ASARINA PHARMA

ANNUAL REPORT 2018

AND CONSOLIDATED FINANCIAL STATEMENTS

2018-01-01—2018-12-31

REMAIN IN CONTROL OF YOUR LIFE

ASARINA PHARMA AB (PUBL)

556698-0750

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FINANCIAL HIGHLIGHTS AND THE YEAR IN BRIEF

FINANCIAL HIGHLIGHTS

THE ASARINA PHARMA GROUP STRENGTHENED its financial resources significantly during 2018 through share issues in the first half-year and most notably through the IPO in September which gave net proceeds of SEK 136 million. Consequently, the company entered 2019 with SEK 141.5 million in cash available for its clinical studies and other R&D activities.

Total operating costs increased to SEK 51.6 million from SEK 32.5 million in 2017 as the company initiated its Phase IIB study in PMDD and expanded its management team.

YEAR IN BRIEF

PHASE IIB PMDD STUDY: STEADY PROGRESS, LOW DROP-OUT

April 2018 saw the First Patients into our major Phase IIB study in PMDD. Interest has been high with two thirds of required intake enrolled by the end of February. Patient drop-out has been markedly low—15 % compared to 30 % seen in other PMDD trials. We expect topline results in early 2020.

MENSTRUAL MIGRAINE PHASE IIA STUDY: PROOF-OF-CONCEPT

In December 2018, our Medical Advisory Board gave full backing to the Phase IIA Study protocol for Menstrual Migraine, a disease affecting 50 million women worldwide. The study is now well underway with a CRO selected and study sites in Denmark, Sweden and Finland being assessed.

NEW MEDICAL, SCIENTIFIC & STRATEGIC APPOINTMENTS

In May a Scientific Advisory Board of leading global scientists was appointed. In August, Märta Segerdahl joined Asarina Pharma as Chief Medical Officer to lead the Menstrual Migraine study together with world migraine authority, Professor Anne MacGregor. At the end of the year, the Management Team was further strengthened with two highly experienced experts in CMC (Chemistry, Manufacturing Control) and formulation.

IPO: A FINANCIAL MILESTONE

On September 24, Asarina Pharma raised SEK 150 million in a oversubscribed IPO on Nasdaq First North. The IPO earned the confidence of seasoned, reputable investors such as Sectoral Asset Management from Canada and Swedish funds like Robur, Catella and Handelsbanken.

CEO STATEMENT

Dear Asarina Pharma shareholder,

2018 has been a year of profound transformation. A year when our shared commitment to helping new generations of women remain in control of their life, enabled us to initiate an ongoing Europe-wide Phase IIB Study, prepare for a Phase IIA Study, and become a public listed company. I'm confident that the continued commitment of our shareholders, the expertise of our board and management and the professionalism and passion of our Study Teams, clinicians and volunteers in the field will make 2019 an exciting year of milestones and results.

Peter Nordkild, CEO, Asarina Pharma

2018: A TRULY GAME-CHANGING YEAR

In April 2018 we welcomed the first patients into our large Phase IIB study. In May, our board was renewed with independent members with extensive experience from public life science companies. On September 24 Asarina Pharma raised SEK 150 million in a heavily oversubscribed IPO on First North.

4 COUNTRIES, 14 STUDY CENTERS, 225 PATIENTS

OUR PHASE IIB PMDD STUDY

The Phase IIB study in our lead indication, Premenstrual Dysphoric Disorder (PMDD) had first-patient-first-visit in April 2018. We have seen an overwhelming response from women visiting our homepage and taking the test to assess if they are suffering from the disease. By the end of 2018, more than 700.000 women had filled out the questionnaire, proving that PMDD really is a major un-met medical need. The study is progressing steadily and we expect topline results in early 2020. We're also happy to note a drop-out rate (women not completing the study) that is less than half what was expected. Other studies in PMDD have seen drop-out rates of over 30%. Our drop-out rate is approximately 15%.

MENSTRUAL MIGRAINE PHASE IIA STUDY, PROOF-OF-CONCEPT

Part of the IPO proceeds were earmarked for a Phase IIA proof-of-concept study into Menstrual Migraine (MM). Almost 10% of women of fertile age suffer from migraine with exacerbations during the last few days before the next period, i.e. menstrual migraine. This type of migraine does not respond well to state of the art migraine treatment and it was not even included in the recent large clinical studies to approve the new prophylactic antibodies against migraine.

Our IPO was met with significant interest from both institutional and retail investors. We were fortunate to see Sectoral Asset Management from Canada and large Swedish funds like Robur, Catella and Handelsbanken invest in the Asarina Pharma IPO. During the fall, we further strengthened Asarina Pharma's management team, hiring senior people with complementary expertise in migraine, production and formulation.

EFFICACY OF SEPRANOLONE IN TOURETTE´S SYNDROME

Prof Marco Bortolato's research group in the US has demonstrated that Sepranolone reduces tics in an animal model of Tourette´s on par with first-line-treatment with Haldol, without inducing any motor side effects. This is a very important finding as it confirms that Sepranolone can reduce the negative effects of Allopregnanolone (ALLO) not only when it is produced peripherally, as is the case in PMDD and MM, but also when it is produced during stress situations in the brain.

LOOKING AHEAD

When I look ahead, 2019 and 2020 promise to be exciting and full of milestones and achievements.

2019

- **DURING THE SECOND HALF OF 2019** we expect the last patients to be **treated in the Phase IIB study in PMDD with topline results** early in 2020**.**
- **AT THE END OF JUNE** we hope to **get FDA approval** of our application for an IND in MM.
- **IN AUGUST** we expect to **start enrolling patients** in our migraine study**.** Interest from Scandinavian migraine centers to take part in the study has been overwhelming.
- **DURING 2019** we will **select the autoinjector for the Phase III studies and commercialization**. We are highly focused on identifying the best possible auto-injector to administer Sepranolone in the future instead of the somewhat inconvenient syringe presently used by patients.

2020

- **EARLY IN 2020,** we will have **topline results from the Phase IIB study in PMDD.** A positive outcome will lead to an "end-of-Phase II" meeting with the FDA to discuss the number of patients required for the Phase III studies.
- **A PHASE III STUDY** is likely to commence in the first half year of 2021. **Production upscaling** is well underway for delivery of drug product for the Phase III study in PMDD in 2021.
- **AT THE END OF 2020,** we expect to **deliver topline results** from our Phase IIA study in MM. A positive outcome will warrant additional Phase II studies determining the most optimal dosing regimen. It is the intention to conduct both Phase III studies in PMDD and additional Phase II studies in MM employing an autoinjector.

We're confident that the commitment and professionalism of our team will power forward the development of Sepranolone as a first-in-class compound for both PMDD and MM, two devastating indications with large, unmet medical needs. Presently no other company is developing compounds for these severe conditions. But it doesn't end there. We are also actively looking to expand our pipeline, e.g. through additional internal projects and project acquisitions/licenses—all with the same powerful expertise and commitment.

On behalf of the entire Asarina Pharma team I'd like to thank you for your continued support

Peter Nordkild,
CEO, Asarina Pharma

SEPRANOLONE FOR PMDD

SEVERITY & SYMPTOMS

PMDD is a devastating, hereditary condition that afflicts 1-in-20 women of a fertile age worldwide. Sufferers are four times more likely to attempt suicide, often have difficulty holding down a full-time job and are significantly more likely to experience family or relationship breakdown.
The more we know about PMDD, the more power we have over it.

When I first saw PMDD symptoms described it was like a lightbulb switching on… Finally, I thought, I'm not alone. I can begin to take back control!

'Lisa', 37, UK

SYMPTOMS

PMDD IS A RECOGNIZED CLINICAL CONDITION

In Europe and the US medical guide-lines recognize PMDD as a specific disease entity with clearly identified symptoms. Asarina Pharma is developing the first dedicated treatment for PMDD.

PHYSICAL

- Joint pain
- Headache
- Migraine
- Abdominal bloating
- Breast tenderness
- Exhaustion

EMOTIONAL

- Extreme mood swings
- Uncontrollable emotional outbreaks
- Anger
- Irritability
- Depression
- Feelings of despair and low self-worth
- Anxiety
- Difficulty concentrating

4 COUNTRIES, 14 STUDY CENTERS, 225 PATIENTS

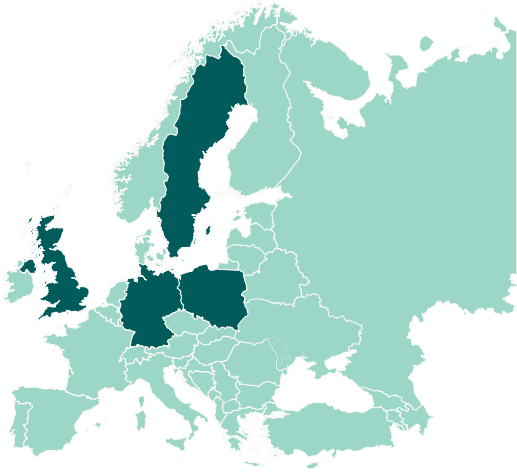
PHASE IIB PMDD STUDY FOR PMDD

MORE THAN
2/3

of planned study participants enrolled into our trials from Sweden, Poland, UK & Germany by end of February

MORE THAN
850,000

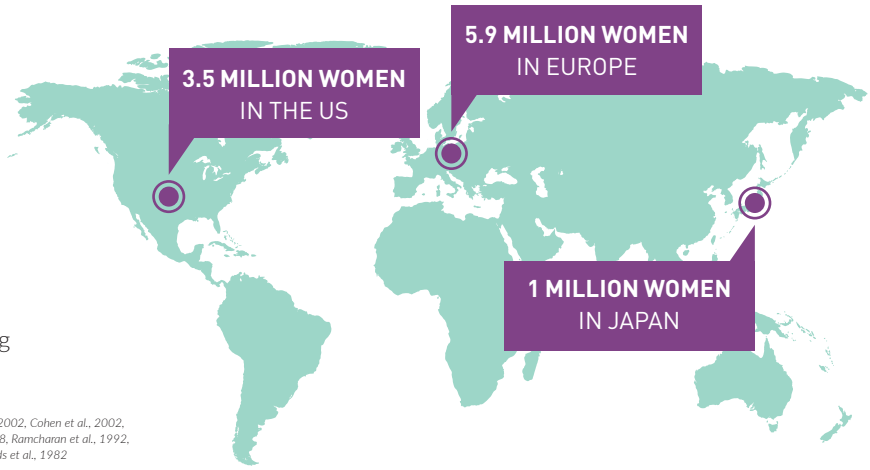
More than three quarters of a million women living near our Study sites in Europe have shown interest in our digital PMDD survey in the past nine months



PMDD MARKET POTENTIAL

EXTENSIVE MARKET INTELLIGENCE

Asarina Pharma has commissioned several extensive Market Research Studies into PMDD—including studies from IMS Health, a leading provider of market intelligence for the global healthcare industry, and LEK Consulting, a global strategy consultancy.



PMDD PREVALENCE:
1-IN-20 WOMEN OF FERTILE AGE

Peer-reviewed articles [1] from the 1990's up to today confirm that the prevalence of PMDD worldwide is between 4–8 %. The scientific consensus gives the following estimates on PMDD prevalence:

[1] *Am. Psychiatric Assoc., 1994, Angst et al., 2001, Campbell et al., 1997, Chawla et al., 2002, Cohen et al., 2002, Deuster et al., 1999, Eriksson et al., 2002, Gehlert & Hartlage, 1997, Johnson et al., 1988, Ramcharan et al., 1992, Rivera-Tovar & Frank, 1990, Sveindottir & Backstrom, 2000, Wittchen et al., 2002, Woods et al., 1982*

MORE THAN
50 % OF WOMEN WITH PMDD

- do not make the link between their problems and the menstrual cycle
- have not sought treatment for PMDD

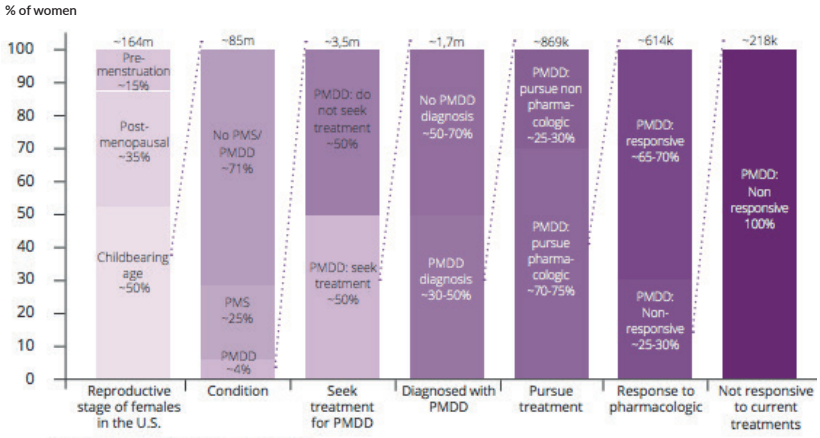
PMDD IN THE US:
SIGNIFICANT UNMET NEED

In 2017, we commissioned an extensive market study of PMDD in the US from LEK Consulting. The US is a key target market for Sepranolone, with diagnosis described in DSM-5 (the Diagnostic and Statistical manual of Mental Disorders). We also gathered corresponding data for Europe. Both the US and European data confirmed that PMDD is under-diagnosed and that there is a significant unmet medical need for an effective treatment.

TARGET PATIENTS IN THE US:
OVER 1 MILLION WOMEN

There are currently no products specifically developed to treat PMDD. Patients are most often prescribed antidepressants (SSRI's) or oral contraceptives (OC). SSRI's have been an approved treatment in the US for more than 30 years. Whilst they do offer some alleviation of symptoms for some patients, treatment results overall are poor, and often associated with unwanted side effects. Given that, we calculate an effective new treatment in the US to first treat a primary target group of 200,000 refractory patients. Subsequently we expect Sepranolone to reach patients who are currently receiving some form of treatment too. We calculate this to be approximately 850,000 patients in the US. Our research confirms just over 1 million patients as a realistic estimate for treatment with Sepranolone in the US.

BREAKDOWN OF WOMEN WITH PMDD IN THE US



Source: Analysis performed by L.E.K April 2017

PMDD STUDY SPOTLIGHT: LIVERPOOL UK

THE PASSION OF PATIENTS

The patients we're recruiting are highly motivated. I think they're proud to be involved, they know this drug won't be available instantly after the trial, but they're committed to volunteering so other women won't have to suffer like they have. There really hasn't been anything like this treatment before.

Dr Paula Briggs, Lead study investigator, Liverpool woman's hospital, Consultant in sexual and reproductive health

PHASE IIB TRIAL:

SEPRANOLONE FOR PMDD

Asarina Pharma's Phase IIB PMDD Study is trialling the first-ever dedicated treatment for PMDD. Motivation amongst volunteers is high, driven by the fact that PMDD has historically often been undiagnosed, misdiagnosed or poorly managed.

– Many women who suffer from PMDD are desperate to see it recognized and treated. They want to be listened to, says Dr Paula Briggs, Lead Study Investigator at Liverpool's Woman's Hospital, one of the UK's three study sites.
– Because there are no licensed treatments many clinicians still don't ask questions about PMDD, perhaps because they're not sure how best to manage it. Many volunteers have been misdiagnosed before with psychiatric conditions and almost all have tried other treatments that didn't work for them.

STRONG FAMILY SUPPORT

Families and partners play a vital role too.
– Partners often accompany women on their first visit. Many patients discuss volunteering with their families so it's a joint decision, says Dr Briggs.

– They know that at the end of the Study the drug won't be available instantly. But there's a vested interest in helping develop a treatment so that other women don't have to suffer like they do. Volunteers aren't just thinking of their own treatment, but their daughters' and granddaughters' too.

EXCEPTIONAL EMPATHY TAKES TIME

Hand-in-hand with this high motivation is the need for strict entrance criteria. PMDD symptoms include anger, irritability and uncontrollable emotional outbreaks. It's a complex condition that often straddles many mental health issues. So the need for careful, thorough screening is critical—to be absolutely sure that volunteers have pure hormonal PMDD not exacerbated by any other mental health conditions. Such careful screening takes a lot of time and sensitivity.

– We have a fantastic Study Nurse, Pam, who is wonderfully empathetic and supportive when dealing with this patient population. She's a good listener and conducts a huge number of telephone consultations to be 100 % sure that women are eligible. It's time-consuming and requires a lot of empathy, but the patients are screened brilliantly, so when they arrive for their first visit they're virtually all suitable. The PMDD electronic diaries the women keep provide extremely detailed, useful information.

FLEXIBLE ROUTINES

PMDD is destabilizing and exhausting. It can be tough for volunteers to keep up their diary—so flexibility in the Study is important.

– Sometimes patients are motivated, but still the condition overwhelms them. If Pam sees that they haven't been filling out their diaries, she phones them. Sometimes we've had to let patients have extra cycles just to keep them in the Study, and whilst this is not ideal, when we phone and offer them the option they're extremely happy and really want to keep doing it.

THE FIRST DEDICATED THERAPY FOR PMDD

– Virtually everyone in the Study has tried other treatments that didn't work, says Dr Briggs.

– Typically SSRIs, combined pills, Mirena with add back oestrogen or Gabapentin. It's rewarding to be involved in a Study that's developing a completely new treatment for this condition.

DR PAULA BRIGGS Consultant in Sexual and Reproductive Health for Southport and Ormskirk Hospital NHS Trust.

Dr Briggs is a clinician, researcher and educator in the field of women's health. She is a Fellow of the Faculty of Sexual and Reproductive Health Care (Royal College of Obstetricians and Gynaecologists) and has a Diploma in Gynaecology (Bradford University). She is an Honorary Senior Lecturer at Liverpool University.

She has co-edited three books, co-authored a textbook in Obstetrics and Gynaecology and a revision book for the membership exam for the Faculty of Sexual and Reproductive Healthcare and been the author/co-author of twenty scientific papers. She is married with four children and enjoys running, golf, reading and cooking.

Photo: Rodhullandemu, CC BY-SA 4.0, https://commons.wikimedia.org/w/index.php?curid=62184730

SEPRANOLONE FOR MENSTRUAL MIGRAINE (MM)

In 2019 Asarina Pharma will begin a clinical Phase IIA trial for Sepranolone for MM. Sepranolone is the world's first therapy specifically targeting MM. It is designed not to treat MM symptoms—but to prevent them.

PHASE IIA TRIAL: KEY FACTS

TARGET SITES
Finland, Denmark, Sweden

NUMBER OF PATIENTS
80–90

AGE OF PATIENTS
18–45 yrs

CRO
SCRO (Scandinavian CRO) based in Uppsala, Sweden

TREATMENT
Prophylactic neurosteroid Sepranolone

ADMINISTRATION
Pre-filled syringes for self-administration

TIMELINE
Study start in late June 2019 – completed end 2020

SEPRANOLONE OFFERS POWERFUL BENEFITS TO WOMEN MANAGING MM OVER A LIFETIME

MENSTRUAL MIGRAINE:
DEFINITION AND PREVALENCE

Imagine if, for five days every month, your normal life ground to a halt—and disabling pain took over...

For many women such is the reality of MM, one of the most disabling, aggressive forms of migraine. MM attacks are more predictable, but often more severe, prolonged and disabling too.

The International Classification of Headache Disorders defines MM as migraine attacks that start up to two days before the period then continue three or more days into the menstrual flow. A profoundly disabling condition, the global cost and prevalence of MM is high.

MENSTRUAL MIGRAINE STUDY SPOTLIGHT

INSIDE PHASE IIA TRIAL FOR SEPRANOLONE FOR MM

Professor Anne MacGregor is working on Asarina Pharma's Phase II trial for Sepranolone for MM, with Chief Medical Officer Dr Märta Segerdahl. In February they met in Copenhagen to discuss this severe, highly aggressive form of migraine characterised by prolonged, predictable and disabling attacks. MM affects 50 million women worldwide, often fails to respond to current treatments, and yet has never had a dedicated therapy… Until now.

MEET THE MENSTRUAL MIGRAINE EXPERTS

– The WHO recognizes migraine as being the leading cause of life lived with a disability for women in their reproductive years, says Professor Anne MacGregor, award-winning migraine researcher, educator and clinician with 5 books and over 200 research papers to her name.
– Menstrual Migraine is highly disabling for women and clearly needs to be targeted and treated as a specific disease entity.

DR MÄRTA SEGERDAHL
Chief Medical Officer

PROF ANNE MACGREGOR
Scientific Advisory Board member

HOW WELL RECOGNIZED AND DIAGNOSED IS MENSTRUAL MIGRAINE?

PROF MACGREGOR: The big challenge right now is recognition. The medical profession is not well educated yet in how to manage MM. MM patients often know more about managing their condition than many of their treating doctors do. Currently 50 % of people with migraine self-help without even seeking proper treatment. But as soon as an effective treatment starts to become available for a condition, then it starts to be better recognized, which in turn makes the treatment more available and accessible to those living with it.

We want neurologists to recognize MM as an entity in itself. We need to help them feel comfortable dealing with something that is not directly neurological but which falls in their treatment field, and encourage them to combine the insights of neurology and gynaecology.

DR SEGERDAHL: It's important for neurologists to know that Sepranolone is not a steroid hormone. Because in order to be a steroid hormone, apart from being a steroid, it also needs to have hormonal activity. Sepranolone is a hormone metabolite and an endogenous compound. Early adopters of new treatments are always specialists rather than GPs, and that's how it will be with MM. We need to spread the word top-down. Uptake will be driven too by the scale of the prevalence and the need. There are still more women with migraine than there are with diabetes or asthma combined.

PROF MACGREGOR: MM is a disease entity, it affects a specific group of women and there are dedicated treatments for it—understanding this will generate better diagnoses.

WHY DO SO MANY WOMEN WITH MENSTRUAL MIGRAINE 'SUFFER IN SILENCE'?

PROF MACGREGOR: There's still a stigma around migraine. A sense that it's the individual sufferer's "fault". They "can't cope", they're not "pulling their weight." Rather than understanding it as an identifiable disease entity with a purely chemical basis. Which it is—because when the attacks happen there's nothing you can do about that chemical change. You're not in control of it.

Yet the media still produce articles telling us 'Migraine is triggered by chocolate', or 'you'll get an attack if you don't take regular vitamin supplements', implying that sufferers are doing things wrong. People with MM often end up leading really restricted lives in an effort to curtail symptoms—with absolutely no effect.

And because people see them after their attacks, when they've recovered and look fine, they often just don't believe that person has been lying down in a darkened room totally unable to move. Some MM sufferers phone their doctors and ask them to visit during their attack, just so they will be believed. So diagnosis can be a powerful affirmation for sufferers who are often made to feel they're imagining it. It tells them they are being believed and helps them understand what is actually going on.

WHY IS A SPECIFIC TREATMENT FOR MENSTRUAL MIGRAINE SO IMPORTANT?

PROF MACGREGOR: MM attacks are often resistant to standard treatments. In my practise I meet many women who are already under neurologists for management of their episodic migraine, but they end up coming to me, saying "I'm on a lot of drugs for migraine, they work really well for my regular attacks—but I'm still left with other attacks that happen every month with my periods, and my neurologist doesn't know what to do about it. The dose of the standard treatment just gets upped, which then increases the side effects."

Because MM attacks can be longer than episodic attacks, patients get concerned over how much standard treatment it is safe to take, how long it can be taken for, and relapse of symptoms over several consecutive days. So standard treatments do not properly manage migraine attacks with menstruation.

PREVENTION IS THE BEST CURE

SEPRANOLONE AND MENSTRUAL MIGRAINE

For us, prevention is the best cure. Sepranolone is part of a new generation of migraine treatments, yet it is unique: none of the clinical studies for the new antibodies analysed the effect in women suffering from MM, which remains a major unmet medical need.

MEETING AN UNMET NEED

Beyond the simple clinical definition, MM has a markedly different symptomatology to Migraine, principally in that it is predictable. The implications in terms of prevalence and treatment are huge. MM reveals a large number of unidentified patients with major unmet needs currently receiving no dedicated prophylactic treatment.

COULD YOU DESCRIBE THE IMPACT OF MENSTRUAL MIGRAINE ON A TYPICAL FAMILY?

PROF MACGREGOR: Many of the people I see have had to completely alter their working lives as a direct consequence of their migraine. Many are unable to hold down a full-time job at all. Or they'll chose shift work or working from home, just to avoid having to be at a certain place at a certain time on specific days. Women with MM often have to have a network of friends or relatives they can call on to help them go and pick up the children or other basics. So it is not just the individual sufferers themselves who experience migraine—but everyone around them.

HOW IMPORTANT IS THE SCIENCE OF SEPRANOLONE, ALLOPREGNANOLONE AND HORMONE METABOLITES?

PROF MACGREGOR: It's really exciting to look at MM in a different way. To consider other pain pathways, how steroid hormones work together and how the same ultimate problem develops from different routes—which is exactly how migraine works. There has been growing awareness of Migraine over recent years, but it hasn't always translated into action and innovation in research. Right now nobody is looking at mechanisms. And yet knowing more about the mechanisms of MM is crucial. Not only will it provide an effective management strategy, it will help us better understand the whole pathophysiology of migraine.

DR SEGERDAHL: People have been so focussed on vasodilation for so long with migraine, because it's something you can see and measure. Because you can measure hormones there's been a lot of research into hormone fluctuations, but not into how we metabolize hormones. And that is super-important.

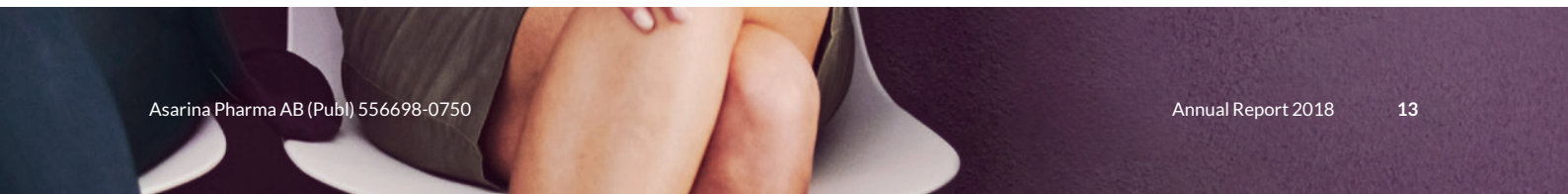
PROF MACGREGOR: The beauty of this Study is that it puts the management of MM back into the hands of the women who have the problem, with the diagnosis confirmed by somebody who knows what MM is. Given that humanity has yet to find a cure or really understand what causes migraine, a condition that's been around since Babylonian times, it's unlikely we'll find a single cure for MM—but to have a realistic opportunity to provide women with a treatment that gives them back control over their condition—so they are in control of their lives, not having migraine attacks controlling their lives, I think that would be really hopeful.

1-IN-10
PEOPLE WORLDWIDE
suffer from migraine – making it more prevalent than diabetes and asthma combined

2/3
OF THESE
approximately 500 million, are women, half being of a fertile age

1-IN-5
OF THESE WOMEN
or approximately 50 million women worldwide, suffer from Menstrual Migraine

The WHO
RECOGNIZES MIGRAINE AS THE LEADING CAUSE
of YLD (Years Lived with a Disability) for women of a reproductive age



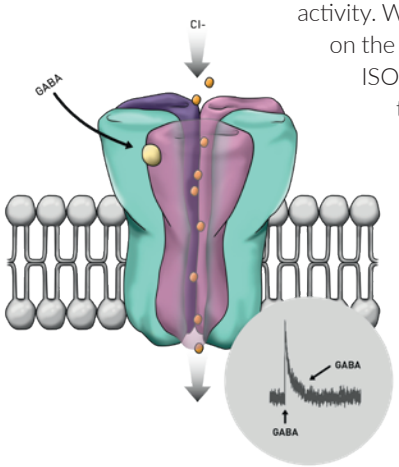
THE SCIENCE OF ALLOPREGNANOLONE

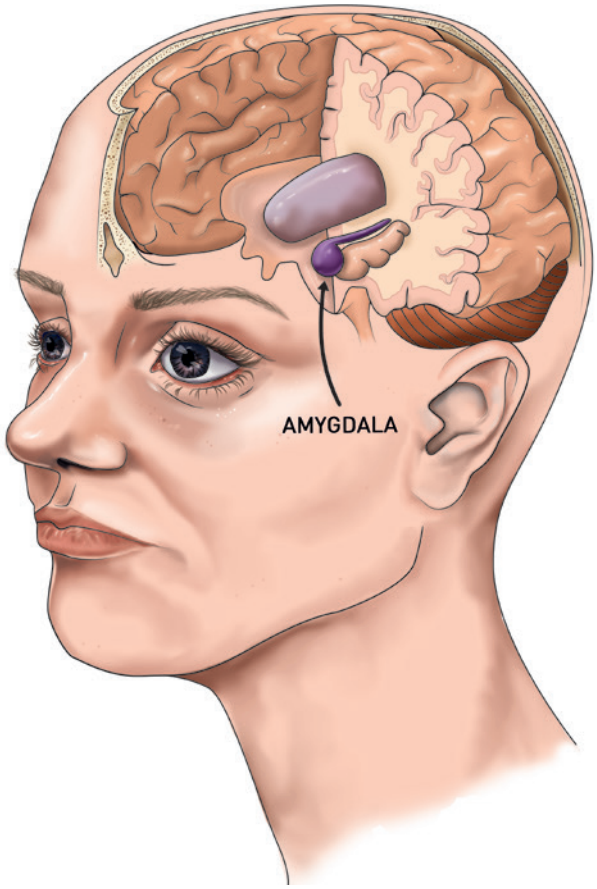
Progesterone is a female hormone playing a major role in the menstrual cycle and during pregnancy. Similar to all endogenous sex and stress hormones, progesterone produces $GABA_A$ receptor active metabolites and especially Allopregnanolone (ALLO) and isoallopregnanolone (ISOALLO) are of interest in the context of Premenstrual Dysphoric Disorder (PMDD) and MM.

Both of these metabolites are active neurosteroids autonomously formed within the brain but also in peripheral endocrine tissues. Both ALLO and ISOALLO easily pass the blood brain barrier so changes in peripheral production are noted in the brain. The concentrations of Progesterone and thus the metabolites ALLO and ISOALLO are increased following ovulation and production from the corpus luteum but concentrations drop rapidly at the onset of menstrual bleeding if there is no pregnancy. The concentration of ALLO in the brain is also increased during stress. [1, 2]

LACK OF ADVERSE EFFECTS CONFIRMED IN PHASE II A AND B STUDIES

ISOALLO does not have an effect on the GABA receptor as such, but where ALLO opens the GABA receptor increasing the electrical activity of the receptor, ISOALLO reconfigures the GABA receptor to normal without influencing the electrical activity. Without a direct effect on the GABA receptor activity ISOALLO was not expected to produce adverse reactions. This lack of adverse events has been confirmed in the Phase II A and B studies in PMDD, except for some mild injection site signs observed in fewer than 5 % of all injection sites.





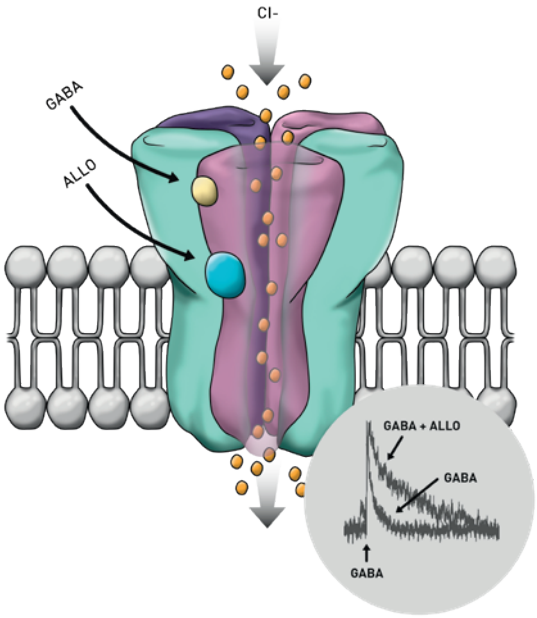
AMYGDALA. *The amygdala plays a crucial role in processing emotional responses. Inside the amygdala, neurons use the neurotransmitter GABA (gamma-aminobutyric acid) to modulate feelings such as fear, anxiety and agreession. The GABA system is the brain's primary inhibitory neurotransmitter.*

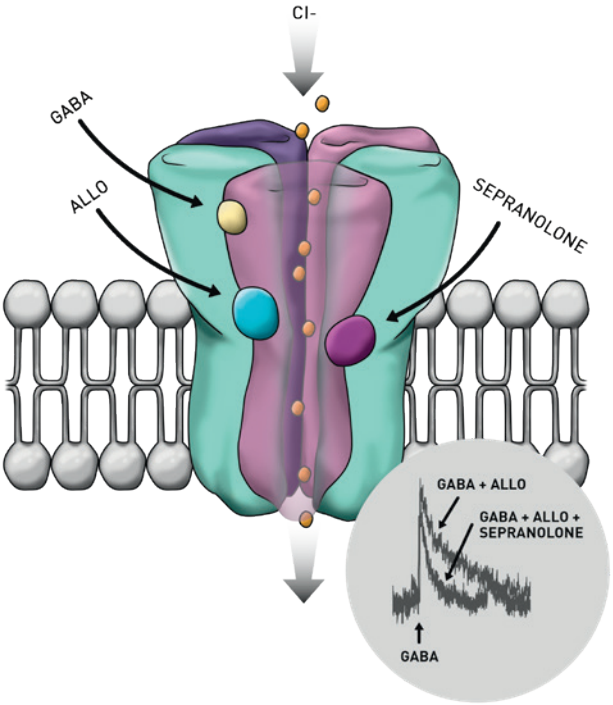
ALLOPREGNANOLONE, IMPORTANT IN MOOD AND ANXIETY DISORDERS

As many of the endogenous steroids Allopregnanolone possesses both positive and negative effects depending on the situation and individual. A wide variety of effects exists including sedative, anesthetic, analgesic, pro-sleep etc. Fluctuations of ALLO and other neurosteroids seem to play an important role in the pathophysiology of mood and anxiety disorders as well as menstrually related conditions like PMDD, MM, epilepsy and various other neuropsychiatric conditions. However, increased levels of ALLO can produce negative paradoxical effects, including negative mood, anxiety, irritability and aggression. In addition, prolonged increasing levels of ALLO e.g. following ovulation can induce tolerance development resulting in withdrawal symptoms setting off e.g. migraine attacks, when the ALLO concentration rapidly drops prior to the next menstruation, when there is no pregnancy. [3]

ALLOPREGNANOLONE IN POSTPARTUM DEPRESSION

Boston-based Sage Pharmaceuticals are focusing on developing products based on the positive effects of ALLO. Sage product Brexanolone (ALLO) has just been approved by the FDA for postpartum depression. Sage are also developing analogs of ALLO e.g. Sage 217, which is in Phase II clinical development for e.g. insomnia. Asarina Pharma on the contrary is focusing on developing products alleviating the negative effects of ALLO. [4]





ALLOPREGNANOLONE IN PMDD

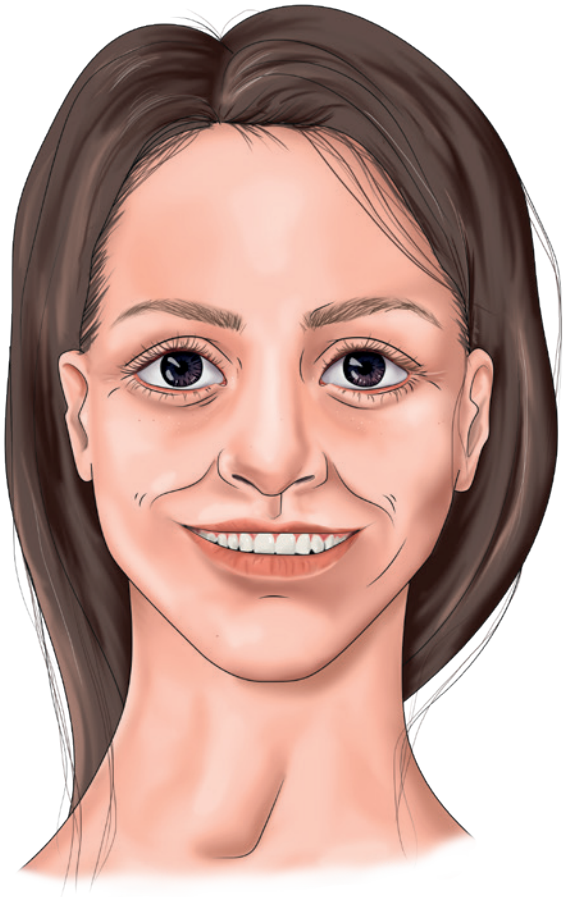
Women suffering from PMDD are particularly sensitive to the increasing concentrations of ALLO during the luteal phase and PMDD symptoms disappear as soon as the concentration of ALLO drops at menstruation or during menopause, when the woman is no longer ovulating. Administration of Sepranolone (ISOALLO) seems to alleviate the brain related PMDD symptoms of depression, anxiety and aggression, through action as a GAMSA (a $GABA_A$ modulating steroid antagonist). [5, 6]

ALLOPREGNANOLONE IN MM

Migraine can occur at any time, but for women at fertile age the intensity and frequency of attacks seem to be concentrated just prior to and during menstruation, when there is no pregnancy and the concentration of ALLO is dropping rapidly. MM is thus believed to be an ALLO substance withdrawal syndrome based on the rapid withdrawal of ALLO following ALLO tolerance development during the luteal phase. The medical rationale is that prophylactic treatment with Sepranolone from ovulation during the luteal phase will prevent tolerance development to ALLO and thus prevent ALLO withdrawal symptoms e.g. induction of migraine. [7]

ALLOPREGNANOLONE IN STRESS-RELATED DISORDERS

Stress induces increased production of a number of neurosteroids e.g. ALLO in the brain and adrenal. Tourette´s Syndrome, Obsessive Compulsive Disorder and Pathological Gambling are all syndromes characterized by unnatural behaviours, that an individual involuntarily performs in particular in response to stress.



ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS OF ASARINA PHARMA AB

The Board of Directors and the Chief Executive Officer of Asarina Pharma AB (publ) ("the Company") hereby present the annual report and consolidated financial statements for fiscal year January 1, 2018 to December 31, 2018.

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DIRECTORS REPORT

BUSINESS DESCRIPTION

The company is domiciled in Solna county, Sweden and conducts research and development of pharmaceuticals for treatment of premenstrual dysphoric syndrome (PMDD), menstrual migraine and related activities.

SHARES

The shares of Asarina Pharma have been traded on NASDAQ First North since September 24, 2018. On December 31, 2018, the company had 16,037,218 shares outstanding.

OWNERSHIP AS AT 31 DECEMBER 2018

SHAREHOLDER	COUNTRY	NO. OF SHARES	OWNERSHIP (%)
Kurma Biofund	France	3,145,132	19.6
Östersjöstiftelsen (Baltic Foundation)	Sweden	2,352,092	14.7
Rosetta Capital	United Kingdom	2,058,329	12.8
Idinvest Patrimonie	France	1,639,824	10.2
Sectoral Asset Management	Canada	1,190,476	7.4
Swedbank Robur Fonder	Sweden	1,190,476	7.4
Catella Fonder	Sweden	835,846	5.2
Ergomed plc	United Kingdom	391,898	2.4
Handelsbanken Fonder	Sweden	380,952	2.4
Nordnet Pensionsförsäkring	Sweden	276,513	1.7
Others		2,575,680	16.1
TOTAL		**16,037,218**	**100.0**

GROUP STRUCTURE

In March 2017, Asarina Pharma AB founded a fully owned Danish subsidiary, Asarina Pharma ApS. In connection therewith, Asarina Pharma AB transferred the intellectual property rights to Sepranolone to Asarina Pharma ApS along with the majority of related consulting and CRO agreements related to the clinical development of Sepranolone.

The Danish subsidiary is primarily responsible for conducting the Phase IIB study in PMDD along with other clinical trials. The Danish subsidiary may under certain conditions benefit from the Danish Tax system where research and development companies may collect compensation for incurred research and development costs.

In September 2018, Asarina Pharma Finans AB ("Finans AB), a non-operational fully owned subsidiary was founded in connection with the launch of an incentive program for the Board of Directors and management.

DEVELOPMENT OF OPERATIONS, FINANCIAL POSITION AND RESULTS (GROUP)[1]

SEK '000	2018	2017
Net sales	0	0
Operating income	-51,596	-32,531
Income after financial items	-51,594	-32,305
Total assets	**149,580**	**12,875**
Equity ratio [2]	93.5%	76.6%
Return on shareholders' equity [3]	-58.8%	-286.7%
Return on total equity [4]	-61.3%	-250.7%
Average number of employees	4	2

[1] *Group established in 2017. See parent company for financial information 2014-2016*
[2] *Adjusted shareholders' equity/total assets. Adjusted shareholders equity' equals shareholders equity' plus non-taxed reserves reduced by deferred tax liability*
[3] *Income/average adjusted shareholders' equity*
[4] *(Income after financial income and costs + interest costs)/Average total assets*

PARENT COMPANY

SEK '000	2018	2017	2016[1]	2015/2016	2014/2015
Income after financial items	-6,446	-11,143	-7,704	-8,919	9,471
Total assets	197,947	28,276	27,476	8,730	8,789
Equity ratio [2]	98.9%	97.1%	97.1%	88.6%	66.2%

[1] *Fiscal year shortened from May 1, 2016 to December 31, 2016*
[2] *Adjusted shareholders equity/total assets. Adjusted shareholders' equity equals shareholders' equity plus non-taxed reserves reduced by deferred tax liability*

SIGNIFICANT RISKS AND UNCERTAINTIES

RISK MANAGEMENT

The board of Directors of the company continuously and systematically assess risks in order to identify risks and to take action on them. The internal control environment is primarily comprised of the following five components: control environment, risk assessment, control activities, information and communication and review. Mitigating actions are developed for each identified material risk.

CLINICAL TRIALS

At the current stage of development, Asarina Pharma's main operations consist of pre-clinical and clinical studies in order to demonstrate safety and clinical efficacy in its pharmaceutical candidates. There is no guarantee that a certain (pre-) clinical trial will generate the required data to enable Asarina Pharma to progress to the subsequent development phase of the pharmaceutical candidate. Consequently, Asarina Pharma's goal is to gradually generate a portfolio of different pharmaceutical candidates for other indications, thereby reducing risk.

Also, clinical trials may be delayed and costs for the trial may exceed budget. Prior to initiating a clinical trial, Asarina Pharma conducts a detailed assessment of the trial period and budget to ensure sufficient funding to conclude the trial, including delays and increased costs for the trial.

REGULATORY RISK

Asarina Pharma develops medical products and is dependent on assessments and decisions by relevant authorities such as the EMA in Europe and the FDA in the USA. Asarina Pharma cannot guarantee that it will obtain the regulatory approvals required to continue clinical studies and to obtain market approval. In order to mitigate this risk regarding regulatory risks, the Company retains leading experts concerning regulatory issues and preparation of protocol of clinical studies.

COMPETITION

Asarina Pharma focuses on therapeutic areas in which few other companies are active. The company conducts extensive monitoring of potential competitive activity within the IP-area, in relevant publications and through participation in biotech conferences.

FINANCING RISK

Asarina Pharma does not at present generate any income from product sales or licensing of the company's IP-assets and is therefore dependent upon capital from investors. Asarina Pharma strives from time to time to have sufficient liquidity for the planned activities for the next 1-2 years. Therefore, Asarina Pharma is in continuous discussions with current and potential new investors, which may be interested in participating in new share issues in the company.

CURRENCY RISK

Asarina Pharma incurs costs mainly in three currencies: Swedish kronor, EURO, and Danish kronor (the value of which is closely correlated to EURO). The company mitigates its exposure to exchange rate risk by placing excess liquiditw in a combination of Swedish kronor and EURO, mirroring Asarina Pharma's costs in the three currencies.

FINANCIAL HIGHLIGHTS DURING THE FISCAL YEAR

Prior to the listing in September 2018, Asarina Pharma conducted three share issues to existing shareholders and to Ergomed plc. (the CRO in the Phase IIB study in PMDD). In addition, one existing shareholder provided a convertible loan which was converted to shares prior to the listing on First North. In total, approximately SEK 27m was generated in these share issues.

On September 13 2018, Asarina Pharma received SEK 136.5m (before transaction costs) in a share offering to institutional and private investors in connection with the listing on First North.

The Company received an additional SEK 8.3m in October (before transaction costs) from the green shoe in connection with the listing.

In October 2018, the Company and Ergomed amended their cooperation agreement, to the effect that Ergomed subsequently exchanges 55 % of their CRO-fees to shares in Asarina Pharma compared to 45 % in the original agreement.

RESEARCH AND DEVELOPMENT 2018

During 2018, Asarina Pharma focused on the development of Sepranolone, a candidate discovered by Asarina Pharma for the treatment of PMDD (premenstrual dysphoric disorder). In April 2018, the Phase IIB study was initiated at clinical sites in 4 countries. In addition, Asarina Pharma conducted extensive preparations for initiating a Phase IIA study in menstrual migraine.

EXPECTED FUTURE DEVELOPMENT

The Board of Directors expects that the Phase IIB study of Sepranolone in PMDD will be finalized during the first quarter of 2020. In parallel, Asarina Pharma aims to initiate clinical studies with Sepranolone in menstrual migraine in August 2019.

PROPOSED APPROPRIATION OF PROFITS (SEK)

AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING ARE THE FOLLOWING AMOUNTS

Surplus reserve	213,890,044
Income carried forward	-15,662,309
Result for the period	-6,446,361
	191,781,374
The board of directors proposes	
to be carried forward	191,781,374
	191,781,374

Regarding the results and the financial position for the parent company and the group, please refer to the following income statements and balance sheet statements of shareholders' equity, cash flow statements and accompanying notes. All amounts are in SEK unless otherwise stated.

CONSOLIDATED INCOME STATEMENT

SEK '000	NOTE	2018 JAN-DEC	2017 JAN-DEC
Operating income			
Net sales		0	0
Other operating income	4	0	1 674
Operating costs			
Development costs		-39,033	-22,988
Other external costs	5	-6,190	-3,460
Personnel costs	6	-6,373	-3,878
Depreciation and write-downs of tangible and intangible non-current assets		0	-3,879
Operating loss		**-51,596**	**-32,531**
Result from financial items			
Other interest income and similar profit/loss items	7	1,826	251
Interest expense and similar profit/loss items	8	-1,824	-25
Result after financial items		**-51,594**	**-32,305**
Income taxes			
Tax on current year income	9	7,569	4,009
RESULT FOR THE PERIOD		**-44,025**	**-28,296**

CONSOLIDATED BALANCE SHEET STATEMENT

SEK '000	NOTE	31 DEC 2018	31 DEC 2017
ASSETS			
Non-current assets			
Financial non-current assets			
Other non-current assets	11	1	1
Total non-current assets		**1**	**1**
Currrent assets			
Current receivables			
Current tax receivables		7,732	4,227
Other receivables		246	160
Prepaid expenses and accrued income	12	58	103
Total current receivables		**8,036**	**4,490**
Cash and cash equivalents		**141,543**	**8,384**
Total current assets		**149,579**	**12,874**
TOTAL ASSETS		**149,580**	**12,875**
EQUITY AND LIABILITIES			
Equity			
Share capital		4,009	1,782
Other capital contributions		213,890	46,264
Other capital including current period income		-77,989	-38,178
Total equity attributable to parent company shareholders		**139,910**	**9,868**
Total equity		**139,910**	**9,868**
Current liabilties			
Accounts payable		5,601	1,812
Other current liabilities		782	677
Accrued expenses and prepaid income	13	3 287	518
Total current liabilities		**9,670**	**3,007**
TOTAL EQUITY AND LIABILITIES		**149,580**	**12,875**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Shareholders' equity attributable to parent company shareholders

SEK '000	SHARE CAPITAL	OTHER CAPITAL CONTRIBUTIONS	OTHER SHAREHOLDERS' EQUITY INCLUDING CURRENT PERIOD INCOME	TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS
Opening equity on January 1, 2017	**0**	**0**	**0**	**0**
Current period income			-28,296	-28,296
Changes in reported values of assets and liabilities:				
Group establishment	1,601	34,521	-8,800	27,322
Restating variance			-1,082	-1,082
Total change in values	**1,601**	**34,521**	**-9,882**	**26,240**
Shareholder transactions				
New share issue	181	11,743		11,924
Total shareholder transactions	**181**	**11,743**		**11,924**
Closing equity on December 31, 2017	**1,782**	**46,264**	**-38,178**	**9,868**

SEK '000	SHARE CAPITAL	OTHER CAPITAL CONTRIBUTIONS	OTHER SHAREHOLDERS' EQUITY INCLUDING CURRENT PERIOD INCOME	TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS
Opening equity on January 1, 2018	**1,782**	**46,264**	**-38,178**	**9,868**
Current period income			-44,025	-44,025
Changes in reported values of assets and liabilities:				
Restating variance			-704	-704
Total change in values			**-704**	**-704**
Shareholder transactions				
New share issue	2,227	179,106		181,333
Share issue costs		-11,479	0	-11,479
Issue of warrants	0	0	2,225	2,225
Equity related compensation			2,692	2,692
Total shareholder transactions	**2,227**	**167,627**	**4,917**	**174,771**
Closing equity on December 31, 2018	**4,009**	**213,890**	**-77,989**	**139,910**

As of December 31, 2018, Asarina Pharma had 16 037 218 shares outstanding. The company incurred share issue costs amounting to 11 479 KSEK during 2018 which was charged directly to shareholders' equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK '000	2018 JAN-DEC	2017 JAN-DEC
Operating activities		
Operating profit/loss	-51,596	-32,531
Adjustment for non-cash flow affecting items:		
Depreciation	0	31
Write-downs	0	3,848
Equity related compensation	2,692	0
Received interest	22	251
Paid interest	-816	-25
Income taxes paid	3,898	-81
Cash flow for operating activities before changes in working capital	**-45,800**	**-28,507**
Cash flow from changes in working capital		
Decrease (+)/increase (-) in inventory	0	1,571
Decrease (+)/increase (-) in receivables	-38	-66
Decrease (+)/increase (-) in liabilities	10,136	2,006
Cash flow from operating activities	**-35,702**	**-24,996**
Financing activities		
Share issue	177,910	11,923
Share issue costs	-11,479	0
Issue of warrants	2,225	0
Cash flow from financing activities	**168,656**	**11,923**
Cash flow for the period	**132,954**	**-13,073**
Cash and cash equivalents at the beginning of the year	8,384	21,457
Exchange rate differences in cash	205	0
Cash and cash equivalents at the end of the year	**141,543**	**8,384**

PARENT COMPANY INCOME STATEMENT

SEK '000	NOTE	2018 JAN-DEC	2017 JAN-DEC
Operating income			
Net sales		0	0
Other operating income	4	2,247	1,674
		2,247	**1,674**
Operating costs			
Development costs		-1,521	-5,715
Other external costs	5	-5,005	-1,932
Personnel costs	6	-2,990	-1,801
Depreciation and write-downs of tangible and intangible non-current assets		0	-3,878
Operating loss		**-7,269**	**-11,652**
Result from financial items			
Other interest income and similar profit/loss items	7	1,618	509
Interest expense and similar profit/loss items	8	-795	0
Result after financial items		**-6,446**	**-11,143**
Tax on current year income	9	0	0
RESULT FOR THE PERIOD		**-6,446**	**-11,143**

PARENT COMPANY BALANCE SHEET STATEMENT

SEK '000	NOTE	31 DEC 2018	31 DEC 2017
ASSETS			
Non-current assets			
Financial non-current assets			
Shares in group companies	10	51	1
Receivable from group companies		59,978	24,775
Other non-current assets	11	1	1
Total non-current assets		**60,030**	**24,777**
Currrent assets			
Current receivables			
Current tax receivables		164	111
Other current receivables		131	86
Prepaid expenses and accrued income	12	58	48
Total current receivables		**353**	**245**
Cash and cash equivalents		**137,564**	**3,254**
Total current assets		**137,917**	**3,499**
TOTAL ASSETS		**197,947**	**28,276**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		4,009	1,782
		4,009	**1,782**
Unrestricted equity			
Share premium reserve		213,890	46,264
Profits or losses carried forward		-15,662	-9,437
Current period income		-6,446	-11,143
		191,782	**25,684**
Total equity		**195,791**	**27,466**
Current liabilities			
Current liabilties			
Accounts payable		233	230
Other current liabilities		601	62
Accrued expenses and prepaid income	13	1,322	518
		2,156	**810**
TOTAL EQUITY AND LIABILITIES		**197,947**	**28,276**

PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

	RESTRICTED EQUITY		UNRESTRICTED EQUITY		
SEK '000	SHARE CAPITAL	SHARE PREMIUM RESERVE	ACCUMULA-TED LOSSES	NET PROFIT/ LOSS FOR THE PERIOD	TOTAL EQUITY
Opening equity on January 1, 2017	**1,601**	**34,521**	**-1,733**	**-7,704**	**26,685**
Appropriation of previous year results			-7,704	7,704	0
Current year results				-11,143	-11,143
Shareholder transactions					
Offset share issue	47	2,997			3,044
New share issue	134	8,746			8,880
Total shareholder transactions	**181**	**11,743**	**0**	**0**	**11,924**
Closing equity on December 31, 2017	**1,782**	**46,264**	**-9,437**	**-11,143**	**27,466**

	RESTRICTED EQUITY		UNRESTRICTED EQUITY		
SEK '000	SHARE CAPITAL	SHARE PREMIUM RESERVE	ACCUMULA-TED LOSSES	NET PROFIT/ LOSS FOR THE PERIOD	TOTAL EQUITY
Opening equity on January 1, 2018	**1,782**	**46,264**	**-9,437**	**-11,143**	**27,466**
Appropriation of previous year results			-11,143	11,143	0
Current year results				-6,446	-6,446
Shareholder transactions					
New share issue	2,227	179,106			181,333
Share issue costs		-11,479			-11,479
Issue of warrants			2,225		2,225
Equity related compensation			2,692		2,692
Total shareholder transactions	**2,227**	**167,627**	**4,917**	**0**	**174,771**
Closing equity on December 31, 2018	**4,009**	**213,890**	**-15,662**	**-6,446**	**195,791**

Total number of shares outstanding amount to 16 037 218.
All shares carry one vote and have a quota value of 0.25 SEK per share.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1:

GENERAL INFORMATION

Asarina Pharma AB (publ), Reg. No. 556698-0750 ("the Company") is a public company registered in Sweden with its registered office at Fogdevreten 2, 171 65 S-Solna. The Company and its subsidiaries ("the Group") conduct research, development, sales and licensing in the pharmaceutical field.

NOTE 2:

ACCOUNTING PRINCIPLES AND VALUATION PRINCIPLES

The company applies the Swedish Annual Accounts Act (1995: 1554) and the Accounting Standards Board BFNAR 2012: 1 Annual Report and consolidated financial statements ("K3").

CONSOLIDATED ACCOUNTS

The consolidated accounts are comprised of the parent company, Asarina Pharma AB, and such companies in which the parent company directly or indirectly has controlling interest (subsidiary). Controlling interest entitles the right to define another company's financial and operational strategies in order to gain economic benefits. The assessment regarding controlling interest requires consideration of holdings of financial instruments potentially providing voting rights and which without delay may be utilized or converted into voting right instruments or shareholder equity instruments. Consideration shall also include if the company has the right to control operationsthrough an agent. Controlling interest normally applies when the parent company directly or indirectly owns shares representing in excess of 50 % of the votes.

Income and costs of a subsidiary are included in the consolidated accounts from the time of acquisition until the parent company no longer has controlling interest over the subsidiary. See the section "Business acquisitions" below for reportingof acquisitions and divestments of subsidiaries.

The accounting principles for subsidiaries are identical to those of the parent company. All transactions within the group, intercompany events and unrealized profits and losses related to intercompany transactions have been eliminated in the preparation of the consolidated financial statements.

INCOME

Revenue is reported at the fair value of the consideration received or will be obtained, less VAT, rebates, returns and similar deductions.

Dividend and interest income

Dividend income is reported when the owner's right to receive payment has been determined.

Interest income is recognized over the term using the effective interest rate method. The effective interest rate is the interest rate which means that the present value of all future payments and deposits during the fixed-interest period will be equal to the carrying amount of the claim.

LEASES

A finance lease is an agreement whereby the economic risks and benefits associated with ownership of an asset are essentially transferred from the lessor to the lessee. Other leases are classified as operating leases.

Leasing fees under operating leases are expensed on a straight-line basis over the lease term, unless another systematic way better reflects the user's economic benefits over time.

FOREIGN CURRENCY

The parent company's accounting currency is Swedish kronor (SEK).

Translation of items in foreign currency

At each balance sheet date, monetary items denominated in foreign currencies are translated at the closing date. Non-monetary items, which are valued at historical cost in a foreign currency, are not recalculated. Exchange rate differences are reported in operating income or as financial items based on the underlying business event, in the period they arise, except for hedging transactions that meet the terms of hedge accounting for cash flows or net investments.

Net investments in foreign operations

A monetary item which is a claim or liability for a foreign operation, where a regulation is not planned or likely to be in the foreseeable future, is considered to be part of the Group's net investment in foreign operations. Exchange rate differences relating to monetary items that form part of the company's net investments in foreign operations and which are valued based on the acquisition value are reported in the Group's translation reserve in equity. When selling a net investment in foreign operations, the exchange rate difference is recognized in the income statement.

Translation of subsidiaries and foreign operations

When preparing consolidated accounts, foreign subsidiaries' assets and liabilities are translated to Swedish kronor at the closing date. Revenue and expense items are translated at the average exchange rate of the period unless the exchange rate fluctuated significantly during the period when instead the exchange rate of the transaction date is used. Any translation differences that arise are reported directly against equity. Upon disposal of a foreign subsidiary, such translation differences are reported in the income statement as part of the capital gain.

EMPLOYEE BENEFITS

Employee benefits in the form of salaries, bonuses, paid holidays, paid sick leave, etc., as well as pensions are recognized as income. Regarding pensions and other post-employment benefits, these are classified as defined contribution or defined benefit plans. The Group has only defined contribution pension plans. There are no other long-term employee benefits.

Defined contribution plans

For defined contribution plans, the Group pays fixed fees to a separate independent legal entity and has no obligation to pay additional fees. The Group's income is charged for expenses as the benefits are earned, which usually coincides with the time when premiums are paid.

SHARE-BASED COMPENSATION

Share-based payments that are regulated by equity instruments are valued at fair value, excluding any impact from non-market-related terms, at the grant date, which is the date when the company concludes an agreement for share-based compensation. The fair value determined at the grant date is recognized as an expense with the corresponding adjustment in equity.

Share-based payments to employees which are regulated by equity instruments

In addition to the above, costs for share based compensation are distributed over the vesting period, based on the Group's estimate of the number of shares expected to be redeemable. In such case no vesting period has been agreed upon, the cost is reported directly at time of allotment. Fair value has been calculated using the Black-Scholes valuation model. Social charges attributable to share-based payments are accrued in the same way as the cost of the services received and the liability is revalued at each accounting period until it is regulated.

Share-based payments to suppliers which are regulated by equity instruments

The company has an agreement with one supplier according to which compensation in part is made by shares in Asarina Pharma. Costs for services rendered within the scope of the agreement are reported as incurred with the corresponding adjustment in shareholders equity to the extent that the cost will be compensated in shares. Compensation is allocated the same way as costs for provided services and the liability is revalued on each losing date until settlement.

INCOME TAXES

The tax expense consists of the sum of current tax and deferred tax.

Current tax

Current tax is calculated on the taxable profit for the period. Taxable income differs from the reported profit or loss in the income statement as it has been adjusted for non-taxable income and not deductible expenses as well as for income and expenses that are taxable or deductible in other periods. The Group's current tax liability is calculated according to the tax rates applicable at the balance sheet date.

Deferred tax

Deferred tax is reported on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax value used for calculating taxable profit. Deferred tax is reported according to the so-called balance sheet method. Deferred tax liabilities are recognized in principle for all taxable temporary differences, and deferred tax assets are recognized in principle for all deductible temporary differences to the extent that it is likely that the amounts can be utilized against future taxable surpluses. Deferred tax liabilities and tax assets are not recognized if the temporary difference is attributable to goodwill.

Deferred tax liabilities are reported for taxable temporary differences attributable to investments in subsidiaries except in cases where the Group can control the timing of reversal of temporary differences and it is not clear that the temporary difference will be reversed in the foreseeable future.

The reported value of deferred tax assets is recalculated on each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available for full or partial use against the deferred tax asset.

The valuation of deferred tax is based on how the company expects to recover the carrying amount of the corresponding asset at the balance sheet date or adjust the carrying amount of the corresponding liability. Deferred tax is calculated based on the tax rates and tax rules that have been decided before the balance sheet date.

Deferred tax assets and tax liabilities are deducted as they relate to income taxes charged by the same authority and when the Group intends to settle the tax with a net amount.

Current and deferred tax for the period

Current and deferred tax is reported as an expense or income in the income statement, except when the tax is attributable to transactions reported directly to share-holders' equity. In such cases, the tax should also be reported directly to equity. In the case of current and deferred taxes arising from the recognition of business combinations, the tax effect is reported in the acquisition calculation.

INTANGIBLE ASSETS

Acquisition through internal development

The Group applies the activation model, which means that the work on obtaining an internally generated intangible fixed asset is divided into a research phase and a development phase. All expenses arising from the Group's research phase are reported as costs when they arise. All development costs are reported as an asset if all of the following conditions are met:

- it is technically possible to complete the intangible asset so that it can be used or sold,
- the company intends to complete the intangible fixed asset and to use or sell it,
- there are conditions for using or selling the intangible asset,
- it is likely that intangible fixed assets will generate future economic benefits,
- there are the necessary and adequate technical, financial and other resources to complete the development and to use or sell the intangible fixed assets,
- the expenses attributable to the intangible asset during its development can be calculated reliably.

After initial reporting, internally generated intangible fixed assets are reported at cost less accumulated amortization and any accumulated impairment losses. Depreciation begins when the asset can be used.

Removal from balance sheet

An intangible fixed asset is de-recognised from the balance sheet on disposal or disposal or when no future economic benefits are expected from use or disposal / disposal of the asset. The gain or loss that arises when an intangible fixed asset is de-recognised from the balance sheet is the difference between what may be obtained after deduction of direct selling expenses and the carrying amount of the asset. This is recognized in the income statement as an operating income or other operating expenses.

WRITE-DOWN OF INTANGIBLE ASSETS

At each balance sheet date, the Group analyzes the reported values of intangible fixed assets to determine if there is any indication that these assets have decreased in value. If so, the asset's recoverable amount is calculated in order to determine the value of any write-down. Where it is not possible to calculate the recoverable amount of an individual asset, the Group calculates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less cost of sale and value in use. Fair value less selling costs, the price that the Group expects to be able to receive from sales of knowledgeable, independent parties, and which has an interest in the transaction being carried out, less costs directly attributable to the sale. When calculating the value in use, estimated future cash flow is discounted at present value with a discount rate before tax reflecting current market assessment of the money's time value and the risks associated with the asset. To calculate future cash flows, the Group has used budget for the next five years.

If the recoverable amount of an asset (or cash-generating unit) is determined at a lower value than the carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to the recoverable amount. An impairment loss is recognized immediately in the income statement.

At each balance sheet date, the Group assesses whether the previous impairment is no longer justified. If so, the impairment loss is reversed in part or in full. When a write-down is reversed, the asset's (cash-generating) unit's reported value increases. The reported value after reversal of impairment must not exceed the carrying amount that would be determined if no impairment of the asset (cash-generating unit) has been made in previous years. A reversal of an impairment loss is reported directly in the income statement.

FINANCIAL NON-CURRENT ASSETS

A financial asset or a financial liability is reported in the balance sheet when the group becomes part in the contractual terms of the instrument. A financial asset is deleted from the balance sheet when the contractual rights to the cash flow from the instrument cease, are settled, or at such time the group no longer has control over it. A financial liability, or part of a financial liability, is deleted from the balance sheet when the contractual obligation ceases or otherwise expires.

At initial recognition current assets and current liabilities are valued at cost. Non-current receivables and long-term debt are Valued at initial recognition at accumulated cost. Loan expenses are allocated as part of interest costs for such loans in Accordance with the effective interest method (see below).

Valuation post initial recognition is for current receivables performed according to the lowest value principle, i.e.the lower of cost or net sales value on the closing date. Current liabilities are valued at nominal amounts.

Non-current receivables and long-term debt are post initial recognition valued at accumulated cost.

Accumulated cost

Accumulated cost refers to the amount reported at initial recognition reduced by amortization, increase or decrease Of accumulated allocation according to the effective interest method of the initial difference between received/paid Amount and amount to pay/receive on the due date reduced by write-downs.

The effective interest is such interest which when discounting all future expected cash flows over the expected duration result in the initially reported value of the financial asset or financial liability.

Write-down of financial non-current assets

At each balance sheet date, the group analyzes if any indications exist that one or more financial assets have declined in value. Examples of such indications are significant financial difficulties of the borrower, breach of contract, or that the borrower is likely to go bankrupt.

Write-down of financial assets valued at accumulated cost are calculated as the difference between the reported value of the asset and the present value of managements best assessment of future cash flows. Discount rate applied shall be equal to the original effective rate of the asset. For assets with floating interest rates the interest rate on the closing date shall be applied.

For financial non-current assets which are not valued at accumulated cost the write-down is calculated as the difference between the reported value of the asset and the highest of fair value reduced by sales costs and the present value of managements best assessment of the assets future expected cash flows.

CASH

Cash and cash equivalents include cash and bank 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 liquid assets, the maturity may not exceed three months from the date of acquisition.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation as a result of occurrences and whose occurrence will only be confirmed by the occurrence or absence of one or more uncertain future events, which are not entirely within the control of the company, or an existing obligation arising from occurrences, but which are not reported as liabilities or provisions because it is unlikely that an outflow of resources will be required to settle the obligation or the obligation size cannot be estimated with sufficient reliability. Contingent liabilities are recognized off balance sheet.

CONTINGENT ASSETS

A contingent asset is a possible asset due to events occurring and whose occurrence will only be confirmed by the occurrence or absence of one or more uncertain future events that are not entirely within the control of the company. A contingent asset is not recognized as an asset in the balance sheet.

CASH FLOW ANALYSIS

The cash flow statement shows the group's changes in the company's liquid assets during the fiscal year. The cash flow statement has been prepared in accordance with the indirect method. The reported cash flow includes only transactions that have resulted in payments and payments.

ACCOUNTING PRINCIPLES FOR THE PARENT COMPANY

The differences between the Parent Company and the Group's accounting policies are described below:

Subsidiary

Shares in subsidiaries are reported at acquisition value. Dividends from subsidiaries are reported as income when the right to receive dividends is assessed as collateral and can be calculated reliably.

Net investments in foreign operations

Exchange rate differences relating to monetary items that form part of the company's net investments in foreign operations and which are valued based on cost are reported in the income statement.

Tangible fixed assets

Tangible fixed assets that are of a lesser value or can be assumed to have a financial useful life of no more than three years are reported as cost at the first reporting date, provided that the company can make corresponding deductions under the Income Tax Act.

Estimated costs of dismantling, removal or restoration of space are not included in the acquisition cost of a tangible fixed asset. These are reported as a provision when the criteria for this are met.

Leasing

In the Parent Company, all leases are reported in accordance with the rules for operational leasing.

NOTE 3:

IMPORTANT ESTIMATES AND ASSESSMENTS

Important sources of uncertainty in estimates

Below are the main assumptions about the future and other important sources of uncertainty in estimates at the balance sheet date, which represents a significant risk of significant adjustments in the reported values of assets and liabilities in the next financial year.

Important assessments when applying the group's accounting principles

The following sections describe the most important assessments, except those that include estimates (see above) that management has done in applying the Group's accounting policies and which has the most significant effect on the reported amounts in the financial statements.

ACCRUED LIABILITIES

Asarina Pharma conducts clinical trials with a duration of 1-2 years. The main clinical costs comprise fees to CROs (Contract Research Organization), who manage the trials. CRO fees fall due in up to 9 month intervals based on pre-determined milestones, which reflect the work performed by the CRO's. At the balance sheet date, Asarina Pharma assesses the accrued costs for work performed since the previous milestone payment.

NOTE 4:

OTHER OPERATIONAL INCOMES

Other operational income in the parent company refers to consulting fees.

NOTE 5:

INFORMATION REGARDING AUDITOR COMPENSATION

	GROUP		PARENT COMPANY	
SEK '000	2018	2017	2018	2017
EY				
Auditing	**260**	**179**	**200**	**140**
Audit services in addition to audit	30	45	30	0
Other services	60	71	30	0
PWC AB				
Auditing	0	100	0	100
Other services	0	196	0	196
Total	**350**	**591**	**260**	**436**

Auditing refers to fees regarding legally required auditing. The audit is comprised of review of the annual report, the consolidated financial statements and accounting and management by the Board of Directors and CEO and fees for audit advice provided in relation to the audit assignment.

NOTE 6:

NUMBER OF EMPLOYEES, SALARIES, OTHER COMPENSATION AND SOCIAL COSTS

AVERAGE NUMBER OF EMPLOYEES

	2018		2017	
	NUMBER EMPLOYEES	OF WHICH MALE	NUMBER EMPLOYEES	OF WHICH MALE
Parent company				
Sweden	1	0	1	0
Total	**1**	**0**	**1**	**0**
Subsidiaries				
Asarina Pharma ApS	3	1	1	-
Asarina Finans AB	0	0	0	0
Total subsidiaries	**3**	**1**	**1**	**0**
Total group	**4**	**1**	**2**	**0**

MANAGEMENT ALLOCATION ON THE BALANCE SHEET DATE

	GROUP		PARENT COMPANY	
	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Female:				
Board of Directors	1	-	1	-
Male:				
Board of Directors	5	6	5	6
Other management incl. CEO	2	1	1	0
Total	**8**	**7**	**7**	**6**

SALARIES AND OTHER STAFF COSTS

SEK '000	SALARIES AND OTHER COMPENSATION	SOCIAL COSTS (OF WHICH PENSION COSTS)	SALARIES AND OTHER COMPENSATION	SOCIAL COSTS (OF WHICH PENSION COSTS)
Parent company	1,970	784	1,166	613
		(291)		(287)
Subsidiaries	3,343	25	2,072	3
		(17)		
Total group	**5,313**	**809**	**3,238**	**616**
		(308)		**(287)**

SALARIES AND OTHER STAFF COSTS

	2018		2017	
SEK '000	BOARD OF DIRECTORS AND CEO (OF WHICH BONUS ETC.)	OTHER EMPLOYEES	BOARD OF DIRECTORS AND CEO (OF WHICH BONUS ETC.)	OTHER EMPLOYEES
Parent company	498	1,472	0	1,166
Subsidiaries	2,508	835		2,072
Total group	**3,006**	**2,307**	**0**	**3,238**

MANAGEMENT COMPENSATION 2018

SEK '000	BASE SALARIES/ FEES	BONUS	PENSION COSTS	SHARE-BASED REMUNERATION	TOTAL
Chairman of the Board					
Paul de Potocki	293				293
Board members					
Ola Flink	100				100
André Ulmann					
Marianne Koch					
Thierry Laugel					
Miro Reljanovic					
CEO					
Peter Norkild	2,586	139		431	3,017
Other management of senior management	3,385				3,385
Total	**6,364**	**139**		**431**	**6,795**

PENSIONS

Group costs for fee based pension compensation amounted to 308 KSEK (287).
Parent company costs for fee based pension compensation amounted to 291 KSEK (287).
The group carries no benefit based pension plans.
Of group pension costs, 17 KSEK (0) related to group Board of Directors and CEO.
The groups remaining pension commitment for them amounted to 0 KSEK (0).

SEVERANCE PAY AGREEMENT

The parent company and group have no severance pay agreements.

EQUITY BASED COMPENSATION FOR EMPLOYEES

In September 2018, the Company launched a warrant program as incentive for independent board members and management. The warrant program entitles participants to subscribe for new shares for a fixed price amounting to SEK 25.20 per share during the fall of 2021.

The CEO acquired warrants representing 246,106 shares. The warrants were acquired at market value by the employees which generated 2 225 KSEK in shareholders equity. The CEO acquired 123,053 warrants at market price and in addition received 123 053 warrants as compensation for a total value amounting to 431 KSEK.

NOTE 7:

OTHER INTEREST INCOME AND SIMILAR ITEMS

	GROUP		PARENT COMPANY	
SEK '000	2018	2017	2018	2017
Interest income	22	251	1,618	509
Exchange rate differences	1,804	0	0	0
Total	**1,826**	**251**	**1,618**	**509**

NOTE 8:

INTEREST COSTS AND SIMILAR ITEMS

	GROUP		PARENT COMPANY	
SEK '000	2018	2017	2018	2017
Interest cost	-171	-25	-150	0
Exchange rate differences	-1,653	0	-645	0
Total	**-1,824**	**-25**	**-795**	**0**

NOTE 9:

INCOME TAXES ON CURRENT YEAR INCOME

	GROUP		PARENT COMPANY	
SEK '000	2018	2017	2018	2017
Current tax	7,569	4,009	0	0
Total tax on current year income	**7,569**	**4,009**	**0**	**0**

RECONCILIATION OF CURRENT YEAR TAX COSTS

	GROUP		PARENT COMPANY	
SEK '000	2018	2017	2018	2017
Reported income before taxes	-51,594	-32,305	-6,446	-11,143
Tax computed at Swedish tax rate (22 %)	11,351	7,107	1,418	2,451
Tax effect from				
Non-deductible costs	6	-19	6	-19
Share issue costs	2,388	0	2,388	0
Non-activated taxable losses	-6,176	-3,079	-3,655	-2,432
Total tax on current year income	**7,569**	**4,009**	**0**	**0**
Current year reported tax	**7,569**	**4,009**	**157**	**0**

Asarina Pharma ApS received DKK 3.5m during 2018 from the Danish Tax Credit System. The system allows Biotech companies to collect 22 % of research-and development costs from the Danish Tax authorities(up to a maximum of DKK 5.5m).
The parent company has non-activated taxable losses amounting to 149,927 KSEK (133,085 KSEK)

NOTE 10:

SHARES IN SUBSIDIARIES

	PARENT COMPANY	
SEK '000	2018-12-31	2017-12-31
Opening cost	1	0
Asarina Pharma ApS	0	1
Asarina Pharma Finans AB	50	0
Reported accumulated cost	**51**	**1**
Carrying amount at end of the period	**51**	**1**

						BOOK VALUE	
NAME	REG. NO. CVR	DOMICILE, COUNTRY	CAPITAL	VOTES	NO. SHARES	2018-12-31	2017-12-31
Ingående anskaffningsvärde						1	0
Asarina Pharma ApS	38 49 57 12	Copenhagen, Denmark	100 %	100 %	50,000	0	1
Asarina Pharma Finans AB	559169-2032	Solna, Sweden	100 %	100 %	50	50	0
Total						**51**	**1**

NOTE 11:

OTHER LONG-TERM EQUITIES

	GROUP		PARENT COMPANY	
'000	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Opening cost	1	1	1	1
Reported accumulated cost	1	1	1	1
Reported accumulated cost	**1**	**1**	**1**	**1**

Refers to 1 share at quota value SEK 1 000 equaling an ownership of 0.33 % in for Läkemedelsföreningen Service AB, 556197-9211 ("LFF").

The share is mortgaged and provides the right for LFF to purchase the share at its SEK 1,000 should Asarina Pharma AB no longer be party in the LFF agreement.

NOTE 12:

PREPAID COSTS AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
'000	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Other items	58	103	58	48
Total	**58**	**103**	**58**	**48**

NOTE 13:

ACCRUED COSTS AND PREPAID INCOME

	GROUP		PARENT COMPANY	
'000	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Accrued vacation pay	158	0	158	0
Accrued social costs	123	0	123	0
Accrued CRO-costs	550	0	0	0
Other items	2,456	518	1,041	518
Total	**3,287**	**518**	**1,322**	**518**

NOTE 14:

PLEDGED ASSETS AND COMMITMENTS

The group and parent company have no pledged assets or commitments.

NOTE 15:

ACQUISITION OF SUBSIDIARY/ASSET

During the fiscal year, the Company founded Asarina Pharma Finans AB.

NOTE 16:

RELATED PARTY TRANSACTIONS

Asarina Pharma has not extended loans, guarantees or othe financial commitments for the benefit of the board of Directors or management other than stated below.

During 2018, Asarina Pharma ApS had a consulting agreement with Ola Flink, who is a Board member of Asarina Pharma AB.

Also, Asarina Pharma ApS has a CRO-agreement (since October 2016) with Ergomed plc., which is a shareholder in the Company. Dr. Miroslav Reljancovic, Chairman of Ergomed, is a Board member of the Company. According to the agreement for the phase IIB study, Ergomed is partially compensated with shares in Asarina Pharma AB.

NOTE 17:

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

NOTE 18:

APPROPRIATION OF PROFITS

AT THE DISPOSAL OF THE AGM ARE THE FOLLOWING PROFITS

Surplus reserve	213,890,044
Income carried forward	-15,662,309
Result for the period	-6,446,361
	191,781,374
The board of directors proposes	
to be carried forward	191,781,374
	191,781,374

SIGNATURES

Asarina Pharma AB
Fogdevreten 2, SE171 65, Solna, Sweden
April 16 2019

PAUL DE POTOCKI
Chairman

PETER NORDKILD
Chief Executive officer

THIERRY LAUGEL
Board member

MARIANNE KOCK
Board member

MIROSLAV RELJANOVIC
Board member

ANDRÉ ULMANN
Board member

OLA FLINK
Board member

Our audit report was presented on april 16 2019
Ernst & Young AB

STEFAN ANDERSSON BERGLUND
Auditor in charge, Authorized accountant

Certified advisor: Penser Bank

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