

ANNUAL REPORT

2020-05-01--2021-04-30

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 2021-

Tobias Strähle
Authorized Public Accountant
Öhrlings Pricewaterhouse Coopers AB

Umecrine Cognition AB
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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 2020-05-01--2021-04-30.
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	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%
		100%

Important events during the financial year

Based on the favorable results that the company presented from the clinical Phase 2 study in hepatic encephalopathy with its leading drug candidate during the previous financial year, the company continued to evaluate data during the current financial year, in preparation for further clinical development, plan for further studies as well as building new academic and industrial contacts, in order to increase competence within the company's development area.

In November 2020, data from the Phase 2 clinical study in hepatic encephalopathy were presented at a world-leading congress of liver diseases, organized by the American Association for the Study of the Liver (AASLD) where the company's presentation was named Poster of Distinction, for being among the 10% highest ranked articles. .

In December 2020, the company strengthened its Balanced sheet by issuing convertible loans of SEK 10m from existing owners for the further development of its main drug candidate golexanolon.

During the financial year, the safety evaluation of the main candidate golexanolon continued. In March 2021, a toxicology study was completed with very good safety properties documented at high exposure levels.

In April 2021, it was announced that the company's data from the Phase 2 clinical study in hepatic encephalopathy had been published in the prestigious scientific journal Journal of Hepatology, the official journal of the European Association for the Study of the Liver (EASL).

In May 2021, the company's largest owner announced that the company was preparing for a market listing on the Nasdaq First North Growth Market, as part of financing the development plan that the company has prepared, based on positive phase 2 results for golexanolone as a treatment for liver encephalopathy.

In July the company's owners decided to reduce the share capital by 85 954,456 SEK, by reducing the nominal share value (kvotvärde) of 0,41 SEK to 0,34 SEK. per share. This transaction increased free Equity by the same amount.

In July 2021, a new share issue directed to existing and new owners was completed, which raised SEK 32.2 million after deduction of issue costs, and gave the Company a greatly broadened ownership circle, so that the number of owners after the issue exceeds 50.

Also in July, all convertible loans including accrued interest were converted to shares. Thus, the company increased the no of shares by 1 711 958 and its share capityal by 58 206,57 SEK.

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The company is constantly developing its patent portfolio in order to protect new inventions. During the financial year, the US Patent Office issued a notice that another patent for the company's formulation of golexanolone will be granted.

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Summary over the years

(KSEK)	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Profit/loss after financial items	-10 932 560	-31 549 092	-36 389 172	-36 733 604	-26 625 348
Balance sheet total	58 666 608	52 102 294	53 047 955	13 707 099	10 316 468
Financial strenght (%) ⁽¹⁾	79,3%	51,1%	53,9%	39,8%	23,9%

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

Company's future development

The Board reviews the Company's existing and forecasted cash flows on a regular basis in order to ensure that the Company has the funds and resources required to conduct operations in the strategic direction decided by the Board. It is the Board's opinion that, after the new share issue completed in July 2021, the Company has financing for running the business for the next twelve months, even without regard to the planned listing on NASDAQ 1st North later in 2021.

Proposed Appropriation of Profits/ Loss (SEK)

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

Other capital contributed	203 175 580
Balance carried forward	-196 233 558
Year result	<u>-10 932 560</u>
	<u><u>-3 990 538</u></u>

The Board of Directors proposes as follows

retained earnings to be carried forward	<u>-3 990 538</u>
	<u><u>-3 990 538</u></u>

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INCOME STATEMENT
(SEK)

	Note	2020-05-01 2021-04-30	2019-05-01 2020-04-30
Operating income			
Net turnover		112 615	116 867
		112 615	116 867
Operating expenses			
Development costs		-6 617 940	-24 336 442
Other external costs		-1 626 521	-2 030 869
Personnel costs	1	-2 514 776	-4 868 901
Depreciation and write-down of tangible and intangible assets	3	-72 992	-81 954
Other external costs		0	-136 131
Operating profit/loss		-10 719 614	-31 337 430
Result from financial items			
Interest income		8 374	0
Interest expense		-221 320	-211 662
		-10 932 560	-31 549 092
Results after financial items		-10 932 560	-31 549 092
Net profit/loss for the year		-10 932 560	-31 549 092

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BALANCE SHEET	Note	2021-04-30	2020-04-30
(SEK)			
ASSETS			
Fixed assets			
Intangible assets			
Capitalized expenditure for research	2	50 000 000	50 000 000
		50 000 000	50 000 000
Tangible assets			
Equipment, tools, fixtures and fittings	3	155 700	228 692
		155 700	228 692
Financial assets			
Shares in group companies	4	50 000	50 000
Other securities held as fixed assets	5	1 000	1 000
		51 000	51 000
Total fixed assets		50 206 700	50 279 692
Current assets			
Current receivables			
Accounts receivable		1 094	4 531
Income tax receivable	6	84 652	65 115
Other receivables		243 117	242 615
Prepaid expenses and accrued income		86 698	69 634
		415 561	381 895
Cash and bank balances		8 044 347	1 440 707
Total current assets		8 459 908	1 822 602
TOTAL ASSETS		58 666 608	52 102 294

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BALANCE SHEET

	Not	2021-04-30	2020-04-30
EQUITY AND LIABILITIES			
Shareholders equity			
Restricted equity			
Share capital (12.279.208 shares)		503 448	503 448
Appreciation fund		50 000 000	50 000 000
		50 503 448	50 503 448
Non-restricted equity			
Share premium reserve		142 775 580	142 775 580
Reverse Convertible		60 400 000	29 600 000
Profit or loss brought forward		-196 233 558	-164 684 466
Profit/loss this year		-10 932 560	-31 549 092
		-3 990 538	-23 857 978
Total equity		46 512 910	26 645 469
Onther long term liabilities			
Long term liabilities	7	10 581 000	10 581 000
		10 581 000	10 581 000
Current liabilities			
Accounts payable - trade		792 740	2 066 579
Corporate group liabilities		0	10 265 126
Other current liabilities		74 271	1 845 501
Accrued expenses and deferred income		705 687	698 619
		1 572 698	14 875 825
TOTAL EQUITY AND LIABILITIES		58 666 608	52 102 294

Cashflow

	2020/2021	2019/2020
	May-April	May-April
Profit/Loss before taxes	-10 719 614	-31 337 430
Depreciation	72 992	56 629
Interest received	8 374	0
Interest paid	-221 320	-211 662
Cashflow from operating activities before changes in operating capital	-10 859 568	-31 492 463
Cashflows from changes in operating capital		
Changes in accounts receivable	-51 594	459 802
Changes in trade payables	-1 273 838	1 534 669
Changes in other current liabilities	-12 011 360	-1 100 222
Cashflow from operating activities	-13 336 792	894 249
Investments	0	-95 050
Cashflow from investing activities	0	-95 050
Reverse Convertible Loan	30 800 000	29 600 000
Cashflow from financing activities	30 800 000	30 200 000
Cashflow for the year	6 603 640	-493 264
Cash, Opening balance	1 440 707	1 933 972
Cashflow for the year	6 603 640	-493 264
Cash, Closing balance	8 044 347	1 440 707

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REPORT CHANGES IN SHAREHOLDERS EQUITY (KSEK)

	<i>Restricted equity</i>		<i>Non-restricted equity</i>				Total equity
	Share capital	Appropriation-fund	Share premium reserve	Reverse Convertible	Net profit or loss brought forward	Profit/loss for the year	
Opening balance per 1 May 2019	504	50 000	92 266	0	-77 785	-36 389	28 596
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
Total transactions with the owners	0	0	0	29 600	0	0	29 600
Closing balance per 30 April 2020	504	50 000	92 266	29 600	-114 174	-31 549	26 645

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

	<i>Restricted equity</i>		<i>Non-restricted equity</i>				Total equity
	Share capital	Appropriation-fund	Share premium reserve	Reverse Convertible	Net profit or loss brought forward	Profit/loss for the year	
Opening balance per 1 May 2017	504	50 000	92 266	29 600	-114 174	-31 549	28 595
Appropriation of free capital					-31 549	31 549	0
Net profit/loss of the year						-10 933	-10 933
Reverse Convertible				30 800			30 800
Total transations with owners	0	0	0	30 800	0	0	30 800
Closing balance per 30 April 2018	504	50 000	92 266	60 400	-145 723	-10 933	46 513

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

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 years 2019/2020 and 2020/2021, reassessments 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, 2021.

TILLÄGGSUPPLYSNINGAR

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 BFAR 2012:1

Intäkter

Sådana intäkter som relaterar till Bolagets kärnverksamhet (t ex knutna till patent, licenser, och liknande, i enlighet med avtal skrivna med extdern part) redovisas som Nettointäkter. Övriga intäkter (t ex knutna till valutakursdifferenser, erhållna bidrag...), redovisas som "Övriga intäkter", vilka i sin tur redovisas nettade mot "Övriga kostnader".

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

dagsläget befinner sig i en situation där det råder osäkerhet kring huruvida de skattemässiga underskotten kommer att

Immateriella tillgångar

Till immateriella tillgångar hör patent, varumärken, licenser och andra rättigheter och avser internt upparbetade immateriella tillgångar.

Immateriella tillgångar skrivs av från det datum då de är tillgängliga för användning. Så länge utveckling av tillgång pågår så sker ingen avskrivning.

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 är 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	2020/2021		2019/2020	
	Number of employees	of whom men	Number of employees	Of whom men
	1	1	3	1
Total	1	1	3	1

Remuneration and other benefits	2020/2021		2019/2020	
	Salaries and other remunerations	Soc costs (of which pension expenses)	Salaries and other remunerations	Soc costs (of which pension expenses)
	1 803 201	747 035 (432 026)	3 253 165	1 705 570 (862 755)
Board and CEO 2020/2021	Board fee/salary	Pension	Consultancy fees	Total
Viktor Drvota	-	-	-	0
Bruce Scharschmidt	46 767	-	445 135	491 902
Thomas Blackburn	46 767	-	-	46 767
John Öhd	-	-	-	0
Magnus Doverskog, CEO	1 647 960	385 478	-	2 033 438
	1 741 494	385 478	445 135	2 572 107
Board and CEO 2019/2020	Boardfee/salary	Pension	Consultancy fees	Totalt
Viktor Drvota, chairman (new)	-	-	-	0
Kenth Bergström, chairman (retired)	91 668	-	-	91 668
Bruce Scharschmidt	45 833	-	70 510	116 343
Thomas Blackburn	45 833	-	-	45 833
John Öhd	-	-	-	0
Magnus Doverskog, CEO	1 512 384	340 416	-	1 852 800
	1 695 718	340 416	70 510	2 106 644

Not 2 Capitalized expenditure for research

	2021-04-30	2020-04-30
Opening balance	50 000 000	50 000 000
Acquisitions/ disposals	0	0
Closing balance	50 000 000	50 000 000

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Note 3 Equipment, tools, fixtures and fittings

	2021-04-30	2020-04-30
Opening balance	377 923	282 873
Acquisitions	0	158 358
Sales/disposals	0	-63 308
Closing balance	377 923	377 923
Depreciation according to plan, Opening balance	-149 231	-92 602
Sales/disposals	0	13 716
This years depreciations according to plan	-72 992	-70 345
Accumulated depreciation carried forward according to plan	-222 223	-149 231
Closing balance, residual value	155 700	228 692

Note 4 Group assets

			2021-04-30	2020-04-30
UC Research AB 559156-8166	10	5 000	50 000	50 000
Owner shares 100%				
Closing balance			50 000	50 000
According to Årl 7 kap 3 § no consern annualreport has been made.				

Note 5 Other securities held as fixed assets

			2021-04-30	2020-04-30
Value paper	Nom.värde	Antal		
LFF Service AB 556197-9211	100	1	1 000	1 000
Owner shares 0,33%				
Closing balance			1 000	1 000
The shares in LFF Service AB, are pledged 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				

Note 6 Current tax debts

	2021-04-30	2020-04-30
Results after financial items	-10 932 560	-31 549 092
Non-deductible costs	300	28 648
Non tax duty interest	0	0
Correction of previous year	0	0
Loss from previous year	-203 073 165	-171 552 721
Closing Balance	-214 005 425	-203 073 165
Prepaid income tax	145 387	107 921

Note 7 Long term liabilities

	2021-04-30	2020-04-30
Opening balance	10 581 000	9 981 000
Change in Liabilities during the year	0	600 000
Amortization for the year	0	0
Closing balance	10 581 000	10 581 000

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

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Solna 2021-

Viktor Drvota
Chairman of the Board

Magnus Doverskog
Chief executive officer (CEO)

Torbjörn Bäckström
Board member

Bruce Scharschmidt
Board member

Thomas Blackburn
Board member

John Öhd
Board member

Our audit report has been submitted on the 2021

Öhrlings PricewaterhouseCoopers AB

Tobias Strähle
Authorized Public Accountant