ASARINA PHARMA

ASARINA PHARMA AB (PUBL)

ANNUAL REPORT 2022

AND CONSOLIDATED FINANCIAL STATEMENTS

1 January 2022 – 31 December 2022

REMAIN IN CONTROL OF YOUR LIFE

ASARINA PHARMA AB (PUBL)
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CONTENTS

ABOUT ASARINA PHARMA

We are a Swedish biotech company developing Sepranolone for allopregnanolone-induced stress and compulsivity-driven disorders. Our product pipeline is built on over 40 years of research into allopregnanolone-related neurological disorders. With our new family of GAMSA compounds (GABA-A Modulating Steroid Antagonists) we aim to deliver a new generation of safe, efficacious drugs for neurological conditions from Tourette syndrome to Obsessive-compulsive disorder that still lack safe, efficacious pharmaceutical treatments.

ASARINA PHARMA AB
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Peter Nordkild, CEO | Phone +45 25 47 16 46

2022

THE YEAR IN BRIEF

FINANCIAL RESULTS AND OUTLOOK

Throughout 2022, Asarina continued its strict cost-management approach, ensuring cash for the completion of its Phase IIa study. External R&D costs fell to SEK 7.3 million from SEK 29.9 million in 2021. The Group had a net cash outflow of SEK 8.8 million in 2022 compared with SEK 36.8 million in 2021, due to the reduction in R&D and staff costs. At the end of 2022, the Group had total cash of SEK 13.6 million.

The positive results from Asarina's Phase IIa study in Tourette Syndrome, in a condition that has long had an unmet need for a safer, more tolerable 1st line pharmaceutical treatment, are creating industry interest. Asarina is presently pursuing dialogues with prospective partners within CNS and neurology in particular while at the same time exploring the possibilities for funding of a Phase IIb study. The company has sufficient funds to continue these activities up to at least the end of 2023.

2022 R&D HIGHLIGHTS

- **FEBRUARY 16** First Patient First Visit in Asarina Pharma's phase IIa clinical study in Tourette syndrome (TS) takes place at Bispebjerg University Hospital, Copenhagen.
- **SEPTEMBER 25** A new study by the U.S. CDC (Centers for Disease Control and Prevention)[1] suggests a new estimate of people in the US suffering from TS of up to 450,000 - double its previous estimate.
- **OCTOBER 6** An extensive new preclinical study in Neurobiology of Stress[2] reconfirms Allopregnanolone's central role in TS and OCD, and the efficacy of Sepranolone in modulating its negative effects.
- **OCTOBER 14** Patient recruitment completed, and final patient randomized in phase IIa TS study. In total 28 patients are enrolled.

SIGNIFICANT HIGHLIGHTS FOLLOWING THE REPORTING PERIOD

- **FEBRUARY 1, 2023** Last Patient Last Visit takes place, less than 12 months after study initiation.
- **APRIL 1, 2023** Positive results released from the study. Sepranolone performs well in both its primary endpoint (reducing tic severity as assessed with the Yale Global Tic Severity Scale (YGTSS)) and all secondary endpoints, including improved Quality of Life. Sepranolone maintained an impressive safety profile with no off target CNS effects or systemic side effects observed.

1. Estimating the number of people with Tourette syndrome and persistent tic disorder in the United States (June 14, 2022) Tinker SC, Bitsko RH, Danielson ML, Newsome K, Kaminski JW.
2. Acute stress impairs sensorimotor gating via the neurosteroid allopregnanolone in the prefrontal cortex, (November, 2022, Neurobiology of Stress) Bortolato et al.

RESULTS RECAP

PHASE IIA STUDY IN TOURETTE SYNDROME

STUDY OBJECTIVES

PRIMARY CLINICAL OBJECTIVE: to investigate the efficacy of Asarina Pharma's endogenous compound Sepranolone, compared to Standard of Care, in reducing tic severity in patients with Tourette Syndrome at twelve weeks, using the change from baseline in Yale Global Tic Severity Scale (YGTSS) total score.

SECONDARY CLINICAL OBJECTIVES: a range of metrics measuring Sepranolone's effect on social as well as physical effects of Tourette Syndrome. These included Sepranolone's ability to reduce **Impairment** as measured by patients, reduce Impairment as measured by the investigator, improve **Quality of Life**, and reduce the **Premonitory Urge to Tic**.

STUDY GROUPS

ACTIVE GROUP: 17 subjects in the active group received Sepranolone 10 mg injections twice weekly in addition to their Standard of Care treatment.

CONTROL GROUP: patients in the control group received Standard of Care alone for 12 weeks.

Patient characteristics were evenly distributed between the two groups. Two patients (7%), one from each group, dropped out of the study.

STUDY OUTLINE

PATIENTS This was as an open label, randomized, dual center, add-on study

28 TOURETTE SYNDROME PATIENTS | **20 MALES / 8 FEMALES** | **3 ADOLESCENTS / 25 ADULTS**

AGED 12–47 YEARS | **AVERAGE BASELINE YGTSS SCORE - 32 POINTS**

RESULTS

PRIMARY CLINICAL OBJECTIVE:

The YGTSS total tic score in the active group was reduced by 8.6 points or 28.0%, versus 3.9 points or 12.6% in the control group (p= 0.051) in the Intention-To-Treat population, consisting of patients having taken at least 6 injections every 4 weeks. A reduction of 6 to 7 points, or 25%, is considered clinically relevant[1].

For the 15 patients in the Per Protocol population, who took all scheduled 24 injections, the treatment effect was further pronounced. The active group had a reduced YGTSS score from the baseline of 9.9 points or 30.1%, versus 4.0 points or 12.7% in the control group.

SECONDARY CLINICAL OBJECTIVES:

The active group consistently performed better than the control group for all the TS secondary clinical objectives:

1 50% REDUCTION IN IMPAIRMENT:

In the YGTSS Impairment scale assessed by the patient, the number of patients with moderate to marked symptoms was reduced from 50% to 19% for the active group versus the unchanged 50% for the control group.

2 69% INCREASE IS QUALITY OF LIFE:

The Gilles de la Tourette Syndrome – Quality of Life total score (GTS-QOL) showed a 69% greater increase in life quality for the Sepranolone group versus the control group.

3 44% REDUCTION IN THE PREMONITORY URGE TO TIC:

The Premonitory Urge to Tic scale (PUTS) demonstrated a 44% greater reduction for the Sepranolone group than for the control group.

4 50% REDUCTION IN TS-CLINICAL GLOBAL IMPAIRMENT:

This score, assessed by the investigator showed that 50% of patients in the Sepranolone group improved versus 37% of the controls. 13% of patients in the Sepranolone group had a deteriorated score versus 50% of the controls.

CONSISTENCY OF RESULTS

The correlation between the YGTSS total score and the secondary endpoints was strong with Spearman correlation coefficients of 0.57 (p=0.021) for impairment; GTS-QOL total score of 0.54 (p=0.032) and in particular for GTS-QOL-daily living of 0.66 (p=0.006).

Furthermore, a post-hoc analysis was conducted where the Sepranolone patients were divided into two groups; one with a >25% reduction constituting 50% of the ITT population, the other with a <25% reduction of tics. The first group showed a 4.8 times greater reduction in impairment, as measured by the YGTSS-impairment scale, and a 3.7 times greater increase in quality of life as measured by the GTS-QOL total score. These metrics are considered the clinically most relevant after YGTSS. In the Per Protocol population 70% showed a reduction > 25% by YGTSS.

SAFETY

Sepranolone was well tolerated in this study, with a safety profile consistent with that observed in more than 300 patients in previous clinical studies in other indications. No off-target CNS effects or systemic side effects were observed and only 2% of injections resulted in some kind of mild to moderate but reversible skin reaction.

1. Detecting a clinically meaningful change in tic severity in Tourette syndrome: a comparison of three methods - Jeon S, Walkup JT, Woods DW, Peterson A, Piacentini J, Wilhelm S, Katsovich L, McGuire JF, Dziura J, Scahill L. (Nov 2013)

CEO STATEMENT

DEAR ASARINA SHAREHOLDER,

2022 was ultimately a year of validation for Asarina Pharma. It laid the foundation for the next stage of our journey, as we released positive results in our phase IIa clinical study for Sepranolone for the treatment of Tourette Syndrome, in April 2023.

These new positive Tourette results are decisive and highly encouraging. We can now confirm that Sepranolone has a unique Target Product Profile (TPP) that combines good tic reduction, improvement of quality of life and no CNS off-target effects. This is a TPP that to the best of our knowledge no other pharmaceutical Tourette treatment, on the market or in development, possesses. It indicates that Sepranolone could ultimately be approved as the new first choice for pharmaceutical treatment for Tourette.

The results also validate our science. They confirm our thesis that the powerful neurosteroid Allopregnanolone (ALLO) is a key target in the mechanism and treatment of Tourette, and that our endogenous compound Sepranolone modulates its effects.

Whilst the primary endpoint for the study was just shy of statistical significance, the strong positive trend across all endpoints, the robust correlation between all results and the highly competitive data for Tic reduction in the Per Protocol population, all point convincingly towards an important role for Sepranolone in Tourette. We are confident that a Phase II b study with a slightly higher dose or more frequent dosing would offer further validation of Sepranolone ultimately becoming the new, safer, more tolerable pharmaceutical treatment for Tourette that so many patients, families and healthcare professionals are waiting for.

Peter Nordkild,
CEO Asarina Pharma

TOURETTE AND SEPRANOLONE
THE 4 KEY TAKEAWAYS

1 SEPRANOLONE HAS A BEST-IN-CLASS TARGET PRODUCT PORTFOLIO

Target Product Profile (TPP) is a profiling concept based on FDA guidelines that is recommended for all candidate drugs. It describes the overall 'profile' of a product including all of its characteristics, both in regard to the disease and the needs of the target population. So as well as efficacy, it includes safety, impairment, patient needs and so on.

The TPP for any new Tourette treatment is critical. Tourette is a highly socially impairing disease. It affects many children and teenagers. Current pharmaceutical treatments and especially dopamine D2 antagonist-based antipsychotics like Haldol very frequently have severe CNS side-effects. A new drug therefore needs to meet all those metrics. If, for example, it reduces tics effectively but involves severe CNS side effects that reduce quality of life, then it would not be a first choice for doctors, patients or parents.

These results confirm that Sepranolone has a best-in-class TPP. To our knowledge no other pharmaceutical Tourette treatment on the market or in development has a better TPP. Its combination of tic reduction, improvement of quality of life and no CNS off-target side effects makes it a strong candidate as the first choice for a pharmaceutical intervention to treat Tourette syndrome.

2 THESE RESULTS VALIDATE OUR SCIENCE

These results validate our thesis that the powerful neurosteroid Allopregnanolone (ALLO) is a key target in the pathogenesis of Tourette. And that Sepranolone, the endogenous compound that modulates ALLO´s effects, alleviates the impact of ALLO on the GABA-A receptor, thus reducing Tourette Syndrome symptoms.

For us this is validation of a 10-year journey. In 2013, Marco Bortolato, Associate Professor at the Dept. of Pharmacology and Toxicology, University of Utah published a small clinical study in the Journal of Neuroendocrinology (1) that demonstrated how blocking the production of Allopregnanolone had a pronounced effect when added to the standard Tourette treatment of 16 Italian children. In our recent study Sepranolone reverses the effect of ALLO and resets the GABA-A receptor to normal, thus confirming Bortolato's earlier findings of ALLO being a key target for the treatment of Tourette. It also confirms the extensive preclinical studies in mice and rats we have carried out over the last five years using different translational models of TS (2), demonstrating that acute stress increases the overproduction of Allopregnanolone in the medial prefrontal cortex (mPFC) of the brain, and that the administration of the endogenous modulator isoallopregnanolone (Sepranolone) counters those effects.

1. Bortolato et al. J Neuroendocrinol. 2013 November; 25(11): 1196–1208 https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3849218/
2. **2017** Allopregnanolone mediates the exacerbation of Tourette-like responses by acute stress in mouse models https://www.nature.com/articles/s41598-017-03649-1
   2019 Isoallopregnanolone reduces tic-like behaviours in the D1CT-7 mouse model of Tourette syndrome https://pubmed.ncbi.nlm.nih.gov/31175669/
   2022 Allopregnanolone: The missing link to explain the effects of stress on tic exacerbation? https://pubmed.ncbi.nlm.nih.gov/34423500/
   2022 (Journal - Neurobiology of Stress) Acute stress impairs sensorimotor gating via the neurosteroid allopregnanolone in the prefrontal cortex https://www.sciencedirect.com/science/article/pii/S2352289522000649

3 SEPRANOLONE SHOWS NO OFF-TARGET CNS SIDE EFFECTS

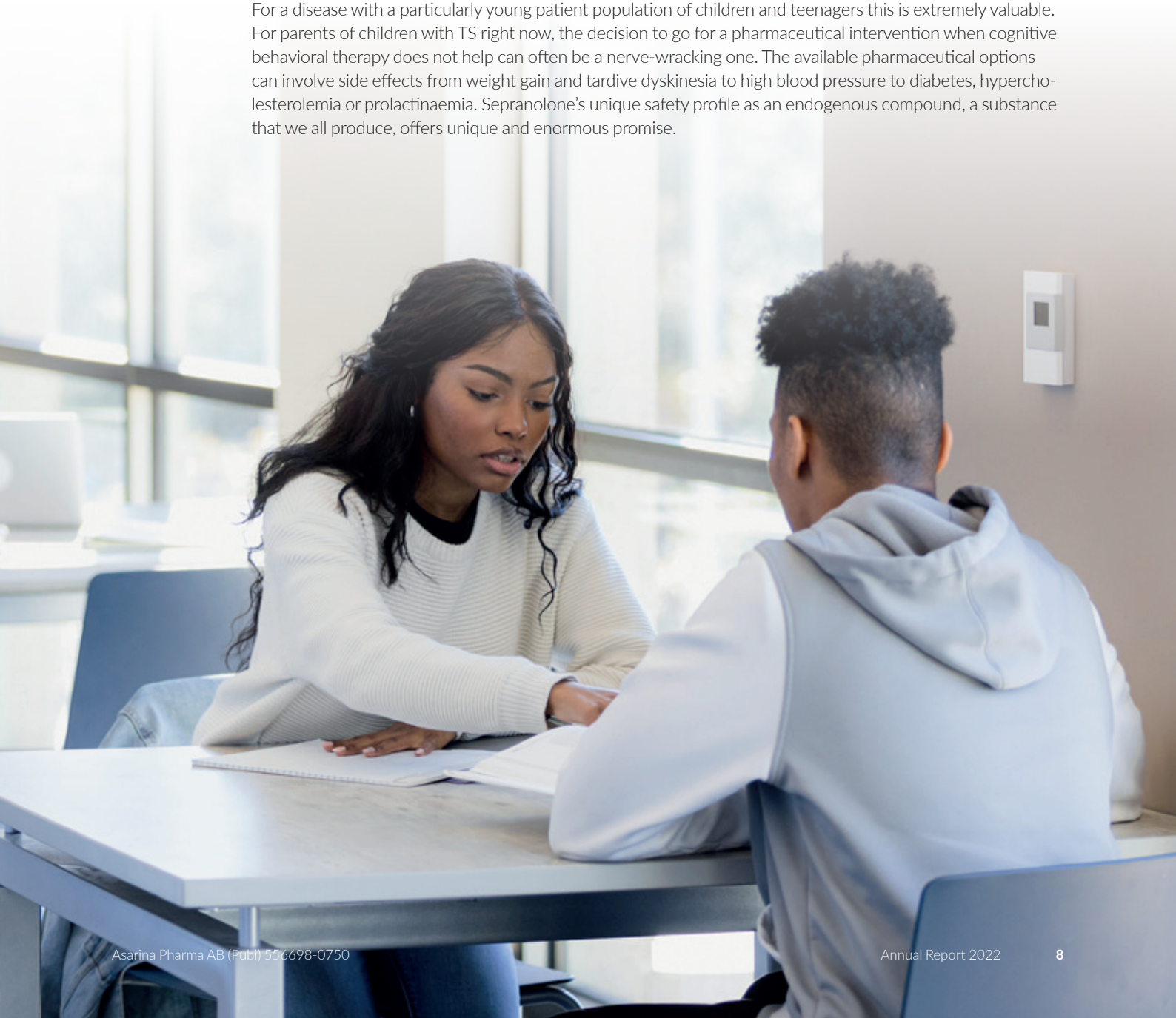
From tardive dyskinesia, weight gain to high blood pressure and insomnia – all pharmaceutical treatments now available for TS (such as 1st, 2nd and 3rd generation antipsychotic dopamine D2 antagonists) but also newer dopamine D1 antagonists in development all involve off target CNS side effects, some highly severe. Off target effects in the brain is one of the biggest challenges in the development of CNS drugs. Historically, time and again, the emergence of CNS side effects has derailed promising new treatments.

In this study Sepranolone demonstrated – once again - no off-target systemic side effects. It has now demonstrated this in studies with female patients (PMDD and Menstrual Migraine) as well as male patients and younger patients (TS). This sets it clearly apart in the Tourette Syndrome pharmaceutical treatment landscape.

4 SEPRANOLONE HAS AN ADVANTAGEOUS SAFETY PROFILE

Sepranolone has repeatedly demonstrated an exceptional safety profile. In the phase IIa study, it was well tolerated, with only 2% of injections resulting in some kind of mild to moderate but reversible skin reaction - a safety profile consistent with that observed in more than 300 patients in previous clinical studies using the compound in higher doses for other indications.

For a disease with a particularly young patient population of children and teenagers this is extremely valuable. For parents of children with TS right now, the decision to go for a pharmaceutical intervention when cognitive behavioral therapy does not help can often be a nerve-wracking one. The available pharmaceutical options can involve side effects from weight gain and tardive dyskinesia to high blood pressure to diabetes, hypercholesterolemia or prolactinaemia. Sepranolone's unique safety profile as an endogenous compound, a substance that we all produce, offers unique and enormous promise.



NEXT STEPS

ONE
SCIENCE AND DOSAGE

The study results indicate that a slightly higher dose or more frequent dosing could increase the Tic reduction and further benefit patients.

In all clinical trials we consider two groups within our active group: an Intention-To-Treat (ITT) population, who take the treatment but do not complete the full dose regime. And a Per Protocol population who take all the scheduled injections.

In this study the Per Protocol population achieved a YGTSS Tic Reduction score of 9.9 points or 30.1% from the baseline. This was a meaningful increase over both the control group (4.0 points or 12.7%), and the ITT patient group (8.6 points or 28.0%). In our phase IIb study we intend to explore a slightly higher dose similar to the one employed in previous clinical studies or more frequent dosing. We also intend to administer all doses with a tailored autoinjector in order to improve not only the quality of administration, but also patient compliance.

TWO
BUSINESS DEVELOPMENT

Our most important goal is to see Sepranolone approved as the new first choice for pharmaceutical intervention for Tourette Syndrome.

Over the coming months we will be in intense discussions with current and prospective partners and investors, presenting our proposed protocol for our phase IIb study, and gathering a first range of input and feedback.

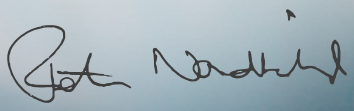
We now have extensive expertise and experience in planning and executing clinical studies, including close working relationships with the Nordic region's largest Tourette centers. We finished our present study (our third) on time and slightly under budget. Nevertheless, a phase IIb study is a large undertaking and partnering could offer substantial benefits.

Over the coming months we will be presenting to investors here in Gothenburg, in Boston in the US at BIO 2023 and we will be presenting the full data at ESSTS, the 15th European Conference on Tourette Syndrome and Tic Disorders in Brussels in early June. In parallel with this we are meeting with our major investors who have steadfastly supported the company for 10 years, to evaluate the scale of their participation in a phase IIb study.

We stand now at the beginning of a new stage of our journey. We have validation of our core scientific platform. We have positive results and best-in-class TPP for a product that is uniquely safe in its field.

I would like to thank the Asarina Pharma team for their expertise and professionalism throughout 2022. We have always stressed the importance of delivering. Even though some of the early stages of the study took place during the Covid-19 pandemic, 2022 showed how effectively we as a team deliver. We announced last dose, last visit less than one year after our first patient's first visit on February 16, 2022. We are now more encouraged than ever that the new data will see Sepranolone move forward to becoming a new, safer, more tolerable first choice treatment for pharmaceutical intervention in Tourette Syndrome.

WARM WISHES



Peter Nordkild,
CEO Asarina Pharma

> *We are now more encouraged than ever that the new data will see Sepranolone move forward to becoming a new, safer, more tolerable first choice treatment for pharmaceutical intervention in Tourette Syndrome.*
>
> **Asarina Pharma CEO Peter Nordkild**

CEO FAQ:

SEPRANOLONE, TOURETTE AND BEYOND

CEO Peter Nordkild takes Frequently Asked Questions from investors following the release of positive data from Asarina Pharma's phase IIa study in Tourette Syndrome on April 1, 2023.

Q **THERE WAS A LOT OF COMPLICATED INFORMATION IN THE PRESS RELEASE. WHAT IS THE SINGLE MOST IMPORTANT THING I SHOULD KNOW?**

PN That's a difficult question because one of the most exciting things about the results was that there were a lot of positive data across multiple endpoints. I think for me it is Sepranolone's Target Product Profile (TPP) – its overall combination of competitive tic reduction, improvement of quality of life and no CNS off-target side effects. As a GP in my private life I can really empathize with how limited today's pharmaceutical treatment options are for doctors and how serious the risk of severe side effects are. It's still not uncommon to find antipsychotics, or even benzodiazepines being prescribed, for a patient population that includes children and teenagers. In this context Sepranolone would quite clearly be a doctor's first choice for pharmaceutical intervention. Its product profile, combining efficacy and safety, is important news for patients and practitioners.

Q **ASARINA REPORTED TWO SCORES AMONGST ITS PRIMARY CLINICAL OBJECTIVES. ONE FOR AN "INTENT TO TREAT" POPULATION. ANOTHER FOR A "PER PROTOCOL" POPULATION. CAN YOU EXPLAIN THE DIFFERENCE AND WHY IT IS SO IMPORTANT?**

PN Of course. In all clinical trials the active group is divided into two subgroups: an Intention-To-Treat (ITT) population who have taken the treatment but not all required doses. And a Per Protocol population who have taken all scheduled doses. In this study we found that the Per Protocol population achieved a greater YGTSS Tic Reduction score, of 30.1% from the baseline. This was more than both the control group (12.7%), and the ITT group (28.0%). This suggests that a slightly higher dose, similar to the ones we used in previous clinical studies, or more frequent dosing could increase the efficacy of Tic reduction. So we intend to explore higher or more frequent dosing in our phase IIb trial.

Q **HOW DO THESE RESULTS IMPACT SEPRANOLONE'S POTENTIAL POSITION IN THE COMPETITIVE LANDSCAPE?**

PN Well, these are early days, but these results bode very well for Sepranolone. The competitive landscape of treatments in development is modest. There are two groups of new compounds in development. Cannabinoids showed a modest tic reduction of 21% for the active group but many off- target effects. In a phase IIb study of a new D1 dopamine receptor antagonist a tic reduction of 9.9 points on par with our Per Protocol population were published earlier this year. But as with earlier Dopamine D2 receptor antagonists 34% of patients reported CNS related off-target effects/side effects that could impact a child's life, from headache to insomnia and fatigue. So again, Sepranolone's combination of efficacy and safety is extremely promising.

Q **SEPRANOLONE PERFORMED WELL IN ALL OF ITS SECONDARY ENDPOINTS. HOW IMPORTANT ARE THESE?**

PN Very important. We consulted with senior consultants in Tourette on which endpoints they thought were the most clinically relevant. They stressed Quality of Life and impairment as highly relevant to patients' lives and wellbeing. These secondary endpoints help us see a broader picture of how the treatment can fit positively into the context of patients' lives. With a condition like this that can have such a big social impact this is crucial. Another treatment could have a greater efficacy in tic reduction – but if the side effects negatively impact impairment or quality of life it will dramatically reduce the use of it.

Q **WHAT DO THE RESULTS MEAN FOR ASARINA'S STRATEGIC BUSINESS DEVELOPMENT?**

PN Well first and foremost they mean new opportunities. We are not ruling anything out. For us the most important goal is to see Sepranolone approved as first choice for pharmaceutical intervention for Tourette Syndrome. Obviously, that makes a phase IIb, randomized, double blind, placebo-controlled study, with a larger patient intake and higher dosing the next step. How we do that we are currently exploring. Over the coming months we will have a range of presentations and meetings with potential partners and investors

Q **IS THE COMPANY STILL INTERESTED IN OCD?**

PN Yes, we are still very interested in the related conditions of OCD and pathological gambling. The present results support that Allopregnanolone is an important target in these conditions. We have issued patents on Sepranolone from 2021 for the treatment of OCD and pathological gambling so they remain on our radar. At the same time, we are realistic and will choose our next steps wisely. Three years ago, when we first began dialogues with the Danish Medicinal Authorities, I remember how it was in fact the authorities that were the first to point out that Sepranolone could aspire to be first choice in pharmaceutical intervention in Tourette provided it met the perfect profile that they stated as competitive tic reduction, improved quality of life and no CNS off target effects. Our focus right now is entirely on Tourette and moving that forward as quickly as possible. These data show that we have every reason to be confident about that and hopefully delivering once again.

TOURETTE, TOLERABILITY AND SEPRANOLONE

CONSULTANT NEUROLOGIST DR. HEIDI BIERNAT

Meet Consultant Neurologist Dr. Heidi Biernat, Head of the Tourette Clinic in the Department of Neurology at Copenhagen's Bispebjerg University Hospital, and Principal Investigator for Asarina's phase IIa study in Sepranolone for Tourette syndrome. Here she talks about the challenges of today's TS treatments, patient response to Sepranolone and how she sees its potential as a first-choice treatment for pharmaceutical intervention in Tourette Syndrome.

"I first realized that I wanted to become a movement disorder neurologist very early on, when I first met Parkinson's patients," says Dr. Heidi Biernat. "Bispebjerg is very specialized in movement disorders, with an impressive record in treating adult Tourette. When I took over as head of the Tourette Clinic in 2010, we had 80 adult TS patients, now we have around 450, some who travel from across Denmark for treatment."

BISPEBJERG'S FIRST CLINICAL TOURETTE STUDY

The phase IIa study was the first pharmaceutical trial for TS to be run at the Clinic (unlike at Herlev Hospital, the study's sister site in Copenhagen, which has run pharmaceutical TS studies before). The study was run by Dr Biernat, who was a part of a team of two doctors, two nurses and a staff nurse. The unmet need for a treatment that is not an antipsychotic, and that can be both effective and tolerable over the middle- and long-term, meant that patient interest and engagement was high from the beginning:

"When the trial was announced we had a very positive response from patients. That continued throughout and all the patients who took part are interested in participating again in a phase IIb study. Our first candidate overcame a severe needle phobia, and learned to inject himself, in order to take part. Many of our adult TS patients manage a job and family life with Tics, which takes a huge amount of hard work. As Tics

> *The side effects with antipsychotics are so heavy that very few patients keep taking them for long periods if they can be avoided. With Sepranolone the lack of side effects was very motivating*

Consultant neurologist Dr Heidi Biernat Bispebjerg, University Hospital Copenhagen

wax and wane, they go through cycles of having very tough, challenging periods where they need antipsychotics, which often have tremendous side effects which limit how long you can stay on them. Coming off the medication again means a return of Tics which can lead to problems with work and family life, before necessitating a bout of new treatment. So many patients have been interested in a safer pharmaceutical treatment for a long time."

THE COMPLIANCE CHALLENGE FOR ANTIPSYCHOTICS

"The side effects with antipsychotics are so heavy that very few patients keep taking them for long periods if they can be avoided," says Dr. Biernat. "Presently doctors shy away from antipsychotics because the burden of side effects and monitoring for those side effects is so heavy, to be honest most patients are just not interested in those kinds of medication."

The Standard of Care (SoC) treatment for the patients taking part in the Study was either antipsychotics or CBIT-based counselling for tic management. The limited treatment options currently evaluable, and the lack of a safe pharmaceutical treatment, were highly motivating for patients, Dr Biernat says. The dropout rate in the study was unusually low for a clinical trial /(7%), with just two patients dropping out, one from the control group, one from the active group taking Sepranolone plus SoC.

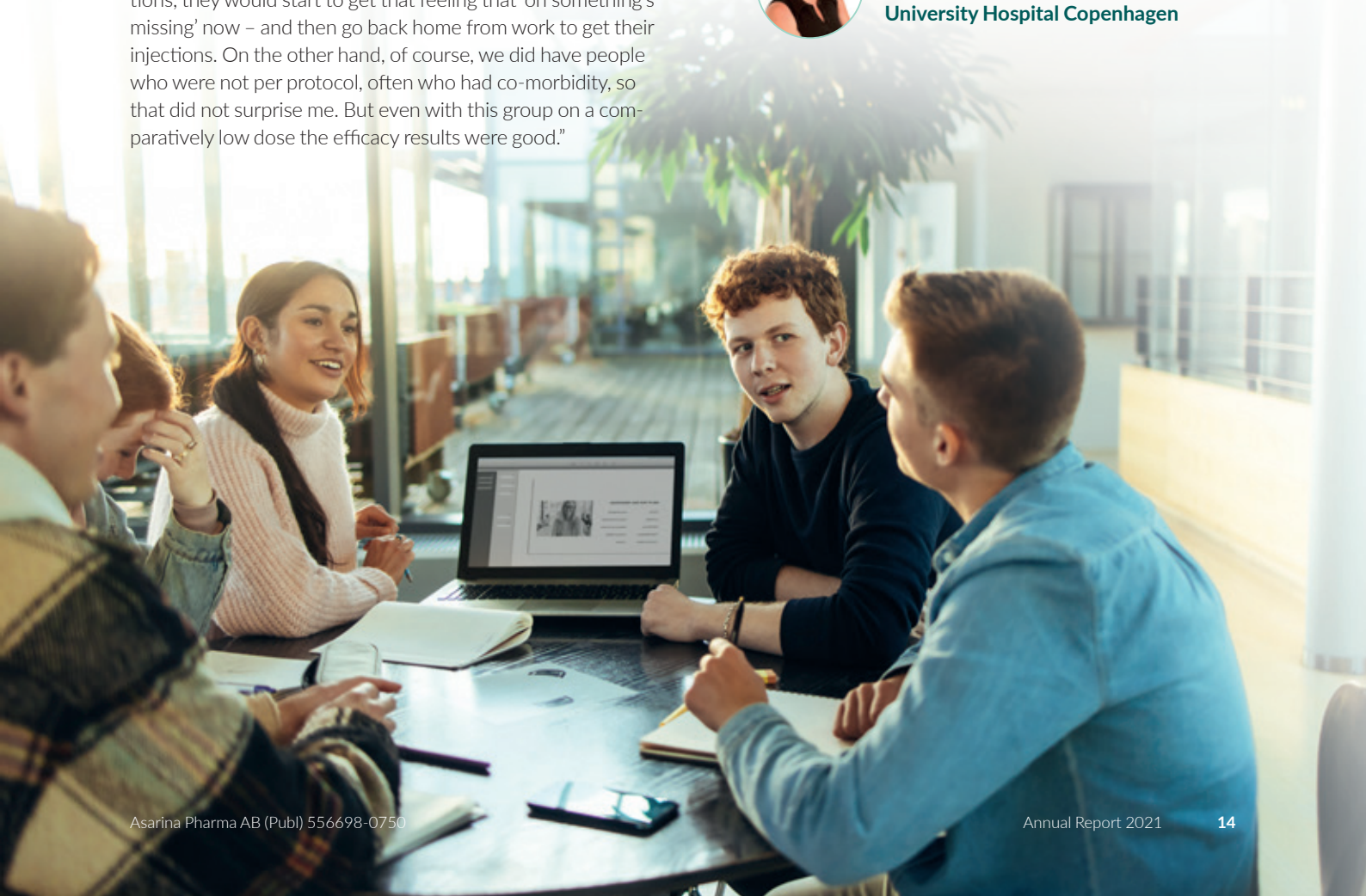
"The lack of side effects was very motivating. In Denmark, with the increase of treatments like anti-obesity drugs or insulin for diabetes people are very used to injections. Many patients' attitude was 'this is definitely something I can do, it's easy'. Some patients told me that if they forgot their injections, they would start to get that feeling that 'oh something's missing' now – and then go back home from work to get their injections. On the other hand, of course, we did have people who were not per protocol, often who had co-morbidity, so that did not surprise me. But even with this group on a comparatively low dose the efficacy results were good."

COMPREHENSIVE BEHAVIORAL INTERVENTION FOR TICS (CBIT)

Dr Biernat is a keen advocate for CBIT. She points out though that here too there can be challenges for compliance. CBIT is a demanding treatment requiring long-term commitment and disciplines. The 10-week long initial training program, requiring regular follow-up, is also labor-intensive to administer. (Waiting lists for CBIT across Europe are long in a healthcare landscape struggling with staff shortages, difficulty retaining staff and tighter spending limits and cuts.)

> *A key reason for a phase IIb study for me is the effects of Sepranolone on patients who had OCD symptoms in addition to their tics. For these patients I saw that Sepranolone really had a magnificent effect, and these are the clients who suffer most from impairment and reduced quality of life.*

Consultant neurologist
Dr Heidi Biernat Bispebjerg,
University Hospital Copenhagen



"CBIT is excellent, and everybody wants it. It really helps people understand their relationship to ticcing and their own processes. However, its success depends on an individual's capacity to work with cognitive instruments, and many people find it difficult to keep up in the long run. They often get a reduction in the initial 10 weeks, they are very content with that, and then they let it slide a little. For some patients it works, for others it requires a lot of concentration and discipline over a long time, and many will stop doing it. Then I encourage them to go back to their course notes and pick it up again. There is a capacity challenge too. Our nurses also have a lot of Parkinson's patients and patients with other chronic conditions to treat, so we can only have a few Tourette patients go through the CBIT system at a time. Our nurses have to be agile and flexible."

OCD AND STANDOUT MEMORIES

When asked about her standout memories from the study Dr Biernat underlines the particularly positive responses she received from patients with OCD-like symptoms as well as Tourette: "I feel urgently that there should be a phase IIb study. A key reason for me is that I think there is another positive element to this medication that really deserves to be further explored. That is its effects for those patients who have OCD symptoms in addition to their tics. These are the clients who suffer most from impairment and reduced quality of life, who have the most difficulty living out their life potential, and for these patients I saw that Sepranolone really had a magnificent effect.

"The effects were so positive that I asked myself whether I should put the legal processes into motion for some patients in order to allow them to continue with the treatment after the study. There were at least 4 or 5 of these patients who told me 'this made me feel so different, that tension, that urge to tic was taken totally away'. That for me was way beyond a placebo effect, that feeling of being liberated from the urge to tic was a real effect. A month later too, when I saw these patients they were in the rebound phase and very troubled, so we had to carry out extra consultations to help them adapt to their new situation without Sepranolone. We know that many TS patients also have OCD and ADHD. In this study patients with ADHD couldn't participate. So I think we could meet the needs of another subgroup if it were possible to expand the study to cover the full comorbidity package – i.e. Tourette with OCD and ADHD in addition."

In conclusion Dr Biernat believes that Sepranolone has strong potential for becoming a new first choice for pharmaceutical intervention for Tourette for those patients who are not managing on CBIT. "I can easily see Sepranolone becoming the new first-line treatment for Tourette patients who cannot manage their tics with CBIT and who require pharmaceutical treatment" she says. "As a practitioner we really need this treatment. When I see my colleagues try to prescribe for tics they still often have to go back to the old-fashioned anti-psychotics, and people don't like it, they can't sustain those treatments because of severe side effects. Sepranolone gives us a new option. I believe it has a strong future".

I can easily see Sepranolone becoming the new first-line treatment for Tourette patients who require pharmaceutical treatment. As a practitioner we really need this treatment, I believe Sepranolone has a strong future.

Consultant neurologist
Dr Heidi Biernat Bispebjerg,
University Hospital Copenhagen

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 consolidated financial statements for fiscal year 1 January 2022 to 31 December 2022.

CONTENTS

DIRECTORS' REPORT

BUSINESS DESCRIPTION

The Company is domiciled in Solna County, Sweden and conducts research and development of pharmaceuticals for treatment of Tourette Syndrome and other neurological diseases with unmet medical need.

SHARES

The Company's shares have traded on NASDAQ First North since September 2018. In May 2022, the Company issued 3,896,885 shares to Östersjöstiftelsen related to the conversion of a convertible loan. As of 31 December 2022, Asarina has issued a total of 22,641,409 shares, which are held by approx. 3,000 shareholders.

MAIN SHAREHOLDERS

OWNERSHIP AS OF 31 DECEMBER 2022*

SHAREHOLDER	COUNTRY	NO. OF SHARES	OWNERSHIP (%)
Östersjöstiftelsen (Baltic Foundation)	Sweden	6 563 977	29.0
Kurma Biofund	France	3 145 132	13.9
Idinvest Patrimonie	France	1 639 824	7.2
Handelsbanken Läkemedelsfond	Sweden	855 952	3.8
Avanza Pension	Sweden	525 889	2.3
Torbjörn Bäckström	Sweden	364 480	1.6
Arne Andersson	Sweden	353 034	1.6
Larsson Utvecklings AB	Sweden	350 000	1.5
Larix Byggnads AB	Sweden	332 980	1.5
Peter Nordkild (CEO)	Denmark	263 124	1.2
Others		**8 247 017**	**36.4**
TOTAL		**22 641 409**	**100.0**

** Sources: Euroclear, company estimates*

Since 2018, the Company has established three warrant programs for board and staff members comprising 1,560,822 warrants in total. One program covering 758,822 warrants expired in December 2021.

As of 31 December 2022, there were two active programs covering 802,000 warrants. One of these programs expired in February 2023 whereby 102,000 warrants lapsed.

The remaining warrant program comprises a total of 700,000 warrants. Each warrant entitles the warrant holder to subscribe one new share at SEK 9.87. This program expires on 31 May 2023.

GROUP STRUCTURE

The Asarina Pharma Group ("the Asarina Group") comprises the parent company, Asarina Pharma AB, and two fully owned subsidiaries, Asarina Pharma ApS (Denmark) and Asarina Pharma Finans AB.

Asarina Pharma ApS owns the intellectual property rights to Asarina's lead compound, Sepranolone and is the operating entity for most of the Asarina Group's R&D activities, incl. the phase IIa study in Tourette Syndrome.

Asarina Pharma Finans AB ("Finans AB") is a non-operating subsidiary whose only activity is related to the incentive warrant programs for the Asarina Group.

KEY FINANCIALS - GROUP

SEK '000	2022	2021	2020	2019	2018
Net sales		0	0	0	**0**
Operating profit/loss	-14 687	-38 284	-81 406	-81 034	**-51 596**
Income after net financial items	-14 828	-38 297	-82 994	-78 877	**-51 594**
Total assets (year-end)	16 857	30 361	68 285	139 894	**149 580**
Cash and cash equivalents (year-end)	13 577	21 715	58 501	129 505	**141 543**
Equity ratio[1] (year-end)	86.6%	69.6%	77.0%	85.4%	**93.5%**
Return on shareholders' equity[2]	-74.3%	-85.9%	-87.5%	-54.8%	**-58.8%**
Return on total assets[3]	-61.0%	-76.6%	-78.2%	-54.3%	**-61.3%**
Average number of employees[4]	3	6	5	5	**4**

KEY FINANCIALS - PARENT COMPANY

SEK '000	2022	2021	2020	2019	2018
Income after net financial items	- 123 572	- 3 358	-8 329	-2 410	-6 446
Total assets	125 299	249 074	248 404	247 491	197 947
Equity ratio[1]	99.3%	97.2%	98.7%	98.8%	98.9%

(1) Adjusted shareholders' equity/total assets. Adjusted shareholders equity' equals shareholders equity' plus non-taxed reserves reduced by deferred tax liability
(2) Income/average adjusted shareholders' equity
(3) (Income after financial income and costs + interest costs)/Average total assets
(4) Measured in Full-time employees (FTEs)

SIGNIFICANT RISKS AND UNCERTAINTIES

RISK MANAGEMENT

The Board of Directors of the Company continuously and systematically assess the key risks of the Asarina Group in order to identify and, if needed, implement relevant mitigating actions. The Board has identified the key risks which are presented in the following sections. Mitigating actions are developed for each identified material risk.

OPERATIONAL RISKS

At the current stage, Asarina's operations consist of planninng for clinical studies which aim to demonstrate safety and clinical efficacy of its drug candidates. There is no guarantee that a certain clinical trial will generate data that will enable Asarina to progress the relevant project to the next development phase.

Clinical trials may be delayed and costs for a given trial may exceed the original budget. Prior to initiating a clinical trial, Asarina conducts a thorough assessment of the duration and the costs of the trial to ensure that it has sufficient funding to complete the trial taking into account possible delaysc and cost increases. Asarina 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 cannot guarantee that it will obtain thecregulatory approvals required to continue clinical studies and to obtain market approval. The Company mitigates the regulatory risks by retaining regulatory consultants during the preparation of new clinical studies.

Asarina focuses on therapeutic areas in which relatively few companies are active. The Company monitors potential competitive activity within its focus areas, in relevant publications and through participation in pharma/biotech conferences.

FINANCIAL RISKS

At present, Asarina does not generate any income from product sales or licensing of the Group's product candidates and is therefore dependent upon raising new capital from investors. In general, the Company aims to have sufficient liquidity for any ongoing activities, in particular clinical trials. From time to time, Asarina has discussions with current or potential new investors, which may be interested in injecting new finance into the Company.

For more detailed description of the risk related to the company's ability to continue as a going concern, refer to note 3 to the Financial Statements within this annual report.

CURRENCY RISK

Asarina incurs costs mainly in three currencies: Swedish kronor, Euro and Danish kroner (which is closely correlated to Euro). The company mitigates its exchange rate risk by placing excess liquidity in a combination of Euro and Swedish kronor, mirroring the cost break-down by currency.

FINANCIAL HIGHLIGHTS

RESEARCH AND DEVELOPMENT (R&D)

Asarina continued its strict cost-management approach in 2022 to preserve cash for the completion of the phase IIa study. External R&D costs declined to SEK 7.3 million from SEK 29.9 million in 2021. The largest part of R&D costs was incurred in the phase IIa study in Tourette Syndrome comprising fees to the CRO and to the clinical investigators. The company received a reimbursement of SEK 1.1 million from a supplier due to a product quality issue.

GENERAL AND ADMINISTRATION (G&A)

Total G&A costs increased slightly to SEK 3.1 million from SEK 2.9 million in 2021 due to higher patent costs. Other G&A expenses related to investor relations, communication as well as legal and financial fees.

STAFF COSTS

Due to a further reduction in work time for the operating team, staff costs declined to SEK 3.9 million from SEK 5.1 million in 2021. As of 31 December 2022, the operating team comprised 2 employees and 5 consultants on long-term contracts. All staff members are working part-time.

FINANCIAL ITEMS AND TAX

Financial items (currency gains and losses and net interest expenses) resulted in a minor loss (-SEK 141k). The Danish subsidiary will receive an estimated SEK 1.5 million in tax credit linked to the R&D costs in 2022.

CASH-FLOW

The Group had a net cash outflow of SEK 8.8 million in 2022 compared with SEK 36.8 million in 2021, due to the reduction in R&D and staff costs. At the end of 2021, the Group had total cash of SEK 21.7 million.

BALANCE SHEET

In May 2021, Östersjöstiftelsen (ÖSS) provided Asarina with SEK 5.3 million in a convertible loan. In May 2022, ÖSS converted the loan into approx. 3.9 new shares. This strengthened the Company's balance sheet.

OUTLOOK FOR 2023 AND BEYOND

Based on the results from its phase IIa study in Tourette Syndrome, the Company aims to progress the compound into the next clinical development phase. This will require that the Company raises new finance and potentially involve a partner to share some of the costs.

During the rest of 2023, the Company will explore the potential for a capital increase as well as a partnership. The Company's current financial resources are sufficient to conduct these activities for the rest of 2023.

As part of its routine risk assessments, the Board of directors has considered the Company's ability to continue its operations after the outcome of the phase IIa study. While the Company

- has sufficient financial resources to conduct its planned activities through the end of 2023 and
- aims to develop Sepranolone together with a partner

there is no certainty that the Company will be able to conduct future studies of Sepranolone nor any other R&D activities. In such case, the Company may out-license or sell its IP assets to a pharmaceutical company and decide to wind down its activities in 2024.

PROPOSED APPROPRIATION OF PROFITS

AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING ARE THE FOLLOWING AMOUNTS (SEK):

Surplus reserve	277 682 398
Income carried forward	-35 329 461
Result for the period	-123 572 583
	118 780 354
The board of directors recommend that to be carried forward	**118 780 354**

The results and the financial position for the parent company and the group are presented in the following income statements, balance sheet, statement of shareholders' equity, cash flow statement and accompanying notes.

CONSOLIDATED INCOME STATEMENT

SEK '000	NOTE	2022 JAN-DEC	2021 JAN-DEC
Net income		0	0
Other income		0	0
Total operating income		**0**	**0**
Research and development costs		-7 294	-29 922
Other external costs	6	-3 088	-3 985
Staff costs	7	-3 899	-3 989
Depreciation		-406	-388
Total operating costs		**-14 687**	**-38 284**
Operating profit/loss		**-14 687**	**-38 284**
Financial income (interest income, currency gains)	8	297	514
Financial cost (interest expenses, currency losses)	9	-438	-527
Net financial items		**-141**	**-13**
Profit/loss before tax		**-14 828**	**-38 297**
Tax on profit/loss	10	1 545	6 639
Profit/loss for the period		**-13 283**	**-31 658**

EARNINGS PER SHARE

SEK '000	NOTE	2022 JAN-DEC	2021 JAN-DEC
Number of shares, average (non-diluted)		18 787 584	18 744 524
Number of shares, average (fully-diluted)		19 604 584	20 038 428
Earnings per share, non-diluted, (SEK)		-0,71	-1,69
Earnings per share, fully-diluted, (SEK)		-0,68	-1,58
Number of shares, end of period (non-diluted)		22 641 409	18 744 524
Number of shares, end of period (fully-diluted)		23 458 409	20 320 346

CONSOLIDATED BALANCE SHEET STATEMENT

SEK '000	NOTE	31 DEC 2021	31 DEC 2020
ASSETS			
Non-current assets			
Property, plant and equipment	11	1 181	1 477
Financial non-current assets	13	1	1
Total non-current assets		**1 182**	**1 478**
Current assets			
Current receivables			
Current tax asset		1 687	6 806
Other receivables		298	315
Prepaid expenses and accrued income	14	113	47
Total current receivables		**2 098**	**7 168**
Cash and cash equivalents		13 577	21 715
Total current assets		**15 675**	**28 883**
TOTAL ASSETS		**16 857**	**30 361**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		5 660	4 686
Total restricted equity		**5 660**	**4 686**
Unrestricted equity			
Share premium reserve		277 682	272 813
Retained earnings		-255 456	-224 697
Profit/loss for the period		-13 284	-31 658
Total unrestricted equity		**8 942**	**16 458**
TOTAL EQUITY		**14 603**	**21 144**
Current liabilities			
Accounts payable		837	2 153
Other current liabilities		479	462
Accrued expenses and prepaid income	15	1 274	1 302
Convertible loan	16	0	5 300
Total current liabilities		**2 255**	**3 917**
TOTAL LIABILITIES		**2 255**	**9 217**
TOTAL EQUITY AND LIABILITIES		**16 857**	**30 361**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Shareholders' equity attributable to parent company shareholders

SEK '000	SHARE CAPITAL	SHARE PREMIUM RESERVE	ACCUMULATED LOSSES INCL LOSS FOR THE PERIOD	TOTAL EQUITY
Opening balance 1 January 2021	**4 686**	**272 813**	**-224 901**	**52 598**
Issue of warrants			371	371
Translation difference			-167	-167
Loss for the period			-31 658	-31 658
Closing balance 31 December 2021	**4 686**	**272 813**	**-256 355**	**21 144**
Opening balance 1 January 2022	**4 686**	**272 813**	**-256 355**	**21 144**
Additional paid in capital	974	4 870		5 844
Translation difference			898	898
Loss for the period			-13 283	-13 283
Closing balance 31 December 2022	**5 660**	**277,683**	**-268 740**	**14 603**

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK '000	NOTE	2021 JAN - DEC	2021 JAN - DEC
Operating activities			
Operating profit/loss		- 14 687	-38 284
Adjustment for non-cash flow affecting items			
Depreciation	11	406	387
Interest received		297	312
Interest paid		- 439	-210
Paid taxes	10	6 957	7 503
Cash flow for operating activities before changes in working capital		**- 7 466**	**-30 292**
Cash flow from changes in working capital			
Decrease(+)/Increase(-) in receivables		- 37	65
Decrease(-)/Increase(+) in liabilities		- 1 816	-12 272
Cash flow from operating activities		**-9 319**	**-42 499**
Investment activities			
Acquisition of equipment, tools and installation	11	0	0
Cash flow from investment activities		**0**	**0**
Financing activities			
Convertible loan received	16	5 300	5 300
Share issue		5 844	0
Issue of warrants		0	371
Cash flow from financing activities		**544**	**5 671**
Cash flow for the period		**- 8 775**	**-36 828**
Cash and cash equivalents at the beginning of the period		21 715	58 501
Translation difference		637	42
Cash and cash equivalents at the end of the period		**13 577**	**21 715**

PARENT COMPANY INCOME STATEMENT

SEK '000	NOTE	2022 JAN-DEC	2021 JAN-DEC
Net sales		0	0
Other income		0	0
Total operating income	**5**	**0**	**0**
Research and development costs		-1 832	1 200
Other external costs	6	-1 857	-1 105
Staff costs	7	-1 147	-1 123
Total operating costs		**-4 835**	**-3 428**
Operating profit/loss		**-4 835**	**-3 428**
Financial income (interest income, currency gains)	8	207	421
Write-down of financial non-current assets	12	-118 657	0
Financial cost (interest expenses, currency losses)	9	- 283	-351
Net financial items		**-118 737**	**70**
Profit/loss before tax		**- 123 572**	**-3 358**
Tax on profit/loss	10	0	0
Profit/loss for the period		**- 123 572**	**-3 358**

PARENT COMPANY BALANCE SHEET STATEMENT

SEK '000	NOTE	31 DEC 2022	31 DEC 2021
ASSETS			
Non-current assets			
Financial non-current assets			
Shares in subsidiaries	12	118 747	232 405
Other non-current financial assets	13	1	1
Financial non-current assets		**118 748**	**232 406**
Current assets			
Current receivables			
Receivables from group companies		3 122	3 122
Current tax asset		112	112
Other receivables		184	134
Prepaid expenses and accrued income	14	113	47
Total current receivables		**3 531**	**3 415**
Cash and cash equivalents		3 019	13 253
Total current assets		**6 550**	**16 668**
TOTAL ASSETS		**125 299**	**249 074**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		5 660	4 686
Total restricted equity		**5 660**	**4 686**
Unrestricted equity			
Share premium reserve		277 682	272 813
Retained earnings		-35 329	-31 972
Profit/loss for the period		-123 572	-3 358
Total unrestricted equity		**118 781**	**237 483**
TOTAL EQUITY		**124 441**	**242 169**
Non-current liabilities			
Liabilities to group companies		40	40
Total non-current liabilities		**40**	**40**
Current liabilities			
Accounts payable		339	534
Liabilities to group companies		0	0
Other current liabilities	15	479	462
Accrued expenses and prepaid income	16	0	569
Total current liabilities	**15**	**818**	**1 565**
Total liabilities		**858**	**6 905**
TOTAL EQUITY AND LIABILITIES		**125 299**	**249 074**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	RESTRICTED EQUITY		UNRESTRICTED EQUITY		
SEK '000	SHARE CAPITAL	SHARE PREMIUM RESERVE	ACCUMULATED LOSSES	NET PROFIT/LOSS FOR THE PERIOD	TOTAL EQUITY
Opening equity on 1 January, 2021	**4 686**	**272 813**	**-24 518**	**-7 825**	**245 156**
Appropriation of previous year results			-7 825	7 825	0
Current year results				-3 358	-3 358
Shareholder transactions					
New share issue					
Issue of warrants			371		371
Total shareholder transactions					**371**
Closing equity on 31 December, 2021	**4 686**	**272,813**	**-31 972**	**-3 358**	**242 169**

	RESTRICTED EQUITY		UNRESTRICTED EQUITY		
SEK '000	SHARE CAPITAL	SHARE PREMIUM RESERVE	ACCUMULATED LOSSES	NET PROFIT/LOSS FOR THE PERIOD	TOTAL EQUITY
Opening equity on 1 January, 2022	**4 686**	**272 813**	**-31 972**	**-3 358**	**242 169**
Appropriation of previous year results			-3 358	3 358	0
Current year results				- 123 572	-123 572
Shareholder transactions					
New share issue	974	4 870			5 844
Total shareholder transactions					**5 884**
Closing equity on December 31, 2022	**5 660**	**277 683**	**-35 330**	**-123 572**	**124 441**

As of 31 December 2022, the total number of issued shares amounted to 22,641,409.
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, S-171 65 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 assess- ment 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 operations through 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" be- low for reporting of 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 forseeable 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 report- ed 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 subsidi- ary, 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. 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 closing 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 shareholders' 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 expense 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, and
- 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.

TANGIBLE FIXED ASSETS

Property, plant and equipment are reported at cost less accumulated amortization and any write-downs.

Amortization of property, plant and equipment is expensed so that the asset's acquisition value, possibly reduced by the estimated residual value at the end of the useful life, is amortized on a straight-line basis over its estimated useful life. If an asset has been divided into different components, each component is written separately over its useful life. Depreciation is commenced when the tangible fixed assets can be used. Tangible assets' useful lives are estimated at:

- **Machinery and equipment** 5 years

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.

Leasing

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

NOTE 3
MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Asarina Pharma AB (publ) monitors its liquidity position on a monthly basis to identify liquidity risks and enable the Board of Directors and Executive Management to prepare for new financing transactions and/or take relevant tactical or strategic actions to allow the company to continue its research and development activities as planned as a going concern.

Asarina Pharma AB (publ), considering its net current assets and forecasted cash requirements, has liquidity to fund its operations as planned through December 2023.

The Board of Directors and Executive Management believe it is possible to obtain sufficient liquidity in due time during 2023 to enable the company to continue its activities beyond 2023. Based on these assumptions, the Board of Directors and the Executive Management have prepared the Financial Statements based on a going concern assumption.

Since such new source of funding is not obtained as of the date of these Financial Statements, material uncertainty that may cast significant doubt on the company's ability to continue as a going concern exists, and therefore the company may be unable to realize its assets and discharge its liabilities in the normal course of business.

NOTE 4

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 conducts clinical trials with a typical duration of 1-2 years. The main trial costs are 1) CMC costs (related to production of clinical material) and 2) fees to the CRO (Contract Research Organization), who manages the trial on a daily basis. The CRO fees are invoiced either on a monthly basis based on the time spent or based on deliverables in the study. At the balance sheet date, Asarina accrues costs for work performed but not yet invoiced.

SHARES IN SUBSIDIARY

At the balance date, the Company conducts a thorough assessment of the value of the shares that it holds in the Danish subsidiary. The assessment is based on an external valuation of the IP assets owned by the subsidiary.

Taking a precautionary approach, the Board of directors has decided to conduct a write-down of 50% of the value of the subsidiary's shares in view of the uncertainty about the Company's involvement in the future development of Sepranolone in Tourette Syndrome.

NOTE 5

OTHER OPERATIONAL INCOME

Other operational income in the parent company refers to consulting fees related to work conducted for the Danish subsidiary.

NOTE 6

INFORMATION REGARDING AUDITOR COMPENSATION

	GROUP		PARENT COMPANY	
SEK '000	2022	2021	2022	2021
Ernst & Young				
Auditing	372	458	308	331
Audit services in addition to audit	0	0	0	0
Other services	0	0	0	0
Total	**372**	**458**	**308**	**331**

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 7

HEADCOUNT, SALARIES, OTHER COMPENSATION AND SOCIAL COSTS

AVERAGE NUMBER OF STAFF MEMBERS*

	2021		2020	
	NUMBER OF STAFF MEMBERS	OF WHICH MALE	NUMBER OF STAFF MEMBERS	OF WHICH MALE
Parent company				
Asarina Pharma AB	0	0	0	0
Total	**0**	**0**	**0**	**0**
Subsidiaries				
Asarina Pharma ApS	5	4	6	4
Asarina Finans AB	0	0	0	0
Total subsidiaries	**5**	**4**	**6**	**4**
Total group	**5**	**4**	**6**	**4**

* Comprises employees and consultants on long-term contracts. All staff members are on part-time contracts.

MANAGEMENT ALLOCATION ON THE BALANCE SHEET DATE

	GROUP		PARENT COMPANY	
	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Female:				
Board of Directors	2	2	2	2
Management	0	1	0	0
Male:				
Board of Directors	1	1	1	1
Management incl. CEO	4	4	0	0
Total	**7**	**8**	**3**	**3**

SALARIES AND OTHER STAFF COSTS

	2022		2021	
SEK '000	SALARIES AND OTHER COMPENSATION	SOCIAL COSTS (OF WHICH PENSION COSTS)	SALARIES AND OTHER COMPENSATION	SOCIAL COSTS (OF WHICH PENSION COSTS)
Parent company	920	160 (0)	855	268
				(0)
Subsidiaries	2 741	8	2 765	15
		(0)	(0)	(0)
Total group	**3 661**	**168**	**3 620**	**283**
				(0)

SALARIES AND OTHER STAFF COSTS

	2022		2021	
SEK '000	BOARD OF DIRECTORS AND CEO	OTHER STAFF MEMBERS	BOARD OF DIRECTORS AND CEO	OTHER STAFF MEMBERS
Parent company	920	0	855	0
Subsidiaries	1 782	861	2,765	1,446
Total group	**2 702**	**861**	**3,620**	**1,446**

BOARD AND MANAGEMENT COMPENSATION 2021

SEK '000	BASE SALARIES/FEES	BONUS	PENSION COSTS	SHARE-BASED REMUNERATION	TOTAL
Board members					
Paul de Potocki, chairman	510	288			798
Marianne Kock	205	144			349
Erin Gainer	205				205
Mathieu Simon	103				
Management					
Peter Nordkild	2,167	597			2,764
Other management	2,239	425			2,734
Total	**5 429**	**1 524**	**0**		**6 850**

BOARD AND MANAGEMENT COMPENSATION 2022

SEK '000	BASE SALARIES/FEES	BONUS	PENSION COSTS	SHARE-BASED REMUNERATION	TOTAL
Board members					
Paul de Potocki, chairman	510				510
Erin Gainer	205				205
Marianne Kock	205				205
Management					
Peter Nordkild	1 743	78			1 821
Other management	1 790	149			1 940
Total	**4 453**	**227**			**4 680**

PENSIONS

Group costs for defined obligation pension plans amounted to 0 KSEK (0). Parent company costs for defined obligation pension plans amounted to 0 KSEK (0). The group carries no defined benefit-based pension plans.

The Group's remaining pension commitment amounted to 0 KSEK (0).

SEVERANCE PAY AGREEMENT

Neither the Company nor its Danish subsidiary has entered into any severance pay agreements.

WARRANT INCENTIVE PROGRAMS

In September 2018, the Company launched a warrant incentive program for independent board members and staff members. The warrant program which entitled the warrant holders to subscribe for 758,822 Asarina shares expired on 31 December 2021 and all warrants lapsed.

In February 2020, the Company issued additional warrants to two board members and one member of management. The 2020 warrants entitled the holders to subscribe for 102,000 new shares at a share price of SEK 28.73. The program expired in March 2023 and all warrants lapsed.

In May 2021, the Company issued a third warrant program to staff members which entitles the warrant holders to subscribe for 700,000 shares at SEK 9.87 per share in the second half of May 2023. All warrants were acquired at fair value.

NOTE 8

INTEREST AND CURRENCY INCOME

	GROUP		PARENT COMPANY	
SEK '000	2022	2021	2022	2021
Interest income	14	6	14	117
Exchange rate differences	283	507	193	304
Total	**297**	**513**	**207**	**421**

NOTE 9

INTEREST AND CURRENCY COSTS

	GROUP		PARENT COMPANY	
SEK '000	2022	2021	2022	2021
Interest costs	-298	-395	-283	-351
Exchange rate losses	-140	-131	0	0
Total	**- 438**	**-526**	**- 283**	**-351**

NOTE 10

INCOME TAXES ON CURRENT YEAR INCOME

	GROUP		PARENT COMPANY	
SEK '000	2022	2021	2022	2021
Current tax	1 545	6 639	0	0
Total tax on current year income	**1 545**	**6 639**	**0**	**0**

RECONCILIATION OF CURRENT YEAR TAX COSTS

	GROUP		PARENT COMPANY	
SEK '000	2022	2021	2022	2021
Reported income before taxes	-14 828	-38 297	-4 915	-3 357
Tax computed at Swedish tax rate (20.6% and 21.4%)	3 055	8 196	1 012	718
Tax effect from				
Non-deductible costs	-9	12	-9	9
Non-activated taxable losses	-1 501	-1 568	1 004	-727
Total tax on current year income	**1 545**	**6 639**	**0**	
Current year reported tax	**1 545**	**6 639**		

As of 31 December 2022, the Danish subsidiary has a tax receivable of SEK 1.565 million (DKK 1.046 million) related to the Danish tax credit scheme for R&D costs.

The Company has non-activated taxable losses amounting to 188,636 KSEK (2021: 183,763 KSEK). The Group has non-activated taxable losses amounting to 331,354 KSEK (2021: 310,368 KSEK).

NOTE 11

EQUIPMENT, TOOLS AND INSTALLATIONS

	GROUP		PARENT COMPANY	
SEK '000	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Acquisition price at the beginning of period	1 954	1 917	0	0
FX adjustment on opening balance	145	37	0	0
Purchase	0	0	0	0
Acquisition price at the end of period	2 099	1 954	0	0
Depreciation at the beginning of period	- 477	-85	0	0
FX adjustment on opening balance	- 35	-2	0	0
Depreciation for the year	- 406	-391	0	0
Depreciation at the end of the period	- 918	-477	0	0
Closing balance	**1 181**	**1 477**	**0**	**0**

NOTE 12

SHARES IN SUBSIDIARIES (PARENT COMPANY)

SEK '000	2022-12-31	2021-12-31
Book-value at the beginning of period	232 405	191 716
Purchase	5 000	40 690
Write-down at year-end	-118 657	0
Book-value at the end of period	**118 747**	**232 405**

						PARENT COMPANY	
NAME	CORP. NO.	DOMICILE	OWNER-SHIP	VOTES	NO. SHARES	BOOK VALUE 2022-12-31	BOOK VALUE 2021-12-31
Asarina Pharma ApS	38 49 57 12	Copenhagen, Denmark	100%	100%	50 000	118 657	232 315
Asarina Pharma Finans AB	559169-2032	Solna, Sweden	100%	100%	50	90	90
Reported accumulated cost						**118 747**	**232 405**
Carrying amount at end of the period						**118 747**	**232 405**

NOTE 13

OTHER LONG-TERM EQUITIES

	GROUP		PARENT COMPANY	
SEK '000	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Opening cost	1	1	1	1
Reported accumulated cost	1	1	1	1
Reported accumulated cost	**1**	**1**	**1**	**1**

Refers to 1 share equaling an ownership of 0.33% in Läkemedelsföreningen Service AB, 556197-9211 ("LFF").

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

NOTE 14

PREPAID COSTS AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
SEK '000	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Prepaid rental cost	44	43	44	43
Other items	69	4	69	4
Total	**113**	**47**	**113**	**47**

NOTE 15

ACCRUED COSTS AND PREPAID INCOME

	GROUP		PARENT COMPANY	
SEK '000	2022-12-31	2021-12-31	2022-12-31	2021-12-31
Accrued staff costs	713	488	194	589
Accrued holiday pay	295	283	0	0
Accrued social costs	0	0	0	0
Accrued interest	0	317	0	317
Other items	266	214	198	125
Total	**1 274**	**1 302**	**392**	**1 031**

NOTE 16

CONVERTIBLE LOAN

On 24 June 2022, Östersjöstiftelsen (the Baltic Foundation) converted a loan that it had provided to Asarina in May 2021 into new Asarina shares. At the time of conversion, the loan (including accumulated interest) amounted to kSEK 5,884 and the conversion price was SEK 1.51 per share.

NOTE 17

PLEDGED ASSETS AND COMMITMENTS

The group and parent company have no pledged assets or commitments

NOTE 18

RELATED PARTY TRANSACTIONS

Asarina has not extended loans, guarantees or other financial commitments for the benefit of any member of the Board of Directors or the Management.

NOTE 19

EVENTS AFTER THE BALANCE SHEET DATE

On 1 April 2023, the Company announced results of its phase IIa study with Sepranolone in Tourette Syndrome. The results showed improvements in all clinical parameters in the patients receiving Sepranolone vs. the control group.

Based on the results from its phase IIa study in Tourette Syndrome, the Company aims to progress the compound into the next clinical development phase. This will require that the Company raises new finance and potentially involve a partner to share some of the costs.

During the rest of 2023, the Company will explore the potential for a capital increase as well as a partnership. The Company's current financial resources are sufficient to conduct these activities for the rest of 2023 and moving into 2024.

SIGNATURES

Asarina Pharma AB
Fogdevreten 2, SE171 65, Solna, Sweden

PAUL DE POTOCKI
Chairman

PETER NORDKILD
Chief Executive officer

MARIANNE KOCK
Board member

ERIN GAINER
Board member

The audit report was prepared by
Ernst & Young AB

DANIEL ÅKEBORG
Authorized Public accountant
Auditor in charge

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PHARMA

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