

# ANNUAL REPORT

2019-05-01--2020-04-30

for

**Umecrine Cognition AB**  
**556698-3655**

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Auditors comment: I have read the translated annual report and in my opinion it gives in all material respect, a fair view of the annual report in Swedish.

Stockholm 2020-

Tobias Strähle  
Authorized Public Accountant  
Öhrlings Pricewaterhouse Coopers AB

**Umecrine Cognition AB**  
556698-3655

## ANNUAL REPORT FOR UMECRINE COGNITION AB

The Board of Directors and the Managing Director's annual report for the financial year 2019-05-01--2020-04-30. The annual accounts is prepared in SEK.

The

### 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

		<b>Percentage</b>
Karolinska Development AB	556707-5048	74,5%
Umecrine AB	556582-0684	7,3%
Fort Knox Förvaring	556680-2392	10,8%
Partnerinvest Övre Norrland AB	556771-4331	5,0%
Clevexel Pharma SAS	790 115 026 RCS Creteil	1,1%
Bruce Scharschmidt		1,0%
Torbjörn Bäckström		0,4%
		<b>100%</b>

#### Important events during the financial year

During the financial year, the company strengthened its financing for the development of its main drug candidate golexanolone and in May 2019 SEK 13m was received in the form of convertible loans from existing owners and lenders to expand the ongoing clinical development of golexanolone in patients with hepatic encephalopathy.

During the financial year, the safety evaluation of the main drug candidate golexanolone continued and in August 2019, a toxicology study was completed in which very good safety properties were documented at high exposure levels.

In September 2019, a convertible loan was signed with the majority owner of SEK 12m to support the expansion and end the recruitment of patients with hepatic encephalopathy.

In December 2019, it was announced that the last patient in the final part of the ongoing clinical study with golexanolone in patients with hepatic encephalopathy was included in the study.

During the financial year, the company strengthened its patent portfolio and in December 2019 it was announced that a patent for a new formulation of golexanolone had been approved in the USA

In February 2020, a convertible loan was signed with existing owners of SEK 7m to complete and evaluate the ongoing clinical study with golexanolone in patients with hepatic encephalopathy

In April 2020, it was announced that the company had received favorable safety data from the clinical study with golexanolone in patients with hepatic encephalopathy and that the overall exploratory efficacy data showed a beneficial effect of golexanolone on brain activity and alertness in patients with hepatic encephalopathy. In June 2020, the composition of the board changed when a board member chose to terminate his assignment. In June 2020, the Board decided to make an offer to existing owners and lenders about the possibility of signing up for a convertible loan of a total of SEK 7 million for further development of the company's assets. The loan is guaranteed by Karolinska Development AB.

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**Summary over the years**

<b>(KSEK)</b>	<b>2019/2020</b>	<b>2018/2019</b>	<b>2017/2018</b>	<b>2016/2017</b>	<b>2015/2016</b>
Profit/loss after financial items	-31 549 092	-36 389 172	-36 733 604	-26 625 348	-27 732 014
Balance sheet total	52 102 294	53 047 955	13 707 099	10 316 468	9 598 621
Financial strenght (%) <sup>(1)</sup>	51,1%	53,9%	39,8%	23,9%	50,7%

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

**Comapany's future development**

The Board regularly reviews the Company's existing and forecasted cash flows to ensure that the Company has the funds and resources required to conduct the business of the strategic direction decided upon by the Board. The Board is of the opinion that the Company presently does not have full funding for the operation of the business for the next twelve months. Activities are ongoing, as in previous years, to finance operations through financing from current owners and / or from other external financiers and the company's costs will be adjusted to the company's financial position over time. If the financing cannot be obtained, the Board of Directors is of the opinion that this entails a significant factor of uncertainty that may cause significant doubts about the company's ability to continue its operations.

**Proposed Appropriation of Result (SEK)**

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

Other capital contributed	172 375 580
Balance carried forward	-164 684 466
Year result	-31 549 092
	<b><u>-23 857 978</u></b>

The Board of Directors proposes as follows

retained earnings to be carried forward	-23 857 978
	<b><u>-23 857 978</u></b>

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<b>INCOME STATEMENT</b> (SEK)	<b>Note</b>	<b>2019-05-01</b> <b>2020-04-30</b>	<b>2018-05-01</b> <b>2019-04-30</b>
<b>Operating income</b>			
Net turnover		116 867	100 444
		<b>116 867</b>	<b>100 444</b>
<b>Operating expenses</b>			
Development costs		-24 336 442	-25 959 324
Other external costs		-2 030 869	-6 477 710
Personnel costs	1	-4 868 901	-4 411 121
Depreciation and write-down tangible and intangible assets	3	-81 954	-35 535
Other external costs		-136 131	-45 881
<b>Operating profit/loss</b>		<b>-31 337 430</b>	<b>-36 829 127</b>
<b>Result from financial items</b>			
Interest income		0	634 458
Interest expense		-211 662	-194 503
		<b>-31 549 092</b>	<b>-36 389 172</b>
<b>Results after financial items</b>		<b>-31 549 092</b>	<b>-36 389 172</b>
<b>Net profit/loss for the year</b>		<b>-31 549 092</b>	<b>-36 389 172</b>

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<b>BALANCE SHEET</b>	<b>Note</b>	<b>2020-04-30</b>	<b>2019-04-30</b>
(SEK)			
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalized expenditure for research	2	50 000 000	50 000 000
		<b>50 000 000</b>	<b>50 000 000</b>
<b>Tangible assets</b>			
Equipment, tools, fixtures and fittings	3	228 692	190 271
		<b>228 692</b>	<b>190 271</b>
<b>Financial assets</b>			
Shares in group companie	4	50 000	50 000
Other securities held as fixed assets	5	1 000	1 000
		<b>51 000</b>	<b>51 000</b>
<b>Total fixed assets</b>		<b>50 279 692</b>	<b>50 241 271</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Accounts receivable		4 531	0
Income tax receivable	6	65 115	81 148
Other receivables		242 615	570 487
Prepaid expenses and accrued income		69 634	221 077
		<b>381 895</b>	<b>872 712</b>
<b>Cash and bank balances</b>		<b>1 440 707</b>	<b>1 933 972</b>
<b>Total current assets</b>		<b>1 822 602</b>	<b>2 806 684</b>
<b>TOTAL ASSETS</b>		<b>52 102 294</b>	<b>53 047 955</b>

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**BALANCE SHEET**

	Not	2020-04-30	2019-04-30
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders equity</b>			
<b>Restricted equity</b>			
Share capital (4.546.220 shares)		503 448	503 448
Appreciationfund		50 000 000	50 000 000
		<b>50 503 448</b>	<b>50 503 448</b>
<b>Non-restricted equity</b>			
Share premium reserve		142 775 580	142 775 580
Reverse Convertible		29 600 000	0
Profit or loss brought forward		-164 684 466	-128 295 294
Profit/loss this year		-31 549 092	-36 389 172
		<b>-23 857 978</b>	<b>-21 908 886</b>
<b>Total equity</b>		<b>26 645 469</b>	<b>28 594 562</b>
<b>Onther long-term liabilities</b>			
Longterm liabilities	7	10 581 000	9 981 000
		<b>10 581 000</b>	<b>9 981 000</b>
<b>Current liabilities</b>			
Account payable - trade		2 066 579	531 909
Corporate group liabilities		10 265 126	10 265 126
Other liabilities		1 845 501	1 917 037
Accrued expenses and deferred income		698 619	1 758 321
		<b>14 875 825</b>	<b>14 472 393</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>52 102 294</b>	<b>53 047 955</b>

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## REPORT CHANGES IN SHAREHOLDERS EQUITY (KSEK)

	<i>Restricted equity</i>		<i>Non-restricted equity</i>			<b>Total equity</b>	
	Share capital	Appropriation-fund	Share premium reserve	Reverse Convertible	Net profit or loss brought forward		Profit/loss for the year
<b>Opening balance per 1 May 2018</b>	<b>455</b>		<b>2 125</b>	<b>82 792</b>	<b>-43 176</b>	<b>-36 734</b>	<b>5 462</b>
Appropriation of free capital			-2 125		-34 609	36 734	0
Net profit/loss of the year						-36 389	-36 389
Reverse Convertible	<b>49</b>		<b>92 266</b>	-82 792			9 523
Appreciationfund		<b>50 000</b>					50 000
New shares							0
Warrants							0
<b>Total transactions with the owners</b>	<b>49</b>	<b>50 000</b>	<b>92 266</b>	<b>-82 792</b>	<b>0</b>	<b>0</b>	<b>59 523</b>
<b>Closing balance per 30 April 2019</b>	<b>504</b>	<b>50 000</b>	<b>92 266</b>	<b>0</b>	<b>-77 785</b>	<b>-36 389</b>	<b>28 595</b>

The share capital 448.598 is divided in 4.485.979 sharees ration 0,10 SEK per shares.

	<i>Restricted equity</i>		<i>Non-restricted equity</i>			<b>Total equity</b>	
	Share capital	Appropriation-fund	Share premium reserve	Reverse Convertible	Net profit or loss brought forward		Profit/loss for the year
<b>Opening balance per 1 May 2017</b>	<b>504</b>	<b>50 000</b>	<b>92 266</b>	<b>0</b>	<b>-77 785</b>	<b>-36 389</b>	<b>28 595</b>
Appropriation of free capital					-36 389	36 389	0
Net profit/loss of the year						-31 549	-31 549
Reverse Convertible				29 600			29 600
Appreciationfund							0
New shares							0
Warrants							0
<b>Total transations with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29 600</b>	<b>0</b>	<b>0</b>	<b>29 600</b>
<b>Closing balance per 30 April 2018</b>	<b>504</b>	<b>50 000</b>	<b>92 266</b>	<b>29 600</b>	<b>-114 174</b>	<b>-31 549</b>	<b>26 645</b>

The share capital 503.448 is divided in 12.279.208 shares ratio 0,04 SEK per shares.

A valuation has been made of the company's intellectual property rights, IPR's which was reported during the fiscal year 2018 / 2019. The reported conclusions are based on external valuations that have been performed and which indicate an assessed value of the company's intangible assets directed by the company's clinical studies. During the fiscal year 2019/2020 a reassessment of the company's clinical studies were performed showing that there is no reason to believe that the earlier assessment of surplus values of the company's IPR's reached in 2018 is no longer valid. An amount of SEK 50 million, which is well within the scope of the assessed value, is reported for intangible assets and the corresponding amount has been reported as a revaluation fund under equity, ie the company's restricted equity is increased by SEK 50 million as of April 30, 2020.

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## TILLÄGGSUPPLYSNINGAR

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### Allmän information

Umecrine Cognition AB med organisationsnummer 556698-3655 är ett aktiebolag registrerat i Sverige med säte i Umeå. Adressen till huvudkontoret är Fogdevreten 2, 171 65 Solna. Företagets verksamhet omfattar forskning-, utveckling-, försäljnings- och licensieringsverksamhet inom läkemedelsområdet.

### Redovisningsprinciper och värderingsprinciper

Företaget tillämpar Årsredovisningslagen (1995:1554) och Bokföringsnämndens allmänna råd BFNAR 2012:1 *Årsredovisning och koncernredovisning* ("K3").

#### Kostnader

Utvecklingskostnader som hör till den internt upparbetade tillgången kostnadsförs direkt i samband med att de uppstår enligt kostnadsföringsmodellen.

#### Utländsk valuta

Företagets redovisningsvaluta är svenska kronor (SEK).

#### *Omräkning av poster i utländsk valuta*

Vid varje balansdag räknas monetära poster i utländsk valuta om till balansdagens kurs. Icke-monetära poster, som värderas till historiskt anskaffningsvärde i en utländsk valuta, räknas inte om. Valutakursdifferenser redovisas i rörelseresultatet eller som finansiell post utifrån den underliggande affärshändelsen, i den period de uppstår, med undantag för transaktioner som utgör säkring och som uppfyller villkoren för säkringsredovisning av kassaflöden eller av nettoinvesteringar.

#### Inkomstskatter

Skattekostnaden utgörs av summan av aktuell skatt och uppskjuten skatt.

#### *Aktuell skatt*

Aktuell skatt beräknas på det skattepliktiga resultatet för perioden. Skattepliktigt resultat skiljer sig från det redovisade resultatet i resultaträkningen då det har justerats för ej skattepliktiga intäkter och ej avdragsgilla kostnader samt för intäkter och kostnader som är skattepliktiga eller avdragsgilla i andra perioder. Aktuell skatteskuld beräknas enligt de skattesatser som gäller per balansdagen.

#### *Uppskjuten skatt*

Bolaget redovisar ingen uppskjuten skattefordran avseende skattemässiga underskott med hänsyn till att bolaget i dagsläget befinner sig i en situation där det råder osäkerhet kring huruvida de skattemässiga underskotten kommer att kunna nyttjas mot framtida skattepliktiga resultat.

#### Materiella anläggningstillgångar

Materiella anläggningstillgångar redovisas till anskaffningsvärde efter avdrag för ackumulerade avskrivningar och eventuella nedskrivningar.

Anskaffningsvärdet består av inköpspriset och utgifter som är direkt hänförliga till förvärvet för att bringa den på plats och i skick att användas. Tillkommande utgifter inkluderas endast i tillgången eller redovisas som en separat tillgång, när det är sannolikt att framtida ekonomiska fördelar som är förknippade med posten kommer att tillfalla företaget och att anskaffningsvärdet för densamma kan mätas på ett tillförlitligt sätt. Alla övriga kostnader för reparationer och underhåll samt tillkommande utgifter redovisas i resultaträkningen i den period då de uppkommer.

Då skillnaden i förbrukningen av en materiell anläggningstillgångs betydande komponenter bedöms vara väsentlig, delas tillgången upp på dessa komponenter.

Avskrivningar på materiella anläggningstillgångar kostnadsförs så att tillgångens anskaffningsvärde skrivs av linjärt över dess bedömda nyttjandeperiod. Om en tillgång har delats upp på olika komponenter skrivs respektive komponent av separat över dess nyttjandeperiod. Avskrivning påbörjas när den materiella anläggningstillgången kan tas i bruk. Materiella anläggningstillgångars nyttjandeperioder uppskattas till:

Inventarier, verktyg och installationer

5 år

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**Cash and cash equivalents**

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

**Important estimates and assessments**

In preparing this annual report and applying K3, the company has not identified any significant assessments or estimates that entail a significant risk of significant adjustments in the reported values of assets and liabilities during the next financial year.

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**Note 1 Number of employees, salaries, other remunerations and social costs**

Average number of employees	2019/2020		2018/2019	
	Number of employees	of whom men	Number of employees	Of whom men
	3	1	3	1
<b>Total</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>1</b>

**Not 2 Capitalized expenditure for research**

	2020-04-30	2019-04-30
Opening cost	50 000 000	0
Value	0	50 000 000
<b>Closing accumulated</b>	<b>50 000 000</b>	<b>50 000 000</b>

**Note 3 Equipment, tools, fixtures and fittings**

	2020-04-30	2019-04-30
Opening cost	282 873	156 659
Acquisitions	158 358	126 214
Sales/disposals	-63 308	0
<b>Closing accumulated</b>	<b>377 923</b>	<b>282 873</b>
Opening depreciation according to plan	-92 602	-57 067
Sales/disposals	13 716	0
This years depreciations according to plan	-70 345	-35 535
<b>Accumulated depreciation carried forward according to plan</b>	<b>-149 231</b>	<b>-92 602</b>
<b>Outbound planned residual value</b>	<b>228 692</b>	<b>190 271</b>

**Note 4 Group assets**

			2020-04-30	2019-04-30
UC Research AB 559156-8166	10	5 000	50 000	50 000
Owner shares 100%				
<b>Outgoing value</b>			<b>50 000</b>	<b>50 000</b>
According to Årl 7 kap 3 § no consern annualreport has been made.				

**Note 5 Other securities held as fixed assets**

			2020-04-30	2019-04-30
Value paper	Nom.värde	Antal		
LFF Service AB 556197-9211	100	1	1 000	1 000
Owner shares 0,33%				
<b>Outgoing value</b>			<b>1 000</b>	<b>1 000</b>

The shares in LFF Service AB, a pledge with a pre-emption for Läkemedelsföreningens Service AB to acquire the share for its nominal value (SEK1 000) if Umecrine Cognition AB terminates the shareholder's agreement

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**Note 6 Current tax debts**

	<b>2020-04-30</b>	<b>2019-04-30</b>
Results after financial items	-31 549 092	-36 389 172
Non-deductable costs	28 648	59 149
Non tax duty interest	0	-615 357
Correction of previous year	0	0
Loss from previous year	-171 552 721	-134 607 341
Closing loss	<b>-203 073 165</b>	<b>-171 552 721</b>
Prepaid income tax	107 921	87 307

**Not 7 Longterm liabilities**

	<b>2020-04-30</b>	<b>2019-04-30</b>
Open liabilities	9 981 000	0
Liabilities under the year	600 000	9 981 000
Amortization for the year	0	0
<b>Utgående skulder</b>	<b>10 581 000</b>	<b>9 981 000</b>

Except from the LLF share (note 3) the company has no pledged assets of liabilities.

Solna 2020-

Viktor Drvota  
Styrelsens ordförande

Magnus Doverskog  
Verkställande direktör

Torbjörn Bäckström

Bruce Scharschmidt

Thomas Blackburn

Our audit report has been submitted on the 2020

Öhrlings PricewaterhouseCoopers AB

Tobias Strähle  
Authorized Public Accountant