

# ANNUAL REPORT

2021-05-01--2021-12-31

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.

**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 2021-05-01--2021-12-31.  
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

		<b>Percentage</b>
Karolinska Development AB	556707-5048	72,6%
Umecrine AB	556582-0684	6,0%
Fort Knox Förvaring	556680-2392	9,3%
Partnerinvest Övre Norrland AB	556771-4331	4,1%
Clevexel Pharma SAS	790 115 026 RCS Creteil	0,9%
Bruce Scharschmidt		0,9%
Ribbskottet AB	556492-5880	0,8%
Other		5,4%
		<b>100%</b>

#### Important events during the financial year

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

In July 2021, the Company's owners decided to reduce the share capital by SEK 85,954,456, through a reduction of the quota value from SEK 0.041 to SEK 0.034 per share. The transaction increased unrestricted equity by the same amount.

In July 2021, a new share issue aimed at existing and new owners was completed, which raised SEK 32.2 million after deductions for issue costs, and gave the Company a greatly broadened circle of owners, so that the number of owners after the issue exceeds 50. This means that 856,160 new shares were added, and that the share capital increased by SEK 29,109.44. Also in July 2021, all convertible loans, including accrued interest, were converted into shares. This means that the Company added 1,711,958 new shares to the ledger, and that the share capital increased by SEK 58,206.57.

Umecrine Cognition works actively to recruit and collaborate with world-leading expertise for the company's operations and within its areas of interest. To secure the company's future operations, Dr Eva Arlander was recruited to the company as the company's head of clinical development and Hans Christopher Toll as the company's CFO.

In order to optimize the use and reduce the risks in the development, the company believes that the understanding of how a CNS drug works in the brain is of utmost importance. During the summer and autumn of 2021, collaborations were therefore started with Dr Vicente Felipo at the Principe Felipe Centro de Investigacion Valencia, and Professor Trevor Smart at University College London in order to map how golexanolone works at the molecular level and why disease-related disorders improve in patients.

In the autumn of 2021, the company began preparations for the planned clinical phase 2 studies with a longer regulatory safety study, as well as the transfer of production of study drugs to a commercial international manufacturer to support late clinical development of golexanolone. Agreements were also signed with two world-leading clinical experts, Professor David Jones, Newcastle University, England for the planned study in primary biliary cholangitis (PBC), and Professor Jasmohan Bajaj, Virginia Commonwealth University Medical Center, USA for the study of hepatic encephalopathy (HE).

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As part of the regulatory preparations for the planned clinical trials with golexanolone, the company in September held a successful scientific advisory meeting with the regulatory authority MHRA in England which gave positive feedback to the planned phase 2 study in patients with PBC.

In November, the company presented data together with Newcastle University with clinical support for the use of golexanolone in patients with PBC and cognitive impairment.

Umecrine Cognition is constantly working actively to continue to develop its IP strategy and patent portfolio around golexanolone and during the financial year, the company received an additional granted US patent for its formula for the drug candidate golexanolone. During the period, an out-licensing agreement was concluded with Asarina Pharma to consolidate the patent portfolio owned by the company.

**Summary over the years**

<b>(KSEK)</b>	<b>2021</b>	<b>2020/2021</b>	<b>2019/2020</b>	<b>2018/2019</b>	<b>2017/2018</b>
Profit/loss after financial items	-26 413 181	-10 932 560	-31 549 092	-36 389 172	-36 733 604
Balance sheet total	74 873 798	58 666 608	52 102 294	53 047 955	13 707 099
Financial strenght (%) <sup>(1)</sup>	82,6%	79,3%	51,1%	53,9%	39,8%

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

**Important events after the financial year**

In January 2022, the company presented results together with the Centro de Investigación Principe Felipe, Valencia, which shows that golexanolone reduces disease-dependent inflammation in the brain and thereby improves disease-related disorders in motor skills and mobility.

In January 2022, the company signed an agreement with a clinical contract organization for the implementation of the planned clinical the study in PBC and a strategic agreement with a commercial international manufacturer of pharmaceutical products for development of golexanolone to a possible commercial product.

**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	-207 166 118
Year result	-26 413 181
	<b>11 338 894</b>

The Board of Directors proposes as follows

retained earnings to be carried forward	11 338 894
	<b>11 338 894</b>

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**INCOME STATEMENT**  
(SEK)

	Note	2021-05-01 2021-12-31	2020-05-01 2021-04-30
<b>Operating income</b>			
Net turnover		7 280	89 884
Other income		89 458	22 731
		<b>96 738</b>	<b>112 615</b>
<b>Operating expenses</b>			
Development costs		-10 190 005	-6 617 940
Other external costs		-4 127 432	-1 626 521
Personnel costs	2	-2 254 925	-2 514 776
Depreciation of tangible and intangible assets	4	-40 534	-72 992
Other external costs		-255	0
		<b>-16 516 413</b>	<b>-10 719 614</b>
<b>Result from financial items</b>			
Interest income		34 686	8 374
Interest expense		-9 931 454	-221 320
		<b>-26 413 181</b>	<b>-10 932 560</b>
<b>Results after financial items</b>		<b>-26 413 181</b>	<b>-10 932 560</b>
<b>Net profit/loss for the year</b>		<b>-26 413 181</b>	<b>-10 932 560</b>

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<b>BALANCE SHEET</b>	<b>Note</b>	<b>2021-12-31</b>	<b>2021-04-30</b>
<b>(SEK)</b>			
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalized expenditure for research	3	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	4	115 166	155 700
		<b>115 166</b>	<b>155 700</b>
<b>Financial assets</b>			
Shares in group companies	5	50 000	50 000
Other securities held as fixed assets	6	1 000	1 000
		<b>51 000</b>	<b>51 000</b>
<b>Total fixed assets</b>		<b>50 166 166</b>	<b>50 206 700</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Accounts receivable		413	1 094
Income tax receivable		158 604	84 652
Other receivables		376 374	243 117
Prepaid expenses and accrued income		1 429 596	86 698
		<b>1 964 987</b>	<b>415 561</b>
<b>Cash and bank balances</b>		<b>22 742 645</b>	<b>8 044 347</b>
<b>Total current assets</b>		<b>24 707 632</b>	<b>8 459 908</b>
<b>TOTAL ASSETS</b>		<b>74 873 798</b>	<b>58 666 608</b>

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**BALANCE SHEET**

	Not	2021-12-31	2021-04-30
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders equity</b>			
<b><i>Restricted equity</i></b>			
Share capital (14.847.326 shares)		504 809	503 448
Appreciation fund		50 000 000	50 000 000
		<b>50 504 809</b>	<b>50 503 448</b>
<b><i>Non-restricted equity</i></b>			
Share premium reserve		244 918 193	142 775 580
Reverse Convertible		0	60 400 000
Profit or loss brought forward		-207 166 118	-196 233 558
Profit/loss this year		-26 413 181	-10 932 560
		<b>11 338 894</b>	<b>-3 990 538</b>
<b>Total equity</b>		<b>61 843 703</b>	<b>46 512 910</b>
<b>Onther long term liabilities</b>			
Long term liabilities	7	10 581 000	10 581 000
		<b>10 581 000</b>	<b>10 581 000</b>
<b>Current liabilities</b>			
Accounts payable - trade		828 689	792 740
Other current liabilities		77 244	74 271
Accrued expenses and deferred income		1 543 162	705 687
		<b>2 449 095</b>	<b>1 572 698</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>74 873 798</b>	<b>58 666 608</b>

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## Cashflow

	2021	2020/2021
	May-December	May-April
Profit/Loss before taxes	-16 516 413	-10 719 614
Depreciation	40 534	72 992
Interest received	34 686	8 374
Interest paid	-141 176	-221 320
<b>Cashflow from operating activities before changes in operating capital</b>	<b>-16 582 369</b>	<b>-10 859 568</b>
<b>Cashflows from changes in operating capital</b>		
Changes in accounts receivable	-1 549 426	-33 666
Changes in trade payables	35 948	-1 273 838
Changes in other current liabilities	840 449	-12 029 288
<b>Cashflow from operating activities</b>	<b>-673 029</b>	<b>-13 336 792</b>
<b>Investments</b>	<b>0</b>	<b>0</b>
<b>Cashflow from investing activities</b>	<b>0</b>	<b>0</b>
Reverse Convertible	0	30 800 000
New shares	31 953 696	0
<b>Cashflow from financing activities</b>	<b>31 953 696</b>	<b>30 800 000</b>
<b>Cashflow for the year</b>	<b>14 698 298</b>	<b>6 603 640</b>
Cash, Opening balance	8 044 347	1 440 707
Cashflow for the year	14 698 298	6 603 640
<b>Cash, Closing balance</b>	<b>22 742 645</b>	<b>8 044 347</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 2020</b>	<b>504</b>	<b>50 000</b>	<b>142 776</b>	<b>29 600</b>	<b>-164 684</b>	<b>-31 549</b>	<b>26 647</b>
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
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30 800</b>	<b>0</b>	<b>0</b>	<b>30 800</b>
<b>Closing balance per 30 April 2021</b>	<b>504</b>	<b>50 000</b>	<b>142 776</b>	<b>60 400</b>	<b>-196 233</b>	<b>-10 933</b>	<b>46 513</b>

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>			<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 2021</b>	<b>504</b>	<b>50 000</b>	<b>142 776</b>	<b>60 400</b>	<b>-196 233</b>	<b>-10 933</b>	<b>46 513</b>
Appropriation of free capital					-10 933	10 933	0
Net profit/loss of the year						-26 413	-26 413
Converted Convertible	58		60 342	-60 400			0
Interest for Convertible			9 790				9 790
Reduction of share capital	-86		86				0
New shares	29		35 073				35 102
Cost for new issue			-3 149				-3 149
<b>Total transactions with owners</b>	<b>1</b>	<b>0</b>	<b>102 142</b>	<b>-60 400</b>	<b>0</b>	<b>0</b>	<b>41 743</b>
<b>Closing balance per 31 December 2021</b>	<b>505</b>	<b>50 000</b>	<b>244 918</b>	<b>0</b>	<b>-207 166</b>	<b>-26 413</b>	<b>61 844</b>

The share capital 504.809 is divided in 14.847.326 shares ratio 0,034 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.



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## NOTE 1 Applicable Accounting Rules

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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 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 när den materiella anläggningstillgången 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 2 Number of employees, salaries, other remunerations and social costs

Average number of employees	2021		2020/2021	
	Number of employees	of whom men	Number of employees	Of whom men
	1	1	1	1
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

Remuneration and other benefits	2021		2020/2021	
	Salaries and other remunerations	Soc costs (of which pension expenses)	Salaries and other remunerations	Soc costs (of which pension expenses)
Board and CEO	1 665 233	309 159 (277 072)	1 803 201	747 035 (432 026)
<b>Board and CEO 2020/2021</b>				
Viktor Drvota, chairman	Board fee/salary	Pension	Consultancy fees	Total
Torbjörn Bergström	-	-	-	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
	<b>1 741 494</b>	<b>385 478</b>	<b>445 135</b>	<b>2 572 107</b>
<b>Board and CEO 2021</b>				
Viktor Drvota, chairman	Boardfee/salary	Pension	Consultancy fees	Total
Torbjörn Bergström	-	-	-	0
Bruce Scharschmidt	47 400	-	467 403	514 803
Thomas Blackburn	47 400	-	-	47 400
John Öhd	-	-	-	0
Magnus Doverskog, CEO	1 098 837	267 248	-	1 366 085
	<b>1 193 637</b>	<b>267 248</b>	<b>467 403</b>	<b>1 928 288</b>

## Not 3 Capitalized expenditure for research

	2021-12-31	2021-04-30
Opening balance	50 000 000	50 000 000
Acquisitions/ disposals	0	0
<b>Closing balance</b>	<b>50 000 000</b>	<b>50 000 000</b>

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**Note 4 Equipment, tools, fixtures and fittings**

	<b>2021-12-31</b>	<b>2021-04-30</b>
Opening balance	377 923	377 923
Acquisitions	0	0
Sales/disposals	0	0
<b>Closing balance</b>	<b>377 923</b>	<b>377 923</b>
Depreciation according to plan, Opening balance	-222 223	-149 231
Sales/disposals	0	0
This years depreciations according to plan	-40 534	-72 992
<b>Accumulated depreciation carried forward according to plan</b>	<b>-262 757</b>	<b>-222 223</b>
<b>Closing balance, residual value</b>	<b>115 166</b>	<b>155 700</b>

**Note 5 Group assets**

	Nom.value	No of shares	<b>2021-12-31</b>	<b>2021-04-30</b>
UC Research AB 559156-8166	10	5 000	50 000	50 000
Owner shares 100%				
<b>Closing balance</b>			<b>50 000</b>	<b>50 000</b>
According to Årl 7 kap 3 § no consern annualreport has been made.				

**Note 6 Other securities held as fixed assets**

	Nom.value	No of shares	<b>2021-12-31</b>	<b>2021-04-30</b>
Value paper				
LFF Service AB 556197-9211	100	1	1 000	1 000
Owner shares 0,33%				
<b>Closing balance</b>			<b>1 000</b>	<b>1 000</b>

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 7 Long term liabilities**

	<b>2021-12-31</b>	<b>2021-04-30</b>
Opening balance	10 581 000	9 981 000
Change in Liabilities during the year	0	600 000
Amortization for the year	0	0
<b>Closing balance</b>	<b>10 581 000</b>	<b>10 581 000</b>

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

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Solna 2022-

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 2022

Öhrlings PricewaterhouseCoopers AB

Tobias Strähle  
Authorized Public Accountant