leasing agreements, which means that the leasing fee is distributed linearly over the leasing period.

Financial instruments
Financial assets and liabilities are reported according to the acquisition value method. Long-term liabilities are reported at accrued acquisition value, which corresponds to the present value of future payments discounted with the effective interest rate calculated at the time of acquisition. Short-term receivables are reported at the lower of acquisition value and net sales value. Short-term liabilities, which are expected to be settled within 12 months, are reported at nominal amount.

Convertible debt
Convertible liabilities are reported divided into a debt part and an equity part. The fair value of the debt part at the time of issue is calculated by discounting the future payment flows with the current market interest rate for a similar debt, without the right to conversion. The value of the part reported in equity is calculated as the difference between the issue proceeds and the fair value of the financial debt. The part reported in equity consists of the value of the built-in option right to convert the debt instrument into shares. The interest expense is reported in the income statement and calculated according to the effective interest method.

Loan expenses
Borrowing expenses are charged to the result for the year to which they relate.

Receivables and liabilities in foreign currency
Receivables and liabilities in foreign currency have been converted to the exchange rate on the balance sheet date. The difference between the acquisition value and the value on the balance sheet date has been reported in the income statement.

Income taxes
Accounting for income tax includes current tax and deferred tax. The tax is reported in the income statement, except in cases where it refers to items that are reported directly in equity. In such cases, the tax is also reported in equity. Deferred tax is reported according to the balance sheet method on all material temporary differences. A temporary difference exists when the book value of an asset or liability differs from the tax value. Deferred tax is calculated using the tax rate that has been decided or notified as of the balance sheet date. Deferred tax assets are reported to the extent that it is likely that future tax surpluses will exist against which the temporary differences can be used.

ADDITIONAL INFORMATION

Inventory
The inventory has been valued at the lower of acquisition value and net sales value. When determining the acquisition value, the first-in-first-out principle has been applied.

Compensation to employees
Liabilities for wages and benefits that are expected to be settled within 12 months after the end of the financial year are reported as current liabilities at the amount expected to be paid when the debts are settled, without regard to discounting.

The cost is reported as the services are performed by the employees.

The group only has defined contribution pension plans for compensation after termination of employment. Once the fee is paid, the company has no further obligations. The premium paid is recognized as an expense as the pension is earned.

Employee stock options
The employee options are earned over 4 years, with a quarter each year, provided that the participant is employed by or otherwise engaged in the company on the grant date.

The staff options are awarded free of charge and are reported as staff costs and additions to equity in line with vesting.

Note 2

Estimates and assessments
To prepare financial reports, company management makes assessments and estimates that affect the reported amounts of assets and liabilities, income and costs. Actual results may differ from these estimates and judgments. The estimates and assumptions that may lead to a risk of significant adjustments in reported values for assets and liabilities are primarily valuation of intangible fixed assets. Every year it is tested whether there is any indication that the value of assets is lower than the reported value. If there is an indication, the asset's recovery value is calculated, which is the highest of the asset's fair value with deductions for sales costs and value in use. Considering the business opportunities that the patents have, the board considers that there is no need for write-downs.

ADDITIONAL INFORMATION

Note 3 The average number of employees, salaries and other personnel expenses

Incentive program - Employee stock options
At the annual general meeting on May 31, 2022, it was decided on an option program of series 2022/2026 to employees and key persons in the company comprising 400,000 options with the right to subscribe for 400,000 A shares. As of the balance sheet date, 270,000 options were allocated to staff and key persons, of which 101,250 were vested.

The employee options are earned over 4 years, with a quarter each year, provided that the participant is employed by or otherwise engaged in the company on the grant date. The staff options are awarded free of charge. Earned employee options can be exercised during a three-year period, however no earlier than three years after the respective grant date. Each employee option gives the right to subscribe for 1 A share at a subscription price that corresponds to 140 percent of the volume-weighted average price for the company's

A share during the five trading days immediately preceding the day on which the staff options are granted. The subscription price and the number of A shares to which each employee option entitles may be subject to recalculation because of a bonus issue, split, issues or similar measures. In order to enable the delivery of shares according to the incentive program, it was also decided to issue a maximum of 400,000 warrants.

	The Group		Parent company	
	2023	2022	2023	2022
AVERAGE NUMBER OF EMPLOYEES				
Sweden	5	4	5	4
Norway	2	2	0	0
Total	**7**	**6**	**5**	**4**
Whereof women	3	2	2	1
Whereof men	4	4	3	3

BOARD AND MANAGEMENT	**2023**	**2022**	**2023**	**2022**
Board	6	6	6	6
Whereof women	1	1	1	1
Whereof men	5	5	5	5
CEO and other management	2	2	2	2
Whereof women	0	0	0	0
Whereof men	2	2	2	2

PERSONNEL COSTS	**2023**	**2022**	**2023**	**2022**
Board and CEO				
Salaries and benefits	2 363	2 383	2 363	2 383
Compensation for pension	288	339	288	339
Social security costs	141	112	141	112
(wereof pension costs)	0	0	0	0
Total Board and CEO	**2 792**	**2 834**	**2 792**	**2 834**

ADDITIONAL INFORMATION

	The Group		Parent company	
	2023	2022	2023	2022
OTHER EMPOLYEES				
Salaries and benefits	4 727	3 589	3 872	2 731
Compensation for pension	269	243	269	243
Social security costs	1 429	1 064	1 285	961
(wereof pension costs)	(576)	(521)	(541)	(479)
Total other employees	**6 425**	**4 896**	**5 426**	**3 935**
Total personnel costs	**9 217**	**7 730**	**8 218**	**6 769**
(wereof pension costs)	(576)	(521)	(541)	(479)

Remuneration to the board is included in the item personnel costs in the income statement.

	The Group		Parent company	
Note4 Tax on profit/loss for the year	2023	2022	2023	2022
Current tax	-25	-25	0	0
Deferred tax	0	0	0	0
Total	**-25**	**-25**	**0**	**0**
REPORTED TAX				
Profit/loss before tax	-20 790	-17 235	-20 861	-17 327
Tax at current tax rate, 20,6% (20,6 %)	4 282	3 550	4 297	3 569
RECONCILIATION OF REPORTED TAX				
Non-deductible costs	-236	-232	-236	-232
Tax effect of issue costs	1 274	0	1 274	0
Unvalued deficit deductions	-5 345	-3 343	-5 335	-3 337
Total	**-25**	**-25**	**0**	**0**

	The Group		Parent company	
Note 5 Balanced development expenditure	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Opening acquisition value	19 028	18 269	19 028	18 269
Purchase	3 320	759	3 320	759
Closing accumulated acquisition values	**22 348**	**19 028**	**22 348**	**19 028**
Opening depreciation	-3 899	-2 496	-3 899	-2 496
This year's depreciations	-1 619	-1 403	-1 619	-1 403
Closing accumulated depreciation	**-5 518**	**-3 899**	**-5 518**	**-3 899**
Reported value	**16 830**	**15 129**	**16 830**	**15 129**

ADDITIONAL INFORMATION

	The Group		Parent company	
Note 6 Patents	**2023-12-31**	**2022-12-31**	**2023-12-31**	**2022-12-31**
Opening acquisition value	34 885	33 036	34 885	33 036
Purchase	1 783	1 849	1 783	1 849
Closing accumulated acquisition values	**36 668**	**34 885**	**36 668**	**34 885**
Opening depreciation	-7 341	-5 274	-7 341	-5 274
This year's depreciations	-2 190	-2 067	-2 190	-2 067
Closing accumulated depreciation	**-9 531**	**-7 341**	**-9 531**	**-7 341**
Reported value	**27 137**	**27 544**	**27 137**	**27 544**

	The Group		Parent company	
Note 7 Equipment, tools and installations	**2023-12-31**	**2022-12-31**	**2023-12-31**	**2022-12-31**
Opening acquisition value	205	205	205	205
Purchase	0	0	0	0
Closing accumulated acquisition values	**205**	**205**	**205**	**205**
Opening depreciation	-153	-112	-153	-112
This year's depreciations	-25	-41	-25	-41
Closing accumulated depreciation	**-178**	**-153**	**-178**	**-153**
Reported value	**27**	**52**	**27**	**52**

Note 8 Shares in group companies

Company	**Corporate reg. No**	**Registered office**	**Share of capital**	**Reported value**
aXichem AS	923630279	Bergen Norway	100%	32
Incendia Pharma AB	559305-8729	Malmö, Sweden	85%	106
Summa				**138**

	Parent company	
	2023-12-31	**2022-12-31**
Opening acquisition value	198	187
Shareholder contributions	30	30
Sales	0	-19
Closing accumulated acquisition values	**228**	**198**
Opening write-downs	-60	-30
This years write-downs	-30	-30
Closing write-downs	**-90**	**-60**
Reported value	**138**	**138**

ADDITIONAL INFORMATION

Note 9 Shares in associated companies and jointly controlled companies

Company	Corporate reg. No	Registered office	Share of capital	Reported value
DACWR ApS	37831778	Aarhus Denmark	50%	0

	The Group		Parent company	
	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Opening acquisition value	31	31	31	31
Write-downs	-31	-31	-31	-31
Reported value	**0**	**0**	**0**	**0**

Note 10 Share capital information	Share capital (tkr)	Number of shares	Quota value per share
At the year's beginning	3 307	16 535 636	0,2
New share issue	992	4 960 689	0,2
At the year's end	**4 299**	**21 496 325**	**0,2**

All shares are of series A with 1 vote each.

Note 11 Convertible loan

Convertible loan amounts to SEK 10,268 thousand as of December 31, 2023 with a nominal value of SEK 10,526 thousand.The convertible loan runs with an annual interest rate of 12%. The loan becomes due for payment in the event that the company decides on a new issue unless the convertible holder chooses conversion. The right to conversion exists during the period from and including the date of registration with the Swedish Companies Registration Office up to and including the maturity date on 23 February 2024. The conversion rate is SEK 9.10 per share. In connection with the new issue carried out in 2024, the convertible loan was resolved and partially replaced with a new convertible loan of SEK 5,263 thousand.

	The Group		Parent company	
Note 12 Items not affecting cash flow	2023-12-31	2022-12-31	2023-12-31	2022-12-31
Depreciation	3 834	3 511	3 834	3 511
Unrealized exchange rate gains/losses	-20	10	0	0
Effect of warrants	488	244	488	244
Write-down	0	0	-30	0
Total	**4 302**	**3 765**	**4 292**	**3 755**

ADDITIONAL INFORMATION

Note 13 Significant events after the balance sheet date

- On January 30, 2024, aXichem communicated that a letter of intent (LOI) had been signed with Silvaco A/S, a key player in the dietary supplement, pharmaceutical, food, feed and cosmetics industry in Scandinavia. This LOI marks the beginning of an exciting collaboration aimed at introducing aXivite on the Scandinavian food supplement market.

- On February 1, 2024, it was announced that the company's board, subject to the approval of the general meeting, decided to carry out an issue of shares and warrants ("Units") with preferential rights for existing shareholders of approximately SEK 40.3 million before issue costs ("Preferred issue"). A Unit consists of five A shares and five warrants of series TO1A. The subscription price per Unit amounts to SEK 7.50, corresponding to SEK 1.50 per A share. The warrants are issued free of charge. The rights issue is covered to 70 percent by subscription and guarantee commitments. The rights issue requires the approval of an extraordinary general meeting, which is planned to be held on March 6, 2024. At the same time, the company announced an updated target for the sale of aXiphen in Brazil. Launch and sales of the product have begun in collaboration with the distributor Chr. Olesen and the goal of achieving sales of approximately SEK 10 million this year and then sales of approximately SEK 40 million in 2025.

- On February 2, 2024, a call to an extraordinary general meeting on March 6, 2024 was published.

- On 13 February 2024, the company announced that it had signed a letter of intent (LOI) with Silver Fern Brand, a supplier of premium health supplements. The collaboration aims to integrate aXivite into a wider product range to meet the demand for scientifically supported dietary supplements.

- On March 6, 2024, an extraordinary general meeting was held. The meeting decided, in accordance with the board's proposal, to amend the articles of association regarding limits on the number of shares and share capital. The share capital must be a minimum of SEK 4,250,000 and a maximum of SEK 17,000,000. The company must have a minimum of 21,400,000 and a maximum of 85,600,000 shares. Furthermore, the meeting decided in accordance with the board's proposal to carry out a rights issue of Units.

- On March 13, 2024, it was announced that the food supplement supplier, OmneDiem®, is launching two new products on the US market with aXichem's innovative ingredient aXivite®. These launches represent an expansion of aXivite's applications in the areas of exercise and health, and are another step in the company's work to broaden its global market presence and customer base.

- On March 26, 2024, the company announced the outcome of the rights issue, the "Rights Issue", whose subscription period ended on March 25, 2024. A total of 2,701,257 Units, corresponding to approximately 50.3 percent of the Rights Issue, supported by unit rights. In addition, 14,182 Units were subscribed without the support of unit rights, corresponding to approximately 0.3 percent of the Rights Issue. Finally, 1,046,419 Units were subscribed according to the guaranteed commitments.

- On April 24, 2024, a new order for aXivite® was announced within the agreement with the pharmaceutical company Uriach. The order is linked to the production of a new melatonin formulation for Uriach's brand Aquilea® with aXivite®. This means that the total order value from Uriach, within the agreement the parties have, now amounts to approximately 150,000 Euro. aXichem also received an order for aXivite® from its Spanish distributor Pharmafoods worth 13,700 Euro for development of a new consumer product to be launched later this year.

ADDITIONAL INFORMATION

Note 14 Transactions with related parties

The company defines senior executives, board members and close family members of these people as related parties.

The following transactions with related parties have been carried out during the year in addition to transactions attributable to salaries and there to related payments.

		The Group		Parent company	
Related party	**Related party**	**2023-12-31**	**2022-12-31**	**2023-12-31**	**2022-12-31**
aXimed AS	Administration, hired staff, premises rent, IT services, etc.	-62	-60	0	0
Savring Consulting AB	Consultant fee for IR-services	0	-666	0	-666
Norbiotech	Consultant fee	-36	-49	-36	-49
Solfeed B.V.	Consultant fee	0	-8	0	-8
JGB	Consultant fee	-50	0	-50	0

Note 15 Definition of key figures

Solidity
Adjusted equity as a percentage of total assets

Earnings per share after tax
Profit for the year divided by the average number of shares

Equity per share
Equity divided by the number of shares in the market at the end of the year

Lund at the date according to digital signature

Jan Gustavsson Chairman of the board	Torsten Helsing Board member and CEO	Gunilla Savring Board member
Christian Månsson Board member	Jørn Berthelsen Board member	Edward van den Elsen Board member

Our audit report has been submitted at the date according to digital signature
MAZARS AB

Annika Larsson
Authorized Public Accountant

mazars

AUDITOR'S REPORT

To the general meeting of the shareholders of aXichem AB (publ), corporate identity number 556739-8663

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of aXichem AB (publ) for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 28 - 58 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2023 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.

O*ther Information than the annual accounts and consolidated accounts*
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1 - 29. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.
In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.
If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.
In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast

significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that 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 aXichem AB (publ) for the year 2023 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.

Malmö on the day indicated by electronic signature
Mazars AB

Annika Larsson
Authorized Public Accountant