

ANNUAL REPORT

2022-01-01--2022-12-31

for

Umecrine Cognition AB
556698-3655

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NOTE: This is a translation to English from the Swedish original.

This English copy version has not itself been audited.

In case of differences between this version and the Swedish original, the original has precedence.

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ANNUAL REPORT FOR UMECRINE COGNITION AB

The Board of Directors and the Managing Director's annual report for the financial year 2022-01-01--2022-12-31.
The annual accounts is prepared in SEK.

BOARD OF DIRECTORS REPORT

Business Concept & Overview

The company, based in Umeå municipality, conducts medical research and development of drugs for the treatment of neuropsychiatric and neurocognitive complications. Operations are based on the discoveries made by the company's scientific founder, Professor Torbjörn Bäckström and consist in focusing on the effect of stress hormones on the brain via the inhibitory GABA-system to develop new therapies for the pharmaceutical industry.

Ownership conditions

		Percentage
Karolinska Development AB	556707-5048	72,6%
Fort Knox Förvaring	556680-2392	9,3%
Umecrine AB	556582-0684	6,0%
Partnerinvest Övre Norrland AB	556771-4331	4,1%
Other		8,0%
		100%

Important events during the financial year

On January 10, Umecrine Cognition AB announced preclinical results showing that the drug candidate golexanolone exerts a normalizing effect on neuroinflammation in the cerebellum, which may result in the normalization of disease-related motor disturbances. The study is conducted by Dr. Vincente Felipo, Valencia, Spain.

The company presented on February 21 at the 11th International Meeting on Steroids and Nervous System new positive data showing that golexanolone can provide reduction of neuroinflammation and improvements in motor impairment. These are symptoms that occur as a result of chronic liver diseases and other similar pathologies.

During the month of March, the company conducted a pre-IND meeting with the U.S. Food and Drug Administration (FDA) to obtain formal feedback from the FDA for planning and conducting the upcoming phase 2 clinical trial of golexanolone in patients with cirrhosis and hepatic encephalopathy.

On May 19, the clinical trial application (CTA) for a phase 2a study of golexanolone in patients with primary biliary cholangitis (PBC) was submitted to the Hungarian regulatory body OGÝEI. The clinical trial is planned to be carried out at a number of liver clinics in several European countries.

Umecrine Cognition held its annual general meeting on Friday 17 June 2022 at Setterwalls Advokatbyrå's office at Sturegatan 10 in Stockholm.

On August 10, the company held an extraordinary general meeting regarding changes to the conditions for outstanding convertibles made to the Norrland Foundation. The maturity of the convertibles is extended to March 31, 2026, the conversion rate was changed to a weighted average of previously entered into agreements and the maturity date for repayment is extended to April 30, 2026. Other terms of the convertibles were left unchanged.

Anders Karlsson was appointed on 10 August as the new CEO starting on 1 September 2022. He succeeds Magnus Doverskog, who is moving on within the company to a position as Chief Scientific Officer. The recruitment aims to strengthen and broaden the management team with additional competence in business development and commercialization for the next phase of the company's development.

Umecrine Cognition announced on September 14 that the company has secured funding of SEK 41 million for the start of a phase 2 study of its drug candidate golexanolone in primary biliary cholangitis (PBC). The financing is carried out as a convertible loan with associated stock options, aimed at an investor consortium that includes both existing and new shareholders. The main investors are Karolinska Development AB (SEK 15 million), AB Ility (SEK 15 million) and Anders Bladh (SEK 10 million). In addition to this, SEK 0.8 million is added from other existing shareholders.

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On September 29, the company announced that golexanolone largely eliminated fatigue in a preclinical disease model of cholestasis in a study conducted in collaboration with Drs. Vicente Felipo. These results further increase the understanding of the potential of golexanolone in the treatment of symptoms related to the rare autoimmune disease PBC.

The company participated in the BioEurope Autumn 2022 fair in Leipzig 24-26 October with the aim of establishing contacts with potential partners for the company's development and commercialization of ongoing priority development projects.

Summary over the years

(KSEK)	2022	2021 8mon	2020/2021	2019/2020	2018/2019
Profit/loss after financial items	-46 885 774	-26 413 181	-10 932 560	-31 549 092	-36 389 172
Balance sheet total	119 569 124	74 873 798	58 666 608	52 102 294	53 047 955
Financial strenght (%) ⁽¹⁾	54,3%	82,6%	79,3%	51,1%	53,9%

⁽¹⁾ Adjusted equity/assets. Adjusted equity refers to shareholders' equity plus untaxed reserves less deferred tax liabilities.

Important events after the financial year

On January 3, 2023, the company announced new preclinical results together with Dr. Vicente Felipo, results showing that the company's clinical drug candidate golexanolone has a positive effect on fatigue, anxiety, depression and certain cognitive and motor changes in a preclinical model of Parkinson's disease.

Umecrine Cognition participated in the JP Morgan Annual Healthcare Conference in San Francisco January 9-12 with the aim of initiating and further developing contacts for future collaborations and commercialization of the company's prioritized development projects. Furthermore, activities focused on the commercialization of golexanolone as well as capitalization of the business have been carried out during the opening months of the year.

During the month of March, a capitalization of the business was carried out through a convertible loan with associated bonds. In total, the convertible loan brought in SEK 31.6 million in order to finance the ongoing phase 2 study of golexanolone at PBC as well as the ongoing operations of the company. The conversion loan was directed to all shareholders. The main investors were Karolinska Development AB (SEK 15 million), AB Ility (SEK 10 million) and Anders Bladh via Ribbskottet AB (SEK 5 million). In addition to this, SEK 1.6 million was added from other existing shareholders.

During the opening months of the year, practical and regulatory preparations for the start of the phase 2 clinical study in PBC have been carried out. On April 17, it was announced that the first patient had been included and treated in the study.

Expected future development

The Board reviews the Company's existing and forecast cash flows on a regular basis to ensure that the Company has the funds and resources required to conduct the business of the strategic direction decided by the board. It is the Board's opinion that the Company has financing for the operation of the business for the next twelve months, including taking into account current liquidity and unutilized guarantees from current owners.

Proposed Appropriation of Profits/ Loss (SEK)

At the disposal of the Annual General Meeting are the following earnings

Other capital contributed	244 918 193
Balance carried forward	-233 579 299
Year result	-46 885 774
	<u>-35 546 880</u>

The Board of Directors proposes as follows

retained earnings to be carried forward	-35 546 880
	<u>-35 456 880</u>