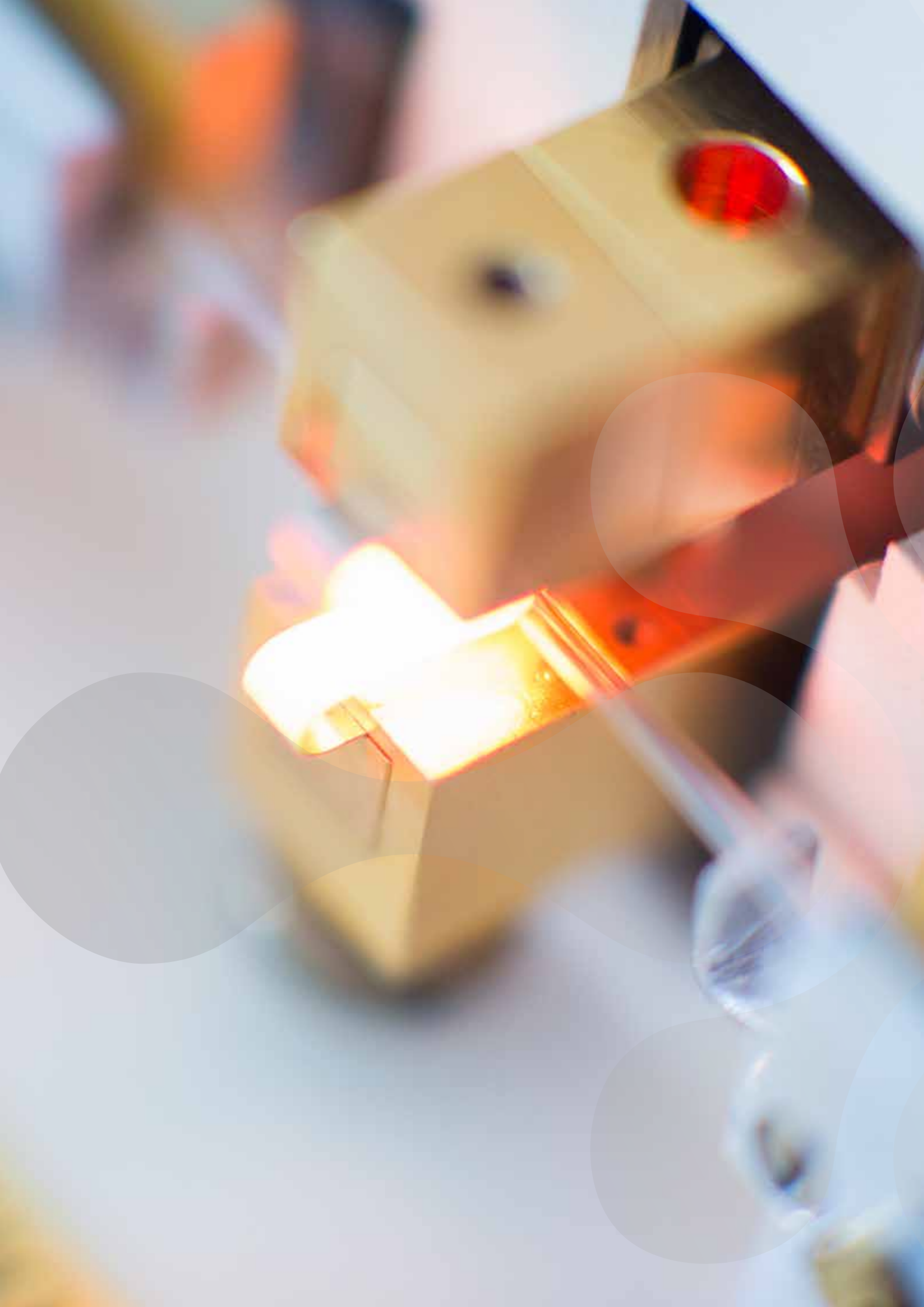
annual report 2016

saniona



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2016 in brief

SIGNIFICANT EVENTS IN 2016

Strategic focus on clinical assets
In 2016, Saniona decided to focus most of its efforts on its advanced program, Tesomet, which is the primary value driver for the company today. Due to the mode of action, Tesomet could provide substantial benefits to patients with metabolic diseases and eating disorders. In 2016, Saniona financed a Phase 2a study for type 2 diabetes and announced its intention to initiate a Phase 2a study in Prader-Willi syndrome in 2017. In parallel, Saniona is analysing the feasibility of using Tesomet for other indications such as binge eating and NASH (non-alcoholic steatohepatitis, a liver inflammation caused by fat in the liver).

In addition to the efforts on Tesomet, Saniona is aiming at selecting a preclinical development candidate from the research portfolio and bring this candidate product into clinical development before out licensing to a partner.

Transforming to a clinical stage company with a pipeline of drug candidates in clinical development
In 2016, Saniona transformed from a research company to a company with several programs in late stage clinical development. Saniona has in 2016 completed one Phase 2a study and it expects, either alone or together with partners, to conduct two Phase 2a studies and one Phase 3 study in 2017. Thus, Saniona has in 2016 successfully completed a Phase 2a study with Tesomet for type 2 diabetes, from which the company could report positive top-line data in January 2017. In addition, Saniona has together with its partner, TRC, initiated a Phase 2a study with NS2359 for cocaine addiction during the second quarter of 2016. Furthermore, Saniona initiated a Phase 2a study for Tesomet in patients with Prader-Willi Syndrome during the first half of 2017, and Saniona's partner, Medix, has obtained regulatory approval in Mexico for the initiation of a Phase 3 study for tesofensine in obese Mexican patients.

New partnerships and grants
In 2016, Saniona strengthened its pipeline with four fully financed programs through three new collaboration agreements and an important grant. More specifically, Saniona entered a research and development collaboration with Boehringer Ingelheim for schizophrenia, a research and development collaboration with Proximagen for neurological disorders, a collaboration with Medix for development and commercialization of tesofensine and Tesomet in Mexico and Argentina for obesity and received a grant from Michael J Fox Foundation for Parkinson's Research for identifying drug candidates for Parkinson's diseases. In addition, Saniona was awarded three public grants during the summer 2016 for three different research programs.

Spin-out of Initiator Pharma
In May, Saniona participated in the formation of a new company, Initiator Pharma A/S, and spun out three programs to Initiator Pharma, which Saniona did not plan to pursue internally. In October, all Saniona's shares held in Initiator Pharma A/S were distributed to Saniona's shareholders in accordance to decision at an extra ordinary general meeting. Initiator Pharma has completed a rights issue in February and the company was listed on AktieTorget on March 16 this year.

Preparing for listing at Nasdaq Stockholm Small Cap
In April 2015, Saniona announced its intention to list the Company on Nasdaq Stockholm Small Cap. Therefore, Saniona has reported in accordance to IFRS since the half year report for 2015. In May 2016, Saniona was listed on Nasdaq Stockholm First North

Premier as a step in the company's plans to list its shares on Nasdaq Stockholm Small Cap. In October 2016, Saniona informed that it now expects to be listed at Nasdaq Stockholm Small Cap at the earliest during the second quarter of 2017.

Strengthening of patent position
In February, Saniona announced that the United States Patent and Trademark Office has issued a patent covering the combination of tesofensine and metoprolol. This patent for Tesomet expires in the U.S. in 2033.

Change in Board of Directors
In September, board member Anker Lundemose stepped down from the board of directors.

Increased shareholder base, stock price and liquidity
The market price of Saniona's share increased with 153% from SEK 16.20 at the end of 2015 to SEK 41.00 at the end of 2016. The number of registered shareholders increased with 40% from 3,212 to 4,491 shareholders, excluding holdings in life insurance and foreign custody account holders. The average daily trading values increased with 98% from KSEK 1,882 in 2015 to KSEK 3,731 in 2016.

KEY FIGURES

KSEK	2016	2015
Net sales	74,921	13,630
Operating expenses	-70,764	-41,705
Operating profit/loss*	4,156	-28,075
Financial items, net	757	-1,183
Profit/loss before tax	4,913	-29,258
Tax on net profit	-2,696	6,311
Profit/loss for the year	**2,217**	**-22,947**
Tangible assets	1,184	753
Financial assets	1,519	1,547
Current receivables	14,804	8,369
Cash and cash equivalent	53,261	47,004
Total assets	**70,769**	**57,673**
Equity	54,252	52,943
Current liabilities	16,517	4,730
Total equity and liabilities	**70,769**	**57,673**
Cash flow from operating activities	7,953	-28,820
Cash flow for the year	6,735	36,898

	2016	2015
Operating margin, %*	74,921	13,630
Equity ratio, %*	-70,764	-41,705
Dividend, SEK	4,156	-28,075

* Financial measures marked with * are not defined under IFRS, so called alternative performance measures. The definition and rational for presenting can be found in Financial key ratios and definitions at the end of this report.

Saniona at a glance

Saniona is a research and development company working on drugs for diseases of the central nervous system, autoimmune diseases, metabolic diseases and treatment of pain.

Saniona has a significant portfolio of potential drug candidates at pre-clinical and clinical stage.

The research is focused on ion channels, which are well-established targets for drug innovation. Ion channels comprise a unique class of proteins, which, among other things, controls the activity of muscles and nerves and are central to numerous other functions in our body.

Saniona has nine active programs of which six are financed through partnerships or grants.

The clinical product pipeline comprises three active programs. Saniona's most advanced internal program is Tesomet. In January 2017, Saniona reported top line results from a successful Phase 2a clinical trial for Tesomet in patients with type 2 diabetes. Due to the available weight loss data and the mode of action of Tesomet, Saniona believes that it potentially may be used for treatment of several metabolic syndromes and eating disorders including Prader-Willi syndrome, binge eating, type 2 diabetes and fatty liver diseases including NASH. In April 2017, Saniona initiated a Phase 2a trial for Tesomet in patients with Prader-Willi syndrome. In addition to the above, Saniona has initiated a Phase 2 trial for NS2359 for cocaine addiction in collaboration with TRC. Finally, Saniona is collaborating with Medix, which is a leading Mexican company within the obesity field. Medix is planning to develop tesofensine and Tesomet for obesity in Mexico and Argentina and has obtained regulatory approval in Mexico for the initiation of a Phase 3 study for tesofensine in obese Mexican patients.

Saniona is currently active in six research programs, of which one program is financed through a grant from The Michael J. Fox Foundation for Parkinson's Research and three programs are financed by its partners, Boehringer Ingelheim GmbH, Proximagen and Luc Therapeutics.

In addition to the active programs described above, Saniona has discovery assets as well as clinical stage assets (AN788 for major depression disorders and AN761 for cognitive impairment), which are positioned for partnering.

VISION

Saniona will be a leading biotech company within the field of ion channel-dependent diseases.

BUSINESS IDEA

Saniona will discover and develop improved medical treatments in areas with significant unmet medical needs through modulation of ion channels.

OVERALL OBJECTIVE

Saniona's overall objective is by itself and together with partners to develop and provide new medicines for severe diseases, more specifically diseases of the central nervous system, auto-immune diseases, metabolic diseases and treatment of pain.

STRATEGY

- Internal development of selected programs through the early phases of drug development.
- Collaboration with pharmaceutical companies.
- Joint ventures or spin-outs, where Saniona and a financial partner establish a new company for the development of a specific program, alternatively a spin-out which is financed through an independent public listing.

MARKET

Saniona's research is focused in the field of ion channels, which is an established concept in pharmaceutical development.

Saniona's ongoing programs address significant market segments:

Target/Program	Indication	Market estimate
Tesomet	Type 2 diabetes	> USD 23 billion[1]
Tesomet	Prader-Willi syndrome	- Orphan indication
Tesofensine	Obesity	- USD 250 million in Mexico[2]
NS2359	Cocaine addiction	> USD 1.8 billion[3]
GABA-A α2/α3 program	Neuropathic pain	> USD 6 billion[4]
Boehringer Ingelheim program	Schizophrenia	> USD 4.8 billion[5]
IK program	Inflammatory bowel disease	> USD 5.9 billion[6]
Nic-α6 program	Parkinson's disease	> USD 2.8 billion[7]
Proximagen program	Neurological diseases	- Not available
Luc Therapeutic program	Ataxia	- Orphan indication

For a significant time to come, Saniona will be dependent on major pharmaceutical companies' interest in purchasing, developing and commercializing projects from Saniona's pipeline of preclinical and clinical drug candidates. According to the Board's assessment, there is a well-developed market for licensing, sale, and establishment of research and development collaboration between smaller, research-intensive businesses and large pharmaceutical companies.

There is a significant need for new and innovative products for the pharmaceutical companies, which often have a limited number of products in their pipelines. Therefore, the market for out-licensing of new, innovative pharmaceutical projects and product programs are considered attractive. Importantly, within the field of ion channels, there are relatively few biotech companies supplying major pharmaceutical companies with research and development projects. Combined, this is creating interesting business opportunities for Saniona.

1 The market for type 2 diabetes is estimated to be USD 23.3 billion in the 7 major markets in 2014. Diabetes Type 2 Forecast, 7 major Markets, Datamonitor 2015
2 Estimates of drugs for obesity in Mexico by Medix 2016
3 Estimates by TRC
4 Major markets 2012, Decision Resources
5 Schizophrenia Forecast 7 major market, Datamonitor, 2014
6 Major markets 2014, Datamonitor
7 The market for Parkinson's disease is estimated to be USD 2.8 billion in the 7 major markets in 2014, Datamonitor 2016

Letter from the CEO

”It is a pleasure to summarize 2016 for Saniona. We enjoyed a tremendous development during the year. This is 2016 to the point. We have in effect moved the company from a discovery company to a company with several programs in late stage clinical development. Few biotech companies have such a broad and deep product portfolio after just a few years of existence.

The depth comprises the substantial amount of supporting data and the numerous opportunities within each of our programs. As an example, Tesomet may potentially be used for treatment of several metabolic syndromes and eating disorders. We have already generated clinical data to support several indications. The breadth comprises our broad portfolio of programs, which we are pursuing on our own or in collaboration with partners, as well as the many opportunities we have identified but not yet been able to pursue.

We have now clinical data, which supports that Tesomet can be used as a safe weight loss treatment in a cohort of patients with type 2 diabetes. This is the conclusion from the Phase 2 study, which we could present a few days into 2017. Based on the results, we believe that Tesomet can be used to treat patients with metabolic disorders like diabetes and obesity. Recent research suggests that a significant weight loss can bring certain groups of diabetes patients in complete remission.

We are now investigating the possibility of using Tesomet in other indications where a significant weight loss would be an essential part of treating the disease. We are now conducting a Phase 2a clinical trial in patients with Prader-Willi syndrome - a serious hereditary disease for which there is no treatment today. Due to the mode of action, we believe Tesomet could provide substantial benefits to the patients as well as their families. We are in parallel to this analysing the feasibility of using Tesomet for other indications such as binge eating and NASH (non-alcoholic steatohepatitis, a liver inflammation caused by fat in the liver). Both indications represent significant markets. NASH is in general believed to be the next common illnesses in the wake of obesity and type 2 diabetes which have spread rapidly across the world and now often referred to as epidemic. Further, it is estimated that 2 percent of men and 3.5 percent of women in the US suffer from binge eating, a further potential indication for Tesomet.

The tesofensine program for treatment of obesity represents an addition to the depth of our “Tesomet-world”. At the end of 2016, our partner Medix filed a clinical trial application in Mexico for initiation of a Phase 3 study for tesofensine in obesity and are now ready to start the study. This important milestone may potentially lead to a stable income stream through royalties in the foreseeable future. It is certainly a unique and fortunate position to be in for a biotech company.

We are confirmed in the view that intelligent plans and hard work will enable us to utilize our opportunities and resolve future challenges. What makes me confident about the prospect of Saniona is that Saniona increasingly emerges as a mature biotech company with both depth and breadth.

Combining the depth of the Tesomet program with the breadth of our product pipeline, I think that it is fair to characterize Saniona as a mature biotech company. We currently have a total of nine active pro-

grams which are developed for 10 indications either on our own or through collaboration with partners.

Tesomet and tesofensine are the most advanced programs and are in Phase 2 and Phase 3 clinical studies for three indications within the metabolic field. In addition to this, we have a program for treatment of cocaine addiction, which is in Phase 2. The other programs are in the early stage and represent innovative and potential first in class therapies within their respective fields. As an example, the collaboration with Boehringer-Ingelheim on a new treatment for schizophrenia is truly exciting.

In addition to the published pipeline, we have a platform and several additional assets. In 2016, we could build further value into some of these assets through new collaborations and spin-outs to the benefit of our shareholders. At an extraordinary general meeting in October, it was decided to distribute all Saniona's shares in Initiator Pharma A/S to Saniona's shareholders. Initiator Pharma has completed a rights issue in February and the company was listed on AktieTorget on March 16 this year. In Saniona, we will continue to look for opportunities for developing our platform and additional assets through new collaboration or spin-outs.

Finally, we can report a profit for the total year due to several new collaboration agreements. With the flying start this year, we are setting the pace for the future, which makes us confident for 2017. I am certain that all our dedicated employees will continue to work hard for Saniona to succeed to the benefit of our partners and shareholders."

Jørgen Drejer, CEO

Business model and strategy

Saniona commercializes its research efforts through the following three business models:

- By internal development of selected programs through the early phases of drug development before out-licensing to pharmaceutical companies, who will take over the further development of Saniona's programs and typical pay upfront, milestone and royalty payments on product sales to Saniona;
- Through early stage research and development collaboration with pharmaceutical companies, who will fund the research and development activities and pay upfront, milestones and royalty payments on product sales to Saniona; and
- Through joint ventures or spin-outs, where Saniona's financial partner will obtain a share of the upside by financing the development of one of Saniona's programs, alternatively through a spin-out which is financed through an independent public listing.

Saniona's research strategy is consequently based on the establishment of partnerships with pharmaceutical companies and joint ventures/spin-outs, which are financed by partners or through independent public listings.

This strategy ensures a high intensity of Saniona's research efforts with moderate capital requirements. Saniona achieves critical mass and can effectively utilize its key competences in focused research areas while simultaneously utilizing its partners' expertise in clinical development and marketing of medicines in a wide range of disease areas. This strategy also enables Saniona to spread the risks on a relatively large number of pharmaceutical programs.

Saniona's research activities in early stage collaborations will usually be fully funded by Saniona's partners. It is Saniona's objective that the majority of its internal operational costs shall be financed through revenues from collaboration agreements. Therefore, the income from Saniona's research collaborations represents an important contribution to the Saniona's operation in the short term. However, the majority of Saniona's income from research collaborations with pharmaceutical companies (for example Boehringer Ingelheim and Proximagen) is expected to be clinical milestone payments and royalties on product sales when the product candidates are commercialized.

In addition to early stage research collaborations, Saniona also intends to develop selected drug candidates internally with the aim of adding more value into these programs before out-licensing to third parties. In the short term, it is Saniona's objective to develop at least one drug candidate internally to achieve proof-of-concept in clinical phase 2 study, and then to out-license the program to a major pharmaceutical company for further development. Saniona has recently completed a successful Phase 2a study for Tesomet in type 2 diabetes and is currently conducting a Phase 2a study for Tesomet in Prader-Willi syndrome and supporting a Phase 2a study both NS2359 in cocaine addiction conducted by TRC.

Saniona expects to receive upfront payments upon out-licensing of its internal developed programs to partners, hereunder in particular for programs which are out-licensed following completion of Phase 2 clinical studies. In addition to this, Saniona expects to receive clinical milestone payments and royalties on product sales when the product candidates are commercialized.

In general, Saniona expects to out-license its research and the internal developed programs on world-wide basis. However, Saniona may also out-license a program for a limited territory and thereby retain the commercial rights to other territories. In 2016, Saniona signed a collaboration with Medix for development of tesofensine and Tesomet in Mexico and Argentina. Medix plans to start Phase 3 studies with tesofensine for obesity in 2017 and at a later point in time Phase 2 and Phase 3 studies with Tesomet for the markets in Mexico and Argentina. Saniona retains the rights in the rest of world. This structure enables Saniona to finance late stage clinical trials through third parties while maintaining significant commercial rights.

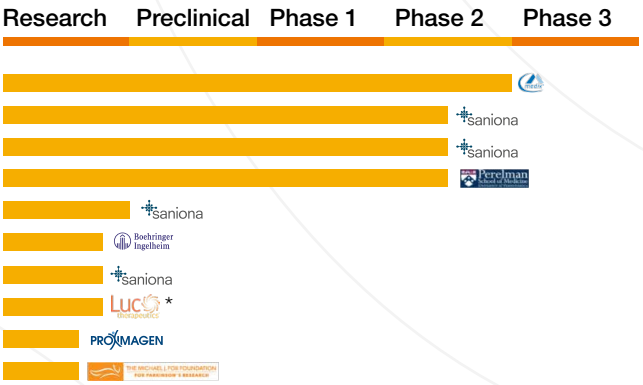
If a program is developed through spin-outs or joint ventures, the majority of Saniona's income will be payable upon exits, e.g. the sale of the spin-out or program to a third party.

The proceeds from significant exits and income from milestones and royalty payments will be used to the continued development of Saniona or be payable as dividends to Saniona's shareholders.

Pipeline

Saniona currently has nine active programs of which six are financed through grants, by collaborations with partners, or in joint ventures/spin-outs. Saniona's pipeline is set out below.

Product or program	Indication
Tesofensine monotherapy	Obesity
Tesomet	Type 2 diabetes
	Prader-Wills syndrome
NS2359	Cocaine addiction
GABA-A α2/α3 program	Neuropathic pain
Boehringer Ingelheim prog.	Schizophrenia
IK program	Inflammation, IBD
Luc Therapeutics program	Ataxia
Proximagen program	Neuological disorders
Nicotinic-α6 program	Parkinson's disease



* Ataxion Inc. merged with Luc Therapeutics in March 2017

The above-mentioned programs are financed as follows:

- Internal development (3 programs): Tesomet, GABA-A α2/α3 program, IK program
- Grants (2 program): Nic α6, NS2359
- In collaboration with partners (3 programs): Tesofensine monotherapy, Boehringer Ingelheim program, Proximagen program
- Through joint ventures/spin-outs (1 program): Luc Therapeutics program (former Ataxion Inc.)

In addition to the active pipeline shown above, Saniona has a range of validated drug discovery assets as well as clinical stage assets (e.g. AN788 and AN761) positioned for partnering or spin-out.

TESOFENSINE MONOTHERAPY FOR OBESITY (MEDIX)

Tesofensine, a triple monoamine reuptake inhibitor, is positioned for obesity. Tesofensine has been evaluated in Phase 1 and Phase 2 human clinical studies with the aim of investigating treatment potential with regards to obesity, Alzheimer's disease and Parkinson's disease. Tesofensine demonstrated strong weight reducing effects in Phase 2 clinical studies in obese patients. In general, tesofensine has been administered to more than 1,300 patients and is well tolerated.

The clinical Phase 2b trial (TIPO-1), reported in The Lancet, showed levels of weight loss over a six-month period that were of high clinical relevance and highly competitive to other approaches. Patients lost an average of 12.8 kg on a 1 mg dose, 11.3 kg on a 0.5 mg dose and 6.7 kg on a 0.25 mg dose compared with a 2.2 kg loss in the placebo group. All participants were instructed to follow a diet with a 300-kcal deficit and to increase their physical activity gradually to 30-60 minutes of exercise per day. Of the patients receiving 0.5 mg daily, considered the relevant therapeutic dose,

87% of the patients (58% versus placebo) achieved more than 5% weight loss and 53% of the patients (46% versus placebo) achieved a weight loss of more than 10% after 6 months follow up. There has also been reported interim results from a 48-week, open-label extension trial (TIPO-4) in which 140 patients who completed the 24-week Phase 2b trial (TIPO-1) were re-enrolled after an average of three months' wash-out. All of them were then treated with 0.5 mg tesofensine once daily but up-titration to 1 mg once daily was allowed in the first 24 weeks of the extension study. The 24-week interim results for those who were previously treated with 0.5 mg tesofensine in TIPO-1 showed a total mean weight loss of between 13 kg and 14 kg over 48 weeks of treatment. Furthermore, TIPO-4 confirmed the TIPO-1 results since the patients who were previously treated with placebo lost additionally approximately 9 kg in the first 24 weeks of the TIPO-4 study.

Medix, in collaborating with Saniona, is developing tesofensine for obesity in Mexico and Argentina. According to Medix, the current market for prescription medicine for obesity in Mexico is about US$ 250 million. Medix has obtained regulatory approval in Mexico for the initiation of a Phase 3 study for tesofensine in obese Mexican patients.

TESOMET FOR TYPE 2 DIABETES (SANIONA)

Tesomet is a fix-dosed combination of tesofensine and metoprolol. Tesofensine provides robust weight loss in obese patients. In addition to treatment of obesity, tesofensine also has the potential to reverse the progression of type 2 diabetes by reducing liver fat. In general, tesofensine has been well tolerated in human clinical studies. However, an increase in heart rate has been observed at therapeutic relevant doses of tesofensine.

In 2015, Saniona published new results showing that metoprolol blunted the increase in heart rate caused by tesofensine in volunteers in a Phase 1 study and results from datamining of previous clinical studies, which show that tesofensine improved glycaemic parameters in prediabetes individuals participating in a Phase 2 obesity study.

In 2016, Saniona performed a Phase 2a clinical trial for Tesomet in type 2 diabetes patients. Top line data from this clinical trial was presented in January 2017. The clinical trial achieved a positive outcome on the primary endpoint showing a statistically significant reduction in heart rate for patients treated with Tesomet compared to placebo. Furthermore, the key secondary and exploratory endpoints regarding body weight and waist circumference also showed statistically significant reductions compared to placebo. Glycaemic secondary endpoints were not statistically significantly different from placebo in this rather short 12-weeks study.

The new data together with data from previous clinical studies with tesofensine, supports the use of Tesomet as a safe and effective weight loss drug in patients with metabolic disorders like diabetes and obesity. Furthermore, the statistically significant reduction in weight loss and the numeric reduction in liver fat achieved in the Phase 2a type 2 diabetes study suggests that Tesomet may provide a clinical relevant reduction in glycaemic parameters over a longer period and thereby represent an interesting potential new treatment principle for type 2 diabetes.

Type 2 diabetes is considered as a progressive chronic disease today. However, recent published research concludes that large patient populations may undergo long-term remission if they achieve a substantial weight loss through reduced food consumption. According to Datamonitor, the market for type 2 diabetes is estimated to grow

from US $ 23 billion in 2014 to 43 billion USD in 2023 of which weight-reducing therapy options will be the major value driver.

The Tesomet product is covered by several patent applications and certain issued patents, which together may provide patent protection until 2036.

TESOMET FOR TREATMENT OF PRADER-WILLI SYNDROME

Tesomet is a combination of tesofensine and metoprolol, which was recently investigated in a Phase 2a study in type 2 diabetes patients. Administration of tesofensine has previously been investigated in a Phase 2 study where it demonstrated a highly statistically and clinically meaningful weight loss in obese patients. It is believed that this large magnitude of weight loss is driven by the triple mode of action including normalization of the appetite, reduction in the craving for food and an increase in fat utilization. Due to this mode of action, Tesomet may potentially be used for treatment of several metabolic syndromes and eating disorders including Prader-Willi syndrome (PWS), binge eating, type 2 diabetes and fatty liver diseases including NASH.

PWS is recognized as the most common genetic cause of life-threatening obesity. The disease results from a deletion or loss of function of a cluster of genes on chromosome 15, which leads to dysfunctional signaling in the brain's appetite/satiety center (hypothalamus). Patients suffer from a constant, extreme, ravenous insatiable appetite which persists no matter how much the patients eat. As a result, many of those affected with PWS become morbidly obese and suffer significant mortality. Compulsive eating and obsession with food usually begin before age 6 and currently there is no cure for this disease.

Saniona has now initiated a Phase 2a study for Tesomet in patients with PWS. The study is expected to take approximately a year and may potentially pave the way for initiating a Phase 3 study. PWS is an orphan indication and Saniona plans to apply for orphan disease designation to both the EMA and FDA.

The Tesomet product is covered by several patent applications and certain issued patents which together may provide patent protection until 2036.

NS2359 FOR COCAINE ADDICTION (TRC)

NS2359 is a triple monoamine reuptake inhibitor, which blocks the reuptake of dopamine, norepinephrine, and serotonin and which may displace the dopamine reuptake inhibitor cocaine from the dopamine transporters. NS2359 dissociates slowly from the transporters and has a long human half-life (up to 10 days) which makes frequent dosing unnecessary. NS2359's pharmacological profile means that it may be able to reduce cocaine withdrawal symptoms, reduce cocaine craving and reduce cocaine-induced euphoria. In preclinical trials, NS2359 has been shown to reduce the reinforcing effects of cocaine and may have effects on cue induced drug craving. In a NIDA sponsored Phase 1 human laboratory interaction study, NS2359 reduced the rewarding valence of 20 or 40 mg of cocaine, and it attenuated the cardiovascular effects of IV cocaine. Thus, NS2359 does not show adverse interactions with cocaine. Furthermore, other human trials with NS2359 have shown that NS2359 has little or no abuse potential.

Cocaine dependence is a significant public health problem. In 2012, the National Survey on Drug Use and Health revealed that in the US 1.1 million persons were classified as dependent on or abusing cocaine. Cocaine abuse and dependence leads to significant morbidity and mortality. Other problems associated with cocaine use include increased rates of crime, violence, poverty, and family disruption. The standard treatment for cocaine dependence consists of individual and group psychotherapy and self-help groups. Although progress has been made in developing new psychosocial treatments,

psychotherapy alone does not provide substantial benefit for many patients. Dropout rates in outpatient treatment programs are very high. Even among patients who complete treatment, relapse is common. Thus, medications have been sought to augment psychosocial treatment. Currently, there are no medications approved for the treatment of cocaine dependence. According to TRC, the market value for an effective medication for cocaine addiction may exceed USD 1.8 billion in the U.S.

Saniona is collaborating with TRC on investigating NS2359 for cocaine addiction. TRC is currently conducting a Phase 2a clinical proof-of-concept study with NS2359 for treatment of cocaine addiction, which is supported by grants from the Dana Foundation and the Groff Foundation. Saniona and TRC intend to apply for additional public funding to continue the study of NS2359 if the trial proves to be successful. Saniona retains the commercial rights to NS2359.

NS2359 salt products are covered by issued patents in the U.S. expiring in 2028. In addition, the company expects to obtain data exclusivity, which provides protection in five years in the U.S. and ten years in Europe after market approval.

GABA-A α2/α3 PROGRAM FOR NEUROPATHIC PAIN (SANIONA)

The GABA-A α2/α3 subunit receptors are expressed by nerves in the spinal cord that regulate the pain signaling to the brain. It is this control center which is malfunctioning in many patients with neuropathic pain. Saniona's α2/α3 compounds selectively work on receptors containing the α2 and α3 subunits without efficacy on the main GABA-A receptors in the brain, including the so-called α1 subunit, which is responsible for the sedative and hypnotic effects of unspecific GABA-A compounds such as Valium®. By specifically modulating the GABA-A α2 and α3 receptor subunits, Saniona's α2/α3 compounds are expected to rebuild or improve the body's own pain regulating system in the spinal cord without promoting unwanted side effects such as sedation. Preclinical studies with AN363, and several other compounds from the series, have confirmed efficacy in animal models of neuropathic pain without the sedative effect. Also, human studies with an analogue (AN721) to AN363 supports that this concept can be extended to humans.

Neuropathic pain is caused by a lesion or dysfunction of the central or peripheral nervous system following diseases such as diabetes, varicella zoster, cancer and HIV or mechanical lesion and trauma or the use of drugs such as chemotherapy. Neuropathic pain is often chronic and irreversible. Well-known painkillers have no or little effect on neuropathic pain. Apart from narcotic analgesics (where tolerance development is a further complication), patients are typically treated with drugs developed for other indications including anti-epileptic drugs and antidepressants. According to Decision Resources, the market for neuropathic pain is about US$ 6 billion. The medical need is significant. It is estimated that about 40-60% of the treated patients do not respond to existing drugs and that the remaining patients in general achieve partial relief only. The program is in the late drug discovery phase with the objective of selecting a candidate for preclinical and clinical development.

BOEHRINGER INGELHEIM PROGRAM FOR SCHIZOPHRENIA

Saniona has entered into a drug discovery and development collaboration with Boehringer Ingelheim. The collaboration focuses on research of new small molecule therapeutics that could be capable of restoring brain network activity in patients with schizophrenia. By combining Saniona's expertise in ion channels and related technology platforms with Boehringer Ingelheim's R&D operations, we have the potential to advance new treatment options for schizophrenia. The program is in the late drug discovery phase.

IK PROGRAM FOR INFLAMMATORY BOWEL DISEASES

IK channel antagonists represent a novel first in class anti-inflammatory treatment in inflammatory bowel disease (IBD). In preclinical colitis models, selective IK channel antagonists (including AN346) have demonstrated robust pharmacological effect in different species. T-cell activity is regulated by modulation of IK channels that are up-regulated in activated T cells and generate the driving force during activation and proliferation of T-helper cells. Blocking IK channels is therefore a novel potential therapeutic strategy for the treatment of peripheral autoimmune/inflammatory indications such as IBD, rheumatoid arthritis, fibrosis and central neuro-inflammatory diseases such as multiple sclerosis. The program is in the late drug discovery phase.

LUC THERAPEUTICS PROGRAM FOR ATAXIA (LUC THERAPEUTICS – FORMER ATAXION)

Saniona has a drug discovery and development collaboration with Luc Therapeutics, which merged with Saniona's previous partner and spinout Ataxion Inc. in March 2017. The collaboration focuses on research of new small molecule therapeutics for treatment of ataxia. Ataxia is a generic term for a group of orphan genetic disorders termed hereditary ataxias. These diseases are characterized by dysfunction or degeneration of the cerebellum – the brain's motor coordination center. Patients with these conditions develop severe difficulties walking, speaking, and performing daily activities. Therefore, these debilitating set of conditions severely affect quality and duration of life. The Ataxia-program represents the first targeted pan-ataxia treatment to this grossly underserved patient population. The program is in the late drug discovery phase.

PROXIMAGEN PROGRAM FOR NEUROLOGICAL DISORDERS (PROXIMAGEN)

Saniona has entered into a drug discovery and development collaboration with Proximagen. The collaboration focuses on research of new small molecule therapeutics for neurological disorders, using Saniona's expertise in ion channels and related technology platforms. The program is in the drug discovery phase.

NIC α6 PROGRAM FOR PARKINSON'S' DISEASES (SANIONA)

Nicotinic acetylcholine (nAChRs) receptors are ligand-gated ion channels that are activated by acetylcholine under physiological conditions. The α6 subtype exhibits an extremely localized expression mainly confined to dopaminergic neurons in the area of the brain affected in Parkinson's disease patients where they act as important regulators of dopamine signaling. Saniona has identified selective positive allosteric modulators (PAMs) of α6 containing receptors and furthermore demonstrated that these PAMs increase the affinity for acetylcholine. Selective PAMs have the potential to slow or stop neurodegeneration seen in Parkinson's disease. Saniona has received a grant from The Michael J. Fox Foundation for Parkinson's Research and the program is in the drug discovery phase.

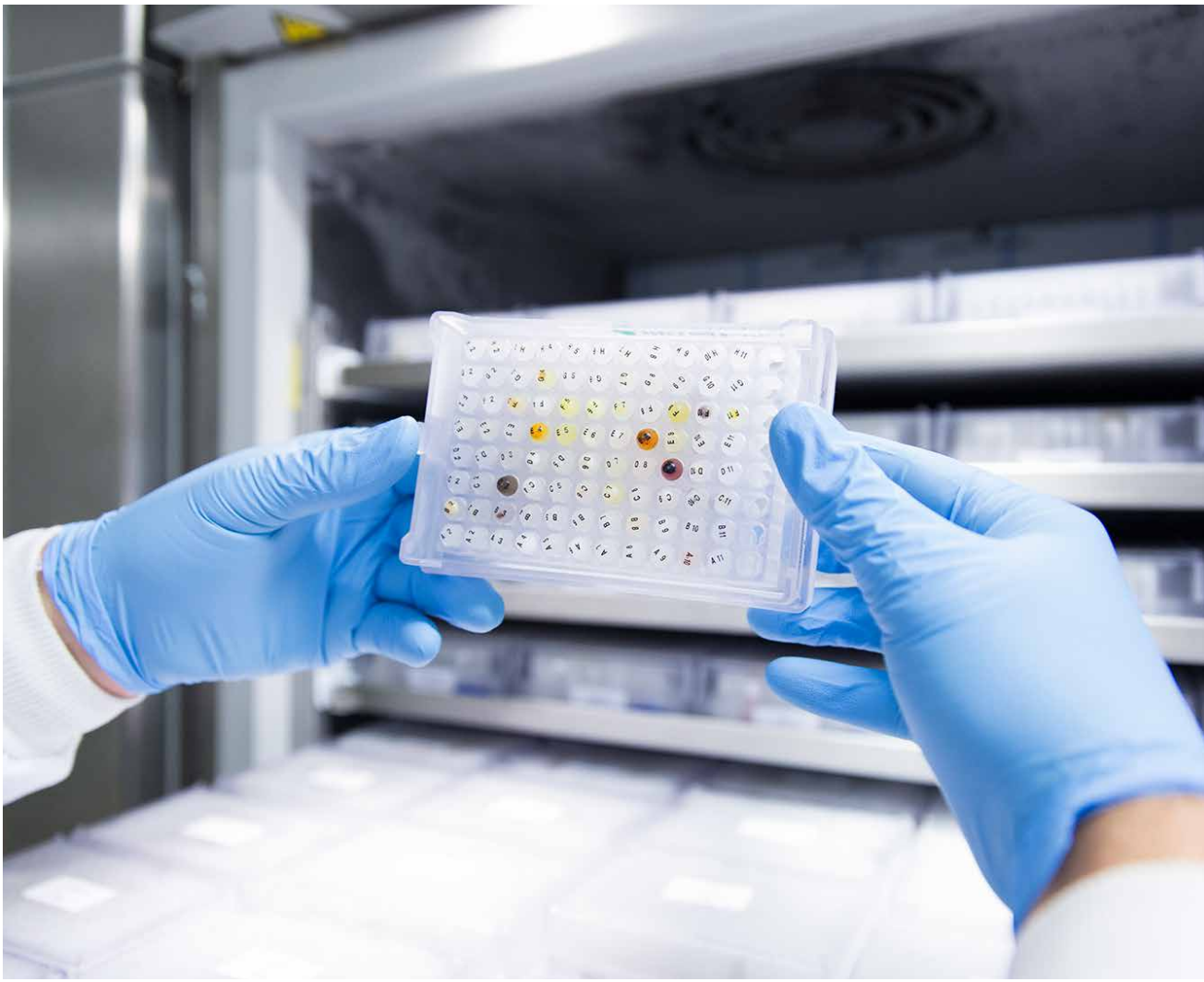
AN761 FOR THE TREATMENT OF COGNITIVE DISORDERS IN SCHIZOPHRENIA AND ALZHEIMER'S

AN761 is a nicotinic α7 agonist available for development against cognition deficits in schizophrenia and Alzheimer's disease. AN761 represents a 'fast-follower' in this breakthrough drug class in a market with huge potential. AN761 is potently effective in a wide range of animal models of cognition, and demonstrates clear target engage-

ment. A strong back-up program with leads selected is supportive to AN761. Preclinical toxicology is completed, clinical trial material is available and AN761 is ready for Phase 1 multiple ascending doses in man studies with a partner or as an investment opportunity in a spin-out.

AN788 FOR TREATMENT OF DEPRESSION

AN788 is a novel clinical candidate for second line treatment of Major Depressive Disorder (MDD). AN788 has a unique dual (serotonin-dopamine) reuptake inhibition profile distinct from the known plethora of monoamine reuptake inhibitors. AN788 has been administered to healthy volunteers in a single ascending dose study and in a PET study, demonstrating orderly pharmacokinetics and attaining levels of occupancy at serotonin and dopamine transporters that support its potential as a second line treatment for treating residual symptoms in MDD, such us fatigue, excessive sleepiness and lack of interest with a fast onset of action, and reduced sexual and cardiovascular side-effect profile. AN788 is ready for Phase 1 multiple ascending doses in man with a partner or as an investment opportunity in spin-out.



Partners

Saniona has currently five partners. Furthermore, one of Saniona's research programs is financed through a grant. Below is a brief description of each partner and collaboration.

BOEHRINGER INGELHEIM – SCHIZOPHRENIA

Boehringer Ingelheim GmbH ("Boehringer Ingelheim"), founded in 1885, is one of the world's 20 leading pharmaceutical companies. The focus of the family-owned company is on researching, developing, manufacturing and marketing new medications of high therapeutic value for human and veterinary medicine.

In August 2016, Saniona and Boehringer Ingelheim entered into a research collaboration with the objective to discover and develop novel compounds for the treatment of schizophrenia. Saniona will receive research funding during the joint research period and up to €90 million in milestone payments including an upfront payment of €5 million upon signing of the agreement. Furthermore, Saniona is eligible to receive royalties on worldwide net sales of any resulting products under the collaboration. Saniona grants Boehringer Ingelheim exclusive worldwide rights to research, develop, manufacture and commercialize products identified through the collaboration.

LUC THERAPEUTICS – TREATMENT OF ATAXIA (FORMER "ATAXION")

Luc Therapeutics, Inc. ("Luc Therapeutics"), founded in 2010, is a private biotechnology company based in Cambridge, MA and funded by Atlas Venture Inc., Clal Biotechnology Industries (CBI) and Slater Technology Fund. The company is translating new understandings of human neurobiology into differentiated medicines for serious psychiatric and neurological diseases.

In March 2017, Luc Therapeutics merged with Saniona's Boston based spinout Ataxion Inc. Following the merger Saniona has a 7 per cent ownership in Luc Therapeutics. In addition to ownership in the merged Luc Therapeutics, Saniona is also eligible to receive royalties on any potential products developed and commercialized from the Ataxia-program. Saniona is responsible for certain research activities, which are conducted under a research and development agreement between Luc Therapeutics and Saniona on fee for service basis.

THE TREATMENT RESEARCH CENTER (TRC), THE UNIVERSITY OF PENNSYLVANIA – COCAINE ADDICTION

The Treatment Research Center ("TRC") is a clinical outpatient treatment center that is part of the PENN/VA Center for the Studies of Addiction (CSA). TRC has a modern treatment facility with a fully certified clinical unit and a state of the art data management unit. The Investigators have been leaders in addiction pharmacotherapy research for over 35 years and highly experienced clinicians and research associates staff the center. TRC has an active recruitment process and network in place for cocaine addiction. The center screens about 250 cocaine dependent patients per year of which about 100 cocaine dependent patients are randomized into research protocols. TRC offers a comprehensive biopsychosocial evaluation in relation to clinical programs comprising a physical exam and ECG, an outpatient medical detoxification stabilization unit, and daily individual and group therapy sessions that are made available to patients eligible for one of the treatment-research studies.

In June 2015 Saniona granted TRC rights to perform a Phase 2 trial for its compound NS2359. TRC has applied for public funding and grants to finance the clinical develop-

ment. This clinical proof-of-concept study with NS2359 for treatment of cocaine addiction is currently ongoing and is supported by grants from the Dana Foundation and the Groff Foundation.

Saniona retains all commercial rights to NS2359.

MEDIX – TESOFENSINE AND TESOMET FOR OBESITY

Productos Medix, S.A de S.V ("Medix") is a Mexican pharmaceutical company established in 1956. Medix is primarily focused on treatment of overweight and obesity. Medix is the market leader for treatment of overweight and obesity in Mexico where it offers the most comprehensive product and service line. Medix's leading product for treatment of overweight and obesity is among the top ten pharmaceutical products in Mexico overall. Medix has earned several recognitions for its social responsibility through its participation in philanthropic programs for the benefit of the Mexican population and for its educational efforts involving thousands of doctors in Mexico. Medix has subsidiaries in Argentina and certain other South American countries.

In February 2016, Saniona entered into a collaboration with Medix about the development and commercialization of tesofensine and Tesomet in Mexico and Argentina. Medix has exclusive rights to develop and commercialize tesofensine and Tesomet in the two countries and will finance and be responsible for the clinical development and regulatory filings. Medix has obtained regulatory approval in Mexico for the initiation of a Phase 3 study for tesofensine in obese Mexican patients. Medix plans at a later point in time to initiate Phase 2 and Phase 3 studies with Tesomet, which is considered to have additional benefits for certain patients and may potentially expand the market for obesity and its comorbidities such as type 2 diabetes.

Saniona retains all rights to tesofensine and Tesomet including the exclusive rights to use the clinical data developed by Medix in the rest of the world. Medix will pay Saniona regulatory milestone payments and double-digit royalties on product sales.

PROXIMAGEN – NEUROLOGICAL DISORDERS

Proximagen Ltd. ("Proximagen") and its predecessor companies have a long heritage in discovery and development of novel small molecule therapeutics, in particular in the areas of CNS, pain and inflammation. Proximagen has an integrated drug discovery facility based in Cambridge, UK and a focused US-based team providing drug development, project management and translational medicine expertise. Proximagen benefits from ownership by the Evenstad family, long term investors in innovative small molecule drug discovery and development who have owned Proximagen since 2012, initially as a wholly owned subsidiary of Upsher-Smith Laboratories, Inc.

In January 2016, Saniona and Proximagen entered a drug discovery and development collaboration for neurological disorders. Proximagen has exclusive worldwide rights to develop, manufacture and commercialize medicines identified through the collaboration. Saniona will receive upfront and research funding during the research period as well as milestone payments upon the achievement of certain research, development and regulatory milestones. The potential value of the milestone payments is up to US$30 million. In addition, Saniona will receive tiered royalties on net sales of any potential products commercialized by Proximagen as a result of this collaboration.

THE MICHAEL J. FOX FOUNDATION FOR PARKINSON'S RESEARCH - PARKINSON

As the world's largest non-profit funder of Parkinson's research, The Michael J. Fox Foundation (MJFF) is dedicated to accelerating a cure for Parkinson's disease and improved therapies for those living with the condition today. The Foundation pursues its goals through an aggressively funded, highly targeted research program coupled with active global engagement of scientists, Parkinson's patients, business leaders, clinical trial participants, donors and volunteers. In addition to funding more than $525 million in research to date, the Foundation has fundamentally altered the trajectory of progress toward a cure. Operating at the hub of worldwide Parkinson's research, the Foundation forges ground-breaking collaborations with industry leaders, academic scientists and government research funders; increases the flow of participants into Parkinson's disease clinical trials with its online tool, Fox Trial Finder; promotes Parkinson's awareness through high-profile advocacy, events and outreach; and coordinates the grassroots involvement of thousands of Team Fox members around the world.

In February 2016, MJFF awarded Saniona a research grant of up to USD 590,700 to develop small-molecule modulators of nicotine receptors belonging to a subtype named α6 and evaluate the feasibility of using these compounds for the treatment of Parkinson's disease.

Saniona retains all rights to any potential products developed and commercialized from the program.

The Saniona share

Saniona is listed at Nasdaq Stockholm First North Premier. Saniona's share is traded under the ticker SANION and the ISIN code SE0005794617.

SHARE PRICE PERFORMANCE AND TURNOVER

The market price of Saniona's share was SEK 41.0 (16.20) at the end of the year representing an increase of 153% (110%) compared to the previous year. The highest price paid during the year was SEK 45.50 on September 15, 2016, and the lowest price paid was SEK 12,55 on February 9, 2016. In 2015, the highest price was SEK 25.80 on May 5, 2015, and the lowest price was SEK 7.75 on January 21, 2015. The average volume and trading values were 127,397 (104,863) shares and SEK 3,731,242 (1,881,809). Market capitalization was SEK 854,500,147 at the end of the year, compared to SEK 337,631,765 at the end of the previous year.

SHARE CAPITAL

At December 31, 2016, the number of shares outstanding amounted to 20,841,467 (20,841,467).

All shares have equal entitlement to dividends and each share has equal voting rights. Each share has one vote at the Annual General Meeting. At yearend, the share capital was SEK 1,042,073 (1,042,073) equal to a par value per share of SEK 0.05.

Saniona established a warrant program on July 1, 2015, totaling 64,000 warrants. For further details, please see note 9.

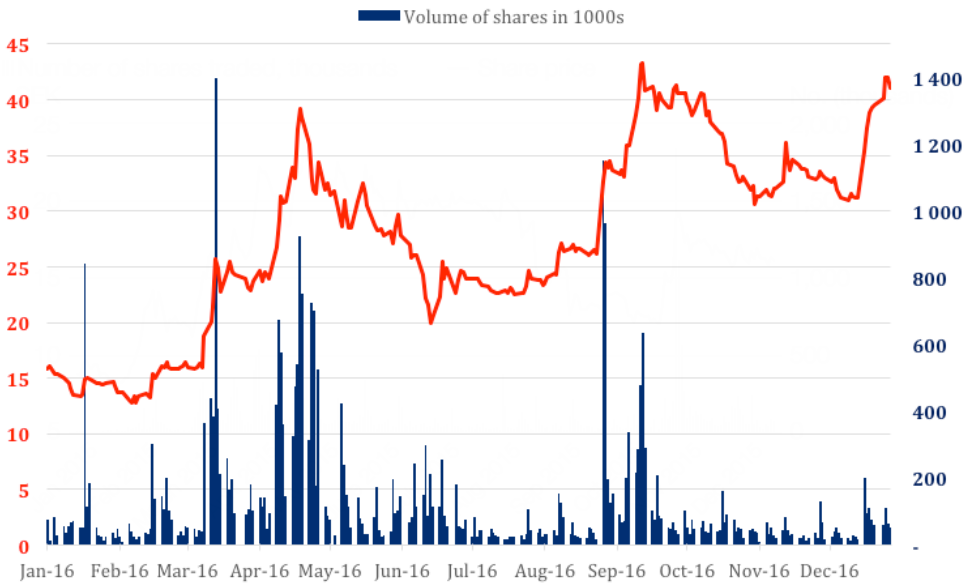
SHAREHOLDERS

At December 31, 2016, Saniona had 4,491 (3,212) shareholders, excluding holdings in life insurance and foreign custody account holders.

INSIDERS

All members of the Board and management have insider status.

DEVELOPMENT IN PRICE AND VOLUME IN 2016



LARGEST SHAREHOLDERS AS OF DECEMBER 31, 2016

Shareholder	Number of shares	Ownership and votes
Nykredit Bank*	2,344,711	11.3%
Thomas Feldthus	1,870,000	9.0%
Avanza Pension Försäkringsaktiebolaget	1,180,081	5.7%
Svenska Handelsbanken Copenhagen**	1,016,629	4.9%
Palle Christophersen	820,000	3.9%
Claus Bræstrup	735,700	3.5%
BNY Mellon SA/NV, W8IMY	650,222	3.1%
Nordnet Pensionsförsäkring AB	595,241	2.9%
SIX SIS AG, W8IMY	420,165	2.0%
Janus Schreiber Larsen	420,000	2.0%
Other shareholders	10,788,718	51.8%
Total	20,841,467	100.0%

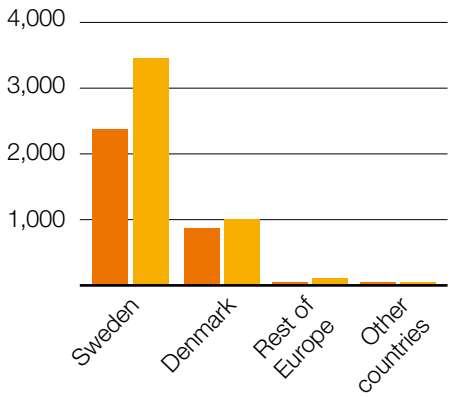
* Includes CEO Jørgen Drejer's shareholding of 2,344,711 shares
** Includes Board Member Leif Andersson's shareholding of 1,003,437 shares

The shareholders are presented as they appear in the shareholder register held by Euroclear Sweden AB. The list may therefore not show shareholders whose shares have been registered in the name of a nominee, through trust of bank or similar.

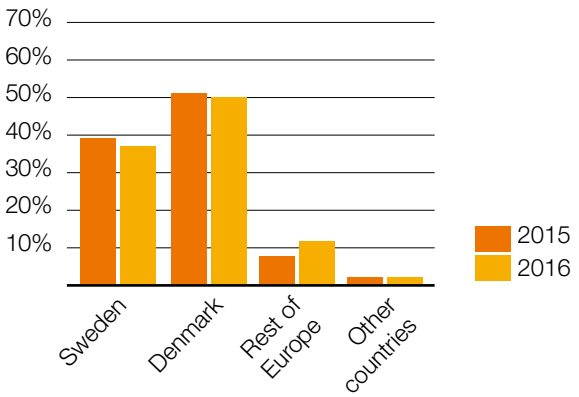
SHAREHOLDERS AND OWNERSHIP DISTRIBUTION BY SIZE AT THE END OF YEAR IN 2015 AND 2016

	Number of shareholders		Shareholding and votes	
Shareholding	2015	2016	2015	2016
1 - 500	1,191	2,220	1.3%	2.1%
501 - 1,000	630	796	2.5%	3.2%
1,001 - 5,000	1,101	1,145	11.7%	12.4%
5,001 - 10,000	160	194	5.6%	6.8%
10,001 - 15,000	46	41	2.7%	2.4%
15,001 - 20,000	23	26	2.0%	2.2%
20,001 -	61	69	74.2%	70.9%
Total	3,212	4,491	100.0%	100.0%

SHAREHOLDERS BY COUNTRY



OWNERSHIP BY COUNTRY



Directors Report

The Board of Directors and the Chief Executive Officer of Saniona AB (publ), corporate identity number 556962-5345, hereby present the Annual Accounts and Consolidated accounts for the financial year January 1, 2016 – December 31, 2016. The Parent Company is a limited liability company registered and headquartered in the municipality of Malmö in the county of Skåne, Sweden. The address of the head office is Baltorpvej 154, DK-2750 Ballerup, Denmark. Saniona is listed at Nasdaq Stockholm First North Premier.

ABOUT SANIONA

Saniona is a research and development company focused on drugs for diseases of the central nervous system, autoimmune diseases, metabolic diseases and treatment of pain. Saniona is based in Copenhagen, Denmark, where it has a research center of high international standard.

The research is focused on ion channels, which are well established targets for drug development. Ion channels comprise a unique class of proteins, which, among other things, controls the activity of muscles and nerves and are central to many functions of our body.

Saniona has a significant portfolio of drug candidates at pre-clinical and clinical stage. Saniona's research and development is conducted mainly by its own drug development in early clinical phase, through collaboration with pharmaceutical companies and through joint ventures or spin-outs, where Saniona's financial partner will obtain a share of the upside by financing the development of one of Saniona's programs, alternatively through a spin-out which is financed through an independent public listing. Saniona has not commercialized any products but has generated some income through the collaboration agreements with partners.

Saniona has ongoing collaboration agreements with Boehringer Ingelheim, Medix, TRC, Proximagen and Luc Therapeutics.

Saniona has nine active programs of which six are financed through partnerships or grants.

The clinical product pipeline comprises three active programs including Tesomet, tesofensine and NS2359. Saniona's most advanced internal program is Tesomet. Saniona has recently reported top line results from a successful Phase 2a clinical trial for Tesomet in patients with type 2 diabetes. Due to the mode of action of Tesomet, Saniona believes that it potentially may be used for treatment of several metabolic syndromes and eating disorders including Prader-Willi Syndrome, binge eating, type 2 diabetes and fatty liver diseases (NASH). In April 2017 Saniona initiated a Phase 2a trial for Tesomet in patients with Prader-Willi syndrome. In addition to the above, TRC has initiated a Phase 2a trial for NS2359 for cocaine addiction in collaboration with Saniona. Finally, Sanionas partner Medix is planning to develop tesofensine and Tesomet for obesity in Mexico and Argentina. Medix has obtained regulatory approval to initiate a Phase 3 trial for tesofensine in obesity in Mexico.

Saniona is currently working on six active research programs, of which one program is financed through a grant from The Michael J. Fox Foundation for Parkinson's Research and three programs are financed by its partners, Boehringer Ingelheim, Proximagen and Luc Therapeutics.

In addition to the active programs described above, Saniona has discovery assets as well as clinical stage assets (AN788 for major depression disorders and AN761 for cognitive impairment), which are both positioned for partnering.

THE GROUP

The Group comprises the Parent Company Saniona AB and its subsidiary Saniona A/S, which is registered in the municipality of Ballerup, Denmark.

The subsidiary, Saniona A/S, was registered in November 2011 and began operations in September 2012. The Group was formed in a transaction on January 30, 2014, in which the Parent Company acquired 100 % of the shares in Saniona A/S by an issue in kind. Before that transaction, the owners of Saniona A/S had established the Parent Company. Under Swedish GAAP the issue in kind was performed at the book-values in Saniona A/S, hence no assets or liabilities was revalued and no new goodwill was recorded.

Saniona intends to list the Parent Company on Nasdaq Stockholm Small Cap. The Group is preparing its consolidated financial statements according to IFRS. The transition date to IFRS has been determined to January 1, 2013. Under IFRS, the consolidated financial statements should be presented as if the Group was created at the transition date on January 1, 2013, which means that the Group's consolidated financial statements for 2014 comprise the full year of Saniona A/S including January 2014.

SIGNIFICANT EVENTS IN 2016

- In January, Saniona and Proximagen sign a collaboration agreement for the research and development of therapeutics for neurological disorders. Saniona is entitled to pre-commercial milestone payments of up to US$30 million and tiered royalties on product sales.
- In February, Saniona and Medix sign a drug development and commercialization collaboration for tesofensine and Tesomet in Mexico and Argentina. Medix will finance the clinical development and commercialization in the two countries. Saniona retains all rights to tesofensine and Tesomet in the rest of the world including clinical data developed by Medix. Saniona is eligible to an upfront payment of US$ 1.25 million, regulatory milestone payments, and double-digit royalties on product sales.
- In February, The Michael J. Fox Foundation for Parkinson's Research awards Saniona a research grant of up to USD 590,700 to develop small-molecule modulators and evaluate the feasibility of using these drug candidates for the treatment of Parkinson's disease.
- In February, Saniona announces that the United States Patent and Trademark Office has issued a patent covering the combination of tesofensine and metoprolol. This patent for Tesomet expires in the U.S. in 2033.
- In March, Saniona obtains approval to initiate a Phase 2a clinical study for Tesomet in type 2 diabetes.
- In April. Saniona initiates recruitment of patients in the Phase 2a clinical study for Tesomet in type 2 diabetes.
- In May, Saniona initiates preclinical research studies on backup compounds to AN363.
- In May, Saniona participates in formation of a new company, Initiator Pharma A/S, and spins out three programs, which lies outside Saniona's scope, to Initiator Pharma.
- In May, Saniona is listed on Nasdaq First North Premier as a step in the company's plans to list its shares on Nasdaq Stockholm Small Cap.
- In May, Saniona acquires NeuroSearch's remaining two compound assets, ACR325 and ACR343.
- In June, Saniona's partner the University of Pennsylvania Treatment Research Center, initiates recruitment of patients in a Phase 2a study on Saniona's compound, NS2359, for treatment of cocaine addiction.

- In July, Saniona is awarded three public grants for research programs totaling SEK 5.3 million.
- In August, Saniona completes recruitment of patients in Phase 2a study for Tesomet in type 2 diabetes.
- In August, Saniona and Boehringer Ingelheim sign collaboration agreement in schizophrenia. Saniona may receive up to €90 million in milestone payments including an upfront payment of €5 million upon signing of the agreement. Furthermore, Saniona is eligible to receive royalties on worldwide net sales of any resulting products under the collaboration.
- In September, board member Anker Lundemose steps down from the board of directors.
- In October, all Saniona's shares held in Initiator Pharma A/S are distributed to Saniona's shareholders in accordance to decision at an extra ordinary general meeting.
- In October, Saniona postpones list change to Nasdaq Stockholm.
- In October, Saniona obtains research milestone of about SEK 1.5 million from The Michael J. Fox Foundation for Parkinson's Research.
- In October, Saniona and Proximagen extend research collaboration under the drug discovery and development collaboration for neurological diseases, which the parties signed in the beginning of 2016.
- In November, Saniona files a clinical trial application in Czech Republic and Hungary for the performance of a Phase 2a study for Tesomet in patients with Prader-Willi Syndrome during the first half of 2017.
- In December, Saniona's tesofensine partner, Medix, files application for Phase 3 clinical trials in obesity.

EVENTS AFTER THE BALANCE SHEET DATE

- In January 2017, Saniona reports positive top line results from the Tesomet Phase 2a study in type 2 diabetes.
- In March 2017, Saniona announces a merger of its spinout company Ataxion Inc. with Luc Therapeutics.
- In March 2017, Saniona announces that it expects to initiate the planed Phase 2a study for Tesomet in Prader-Willi syndrome in Q2 2017.
- In April 2017, Saniona initiates Phase 2a study for Tesomet in Prader-Willi syndrome.
- In April 2017, Saniona's partner, Medix, obtains regulatory approval to initiate a Phase 3 study for tesofensine in obesity.
- In April 2017, Saniona obtains research milestone from The Michael J. Fox Foundation for Parkinson's Research.
- In April 2017, Saniona renames the Upsher-Smith program to Proximagen program.

FOUR-YEAR SUMMARY

Income statement, KSEK	2016	2015	2014	2013
Net sales	74,921	13,630	21,718	13,323
Operating expenses	-70,764	-41,705	-29,977	-14,983
Operating profit/loss	4,156	-28,075	-8,258	-1,660
Financial items, net	757	-1,183	520	-12
Profit/loss before tax	4,913	-29,258	-7,739	-1,673
Tax on net profit	-2,696	6,311	1,831	413
Profit/loss for the year	**2,217**	**-22,947**	**-5,908**	-1,259

Balance sheet, KSEK	2016	2015	2014	2013
Tangible assets	1,184	753	1,273	1,229
Financial assets	1,519	1,547	815	764
Current receivables	14,804	8,369	3,684	1,068
Cash and cash equivalent	53,261	47,004	9,689	914
Total assets	70,769	57,673	15,461	3,974
Equity	54,252	52,943	8,780	-2,901
Current liabilities	16,517	4,730	6,681	6,875
Total equity and liabilities	**70,769**	**57,673**	**15,461**	3,974

Cash flow, KSEK	2016	2015	2014	2013
Cash flow from operating activities before changes in working capital	4,541	-27,313	-7,498	-6,795
Cash flow from operating activities	7,953	-28,820	-7,958	-3,748
Cash flow from investing activities	-816	-975	-856	-2,389
Cash flow from financing activities	-403	66,693	17,553	0
Cash flow for the year	**6,735**	**36,898**	**8,739**	**-6,137**

Key figures, %	2016	2015	2014	2013
Operating margin*	6%	-206%	-38%	-12%
Liquidity ratio*	412%	1171%	200%	29%
Equity ratio*	77%	92%	57%	Negative

Share data, SEK	2016	2015	2014	2013
Earnings per share	0.11	-1.29	-0.45	-0.13
Diluted earnings per share	0.11	-1.29	-0.45	-0.13
Equity per share	2.60	2.54	0.63	-0.29
Dividend	0.02	0.00	0.00	0.00
Cash flow per share	0.32	1.77	0.63	-0.61

Share data, #	2016	2015	2014	2013
Shares outstanding	20,841,467	20,841,467	13,882,200	10,000,000
Warrants outstanding	64,000	64,000	0	0
Diluted shares outstanding	20,905,467	20,905,467	13,882,200	10,000,000

* Financial measures marked with * are not defined under IFRS, so called alternative performance measures. The definition and rational for presenting them can be found in Financial key ratios and definitions at the end of this report.

FINANCIAL DEVELOPMENT IN 2016

Revenue and results of operation

Saniona generated total revenues of SEK 74.9 million (13.6) for the full year of 2016. In 2016 revenues comprised upfront payments from Boehringer Ingelheim, Medix and Proximagen totalling SEK 60.4 million whereas the balance comprised research funding under the agreement with Boehringer Ingelheim, Ataxion (now merged into Luc Therapeutics) and Proximagen. In 2015, revenues comprised primarily research funding under the agreements with Ataxion (now merged into Luc Therapeutics) and Pfizer.

Saniona recognized operating expenses of SEK 70.8 million (41.7) for the full year of 2016, an increase of 70%. External expenses amounted to SEK 51.1 million (23.9), an increase of 114%. In 2016, external expenses comprised primarily development costs in relation to the Phase 2 study for Tesomet totalling SEK 24.3 million followed by research cost in relation to the IK program with SEK 2.8 million and the GABA-A α2/α3 program with SEK 2.7 million. In 2015, the external expenses comprised primarily costs in relation to the preclinical development of AN363 totalling SEK 7.3 million followed by research costs in relation to the IK program SEK 3.1 million and the Tesomet program SEK 2.6 million. Personnel costs amounted to SEK 17.8 million (15.0), an increase of 18%. This is mainly explained by an increase of 17% in the average number of employees compared to the previous year.

The operating profit was SEK 4.2 million (loss of 28.1) for the full year of 2016. Net financial items amounted to SEK 0.8 million (-1.2). The profit for the full year of 2016 was SEK 2.2 million (loss of 22.9).

Saniona did not recognize any tax credit for the full year of 2016 as opposed to 2015 where the company recognized a tax credit of SEK 6.3 million under the Danish R&D tax credit scheme (please see note 2, Income tax and deferred tax subsidiaries in Denmark). The reason is that the Danish subsidiary Saniona A/S was profitable in 2016.

Financial position

Total assets as of December 31, 2016, were SEK 70.8 million (57.7). Cash and cash equivalents amounted to SEK 53.3 million (47.0) as of December 31, 2016. The equity/assets ratio was 77 (92) % as of December 31, 2016, and equity was SEK 54.3 million (52,9). Saniona expects that the Group has sufficient capital to fund the planned activities for at least 12 months including the Phase 2a clinical trial for Tesomet in Prader-Willi syndrome.

Cash flow

Operating cash flow for the full year of 2016 was an inflow of SEK 7.2 million (outflow of 27.6). Consolidated cash flow for the full year of 2016 was an inflow of SEK 7.2 million (inflow 36.9). The inflow in 2016 is explained by the operating income during 2016. The inflow in 2015 is explained by the rights issues in the first and fourth quarter of 2015.

Parent Company

The majority of the Group's operations takes place in the subsidiary Saniona A/S. The Parent Company, Saniona AB recognized revenues of SEK 0 (0). Operating expenses amounted to SEK 7.8 million (2.0), an increase of 290%. The increase is to a large extend explained by an increase in consulting fees, auditing fees and legal fees in relation to the listing at Nasdaq First North and Nasdaq Stockholm Small Cap as well as the spin-out of Initiator Pharma A/S. The Parent Company recognized a profit on net financial items of SEK 0.5 million as opposed to a loss of SEK 0.4 in 2015. The loss for the full year of 2016 was SEK 7.3 million (2.4).

RISKS

Saniona is exposed to various kinds of risks that may impact the Group's results and financial position. The risks can be divided into operational risks and financial risks.

Operational risk related to the company and industry

Brief business history

Saniona A/S was formed in 2011 and became operational in 2012. In January 2014, the parent company Saniona AB was founded whereby the current group structure arose. Hence, the Company's contacts with customers, suppliers and partners are relatively newly established. For this reason, the relationships can be difficult to assess and may therefore affect the prospects that the Company has. There is for example a risk that the Company's partners terminate existing agreements, which might have a material adverse effect on Saniona's business, earnings and financial position.

Financing needs and capital
Saniona's research and development work involves significant costs for the Company. Saniona is thus dependent on that capital may be acquired in the future to finance its planned activities. Any delays in clinical trials or product development, or prematurely interrupted collaborations with the Company's partners, could affect the cash flow negatively. There is a risk that the Company is unable to raise additional capital, maintain or achieve additional partnerships or to be supplied with other financing. This may lead to the development temporarily being stopped or that Saniona is forced to operate at a lower rate than wanted, which may affect the Company's operations negatively. In case Saniona cannot raise additional capital, obtain additional partnerships or other financing, there is a risk that the Company cannot finance further studies and development of its business. Lack of financing can hence have a material adverse effect on Saniona's business, earnings and financial position.

Clinical studies
Saniona has three programs in clinical phase and six programs in pre-clinical research phase. All of the programs require continued clinical studies to prove acceptable safety, risk and efficiency profile before they can be launched in the market as finished products. If Saniona or its partners cannot obtain, or are unable to maintain, required permits for such pre-clinical and clinical studies, or if the studies will not demonstrate the required efficiency or safety, it will not be possible to achieve commercialization.

Clinical studies are extensive and time and cost consuming and associated with great uncertainty and risks related to delays and to results in the studies. Results from early pre-clinical studies and clinical studies are not always consistent with the results obtained in more extensive studies. In addition thereto, the time and costs aspects may be hard to determine accurately in advance and can hence lead to delays and increased costs.

In order to perform clinical studies, Saniona and its partners are dependent on participation from patients. In case such participation cannot be obtained on satisfactory conditions, this can delay or complicate the performance of clinical studies.

The above risks related to pre-clinical and clinical studies might have a material adverse effect on Saniona's business, earnings and financial position.

Dependency on external parties for studies and pharmaceutical development
Saniona's need of pharmaceutical development is partly covered by internal competence, but the Company also engages external parties. Saniona has entered into an agreement with the Indian service provider Syngene International Limited regarding chemical synthesis and with Profil Institut für Stoffwechselforschung GmbH regarding clinical trials. The Company also has less comprehensive agreements with other operations related to studies including drug absorption and efficiency in specific disease models. If present or future external parties do not fulfil their undertakings or the quality requirements requested by Saniona, or chose to terminate their cooperation with the Company, this might have a material adverse effect on Saniona's business, earnings and financial position. Engagement of new external suppliers, or change of existing suppliers, can also be costlier and/or take longer time than the Company estimates, which might have a material adverse effect on Saniona's business, earnings and financial position.

Legislation and regulatory approvals
In order to conduct pre-clinical and clinical studies and/or to market and sell pharmaceutical products, registration must take place with and permits must be obtained from the relevant authority in the respective market, such as FDA in the US and EMA in EU. It is time and cost consuming to obtain required permits and this may increase costs, delay or hinder the development of the Company's programs, for example in case the Company or its partners are not considered to fulfil applicable requirements for clinical studies or pharmaceutical manufacturing or if authorities make other judgements than Saniona and its partners in relation to the evaluation of data from trials. Future changes in applicable legislation may also lead to delays and increased costs. In case Saniona and its partners do not obtain required regulatory approvals, the prospects for commercialization are impacted, which might have a material adverse effect on Saniona's business, earnings and financial position.

Saniona and its partners will be obliged to meet certain regulatory requirements also after a product has been approved for marketing, including requirements for supervision of the marketing of the products and safety reporting. In addition, Saniona and its partners will be obliged to comply with rules pharmaceutical production including rules for trials, quality control and documentation of the Company's products. Production facilities must be approved through inspection from authorities and will be subject to regular inspections by the authorities, which might lead to remarks and new production requirements. In case Saniona or its partners, including external manufacturers, do not meet the applicable regulatory requirements, the Company may be subject to fines, withdrawals or seizure of products, withdrawal of regulatory approvals or permits, other operational restrictions and criminal sanctions, that might have a material adverse effect on Saniona's business, earnings and financial position.

Product liability and insurance
Since Saniona conducts research and development of pharmaceuticals, risks of product liability arise. Saniona may be held liable for side effects, diseases, death or other injuries on patients in connection with clinical studies, even if clinical studies are carried out by an external party. If Saniona would be held responsible for incidents in a clinical study, there is the risk that the Company's insurance coverage is not sufficient to cover any future legal claims, which might negatively affect Saniona both in terms of reputation and financially. Claims related to product liability might have a material adverse effect on Saniona's business, earnings and financial position.

Key individuals and employees
Saniona's key individuals and employees have high competence and long experience within the Company's field of business. If one or more key individuals or employees terminate their employment with the Company or if the Company fails to recruit new persons with relevant skills and expertise this may delay or hinder the development of the Company's programs, which might have a material adverse effect on Saniona's business, earnings and financial position.

Patents and other intellectual property rights
Patents and other intellectual property rights are key assets in Saniona's business and the Company's potential future success is dependent on that the Company can obtain and maintain necessary patent protection for individual projects, technology and production methods. Even if Saniona obtains patent protection there is a risk that an approved patent will not provide satisfactory commercial protection in the future, for example if competitors develop products or technologies that lead to Saniona's intellectual property rights being circumvented or replaced. If Saniona is forced to defend future patent rights against a competitor, this might involve considerable costs for the Company.

Furthermore, in the industry in which Saniona operates, there is always the risk that the Company may, or is alleged to infringe patents held by third parties. Other actors' patents may also limit the ability of one or more of the Company's future partners to freely use the product or production method concerned. The risk associated with patent protection implies that the outcome of such disputes is difficult to predict. Negative outcomes of disputes relating to intellectual property rights may lead to loss of protection, prohibition to continue to use the right or obligation to pay damages. In addition, the costs of a dispute, even in case of a favourable outcome for Saniona, may be substantial. The above risks might have a material adverse effect on Saniona's business, earnings and financial position.

Protection of trade secrets and know-how
Saniona is dependent on trade secrets and know-how which cannot be protected by registration in the same way as other intellectual property rights. Saniona uses confidentiality agreements to protect trade secrets and know-how but it is not possible to provide complete protection against unauthorized disclosure of information, which entails risks that competitors might obtain and benefit from the Company's trade secrets and know-how developed by Saniona, which might be of damage to the Company. Such disclosure of information might have a material adverse effect on Saniona's business, earnings and financial position.

Competitors
Saniona operates in a competitive industry characterized by rapid technological development. The Company's competitors may be major multinational companies as well as minor research companies active within the field of ion channels. These competitors may have greater resources than Saniona and its partners in areas such as research and development, contacts with approval authorities, marketing and product launching. There is hence a risk that competitors may achieve commercialization of products earlier than Saniona and its partners. Competitors may also develop and market products that are more efficient, safer and are more affordable than Saniona's potential products. Such competing products can limit Saniona's ability to generate revenue, which might have a material adverse effect on the Company's business, earnings and financial position.

Partners
Saniona has chosen to enter into partnerships for certain projects in early phase to reduce the ongoing capital need through financing via collaborations. The Company's partners include Boehringer Ingelheim International GmbH, Proximagen Limited, Productos Medix S.A. de S.V. and Luc Therapeutics Inc. A substantial part of Saniona's activities has been financed through partners and the partners are hence crucial for the conduct of certain projects. In case any of the Company's partners would chose to terminate the cooperation with Saniona there is a risk that projects are delayed or cannot be continued. Saniona may not have the financial resources necessary to continue the project on its own or may fail to enter into new collaborations with new partners for the continuation of the project. In addition, a change of partner might also lead to increased costs which may further complicate the continuation of the project. Terminated or delayed collaboration projects might have a material adverse effect on the Company's business, earnings and financial position.

Dependency on future commercialization
Saniona is i.a. entitled to royalty for successfully developed and marketed products and milestone payments within the framework of several cooperation projects. The Company is hence to a large extent dependent on future commercialization to generate revenues. Even if marketing approval is received, there is a risk that the sales do not correspond to the expectations and that commercial success will not be achieved. The potential revenues depend on several factors such as the product's characteristics, competing products, distribution opportunities, marketing, price, and availability. Absence of commercial success might have a material adverse effect on Saniona's operations, earnings and financial position.

Financial risks
Financial risks relate to a potential negative impact on the financial position resulting from changes in the financial risk factors. The Board of Directors is ultimately responsible for the exposure, management and monitoring of the group's financial risks. The Board of Directors sets the framework that applies to the exposure, management and monitoring of the financial risks and this framework is evaluated and revised yearly. The Board of Directors can decide on temporary departures from its predetermined framework. Below is a brief description of the financial risk factors that are deemed the most significant for Saniona. For a more detailed description see note 4.

Currency risks is the risk that the fair value of future cash flows fluctuate because of changed exchange rates. Exposure to currency risk is primarily sourced from payment flows in foreign currency and from the translation of balance sheet items in foreign currency, as well as upon the translation of foreign subsidiaries' income statements and balance sheets to the Group's reporting currency, which is SEK.

Interest risk is the risk that fair value or future cash flows fluctuates because of changed market interest rates.

Liquidity risk is the risk that the group encounters difficulties in satisfying commitments related to the Group's financial liabilities.

Credit risk is the risk that a counterparty in a transaction generates a loss for the Group by being unable to satisfy its contracted obligations. Credit risk may also arise if the Group's surplus liquidity is invested in various types of financial instrument.

CORPORATE GOVERNANCE

Saniona does not provide a Corporate Governance Report for 2016. The first Corporate Governance Report will be published in relation to the annual report following the listing at Nasdaq Stockholm Small-Cap. The Board of Directors has reviewed the governance structure for Saniona in relation to the Company's plans for listing at Nasdaq Stockholm SmallCap. The Board of Directors has established an Audit Committee and a Remuneration Committee and adapted the following policies:

- Charter for the Nomination Committee
- Rules of Procedure for the Board
- Rules of Procedure for the Audit Committee
- Rules of Procedure for the Remuneration Committee
- Instructions for the Managing Director
- Remuneration for senior management
- Code of Conduct
- Information Policy
- Insider Policy
- Instruction for Insider List
- Instructions for financial reporting
- Risk Policy
- Finance Policy
- Finance manual
- Dividend Policy
- IT Policy

ORGANIZATION

The average number of employees in the Group during the year amounted to 19.7 (16.8), of whom 10.6 (8.8) were women. As of December 31, 2016, the number of employees was 26 (19) of which 14 (10) were women. Of these employees, 18 (16) were full-time employees, 8 (3) were part-time employees, and a total of 21 (17) work in Saniona's research and development operations. The level of education among the personnel is high, 12 (11) employees hold PhDs, 4 (2) have university degrees and 7 (6) have laboratory training and the remaining 3 (0) have other degrees. In addition to its employees Saniona has several consultants, who work with the Group on an ongoing basis.

REMUNERATION

The Annual General Meeting resolves on remuneration to the Chair of the Board and other Board members. The Annual General Meeting also resolves on guidelines for remunerating the CEO and other senior executives.

At the Annual General Meeting on May 10, 2016, it was decided that Board members, who are not co-founders of Saniona AB, shall be entitled to a directors' fee of SEK 75 000 SEK. This means that directors' fees be paid to Carl Johan Sundberg.

At the Annual General Meeting on May 10, 2016, it was decided that the following guidelines should apply for remuneration of executive officers. In general, Saniona shall offer a remuneration that enables the Company to recruit and retain executive officers. The remuneration to executive officers shall consist of a basic salary and other customary benefits as may be considered reasonable in relation to market practices. The executive officers will be offered a fixed salary that is based on the individual's job duties, skills, position, responsibilities, performance and other factors. The salary shall be revised per calendar year on January 1 each year. Saniona shall not offer a variable remuneration or any separate pension benefits to the executive officers. Certain part of the executive officer's salary, however, may be allocated to pension provisions. The amount of such pension provisions may be decided by the executive officer. The notice period shall be 6 months from both Saniona and the executive officers. Apart from the salary, there shall not be any severance pay during the notice period. The Board of Directors is entitled to deviate from the above guidelines if the Board considers there are special reasons to justify such departure in individual cases.

ENVIRONMENTAL INFORMATION

Saniona does not yet have any actual industrial production, so its discharge into the air, soil and water is exceedingly limited. Saniona believes that it follows current environmental laws and regulations.

Saniona conducts its operations in accordance with the permits issued for the Company by the authorities. The Company has, for example, permit for the handling of radioactive materials, permit for handling gene modified organism and permit for conducting animal experiments. Saniona uses small quantities of radioactive trace elements in certain laboratory experiments. This radioactive material is stored and

disposed of in compliance with the guidelines and instructions issued by the Danish National Institute of Radiation Hygiene. When new drugs are developed, regulatory authorities require that animal experiments are conducted. These experiments are necessary to evaluate the effect and mode of action of new drugs and to maximize safety for participants in the clinical studies. At Saniona all animal experiments are conducted with the approval of the Danish Animal Experiments Inspectorate and complies with all regulatory requirements regarding animal studies. Saniona considers the three R's guideline principles (i.e. Replace, Reduce and Refine) for the use of animals in research highly important and conducts studies according to those principles. External contract research organizations are carefully selected when safety experiments are to be made in animals before clinical studies are conducted with the Company's drug candidates. Saniona only uses organizations with a good international reputation which comply with all European standards on animal welfare and receive relevant inspections by the authorities.

Saniona considers it highly important to maintain a good working environment and at any time wishes to meet regulatory requirements regarding the way the workplace is designed. This also includes the psychological and physical working environment, including exhaust and air change, ventilation, heating, furniture and in-house safety regulations in general. Saniona is from time to time screened by the Danish Working Environment Authority for compliance with the Danish Working Environment Act. Saniona is continuing its efforts to improve the working environment through an active working environment organization based on workplace assessments (physical, chemical, biological, ergonomic, accident-related and psychological working environment conditions) as well as based on analyses of developments in the number of days lost due to sickness. Saniona believes that a good working environment is very important to employee wellbeing and thus also to our staff's ability to always perform at best for the Company.

PROSPECTS FOR 2017

In the coming year, Saniona will be prioritizing the following development areas:

- Initiate Phase 2a clinical studies for Tesomet in Prader-Willi syndrome.
- Continue to support the Phase 2a clinical studies for NS2359 for cocaine addiction in collaboration with TRC.
- Support Saniona's partner Medix in initiating Phase 3 clinical studies for tesofensine in obesity
- Select a candidate from the preclinical pipeline for internal preclinical development.
- Perform drug discovery under the research and development collaborations with its partners.
- Enter more partnerships or establish spin-outs around one or more of Saniona's research programs.

PROPOSED APPROPRIATION OF FUNDS

The following funds are at the disposal of the Annual General Meeting:

Share premium reserve	81,811,586
Profit/loss carried forward	-2,974,592
Profit/loss for the year	-7,343,669
Total	71,493,295

At an extraordinary general meeting on October 13, 2016, it was decided to distribute all shares held by Saniona in Initiator Pharma A/S to Saniona AB's shareholders as extraordinary dividend. The dividend was equal to SEK 402,751 or approximately SEK 0.0193 (DKK 0.015) per outstanding share of Saniona. Apart from this extraordinary dividend, the Board of Directors propose that no dividend be distributed for the 2016 financial year.

The Board of Directors propose that the funds at their disposal, SEK 71,493,295, be carried forward.

Consolidated statement of comprehensive income – Group

KSEK	Note	2016	2015
	1-4		
Net sales	*5-7*	74,921	13,630
Total operating income		**74,921**	**13,630**
Raw materials and consumables		-1,476	-2,050
Other external costs	*8*	-51,098	-23,926
Personnel costs	*9*	-17,805	-14,966
Depreciation and write-downs		-384	-763
Total operating expenses		**-70,764**	**-41,705**
Operating profit/loss		**4,156**	**-28,075**
Financial income	*10*	991	-
Financial expenses	*11*	-234	-1,183
Total financial items		**757**	**-1,183**
Profit/loss after financial items		**4,913**	**-29,258**
Tax on net profit	*12*	-2,696	6,311
Profit/loss for the year		**2,217**	**-22,947**
Other comprehensive income for the year			
Item that may be reclassified to profit and loss		-	-
Translation differences		-1,118	314
Total other comprehensive income for the year, net after tax		**-1,118**	**314**
Total comprehensive income for the year		**1,098**	**-22,633**
Earnings per share, SEK	*13*	0.11	-1.29
Diluted earnings per share, SEK	*13*	0.11	-1.29

The recognized loss and total comprehensive income for 2015 and 2016 are all attributable to the shareholders of the Parent Company, since there is no non-controlling interest in the subsidiaries of the Group.

Consolidated statement of financial position – Group

KSEK	Note	2016-12-31	2015-12-31
ASSETS	*1-4*		
Fixtures, fittings, tools and equipment	*14-15*	1,184	753
Tangible assets		1,184	753
Other long-term receivables		1,419	1,405
Deferred tax	*12*	100	142
Financial assets		1,519	1,547
Non-current assets		**2,703**	**2,300**
Trade receivables	*16*	12,260	-
Current tax assets	*17*	-	6,109
Other receivables	*18*	1,880	1,983
Prepayments and accrued income	*18*	665	277
Current receivables		14,804	8,369
Cash and cash equivalent	*19*	53,261	47,004
Current assets		**68,066**	**55,373**
TOTAL ASSETS		**70,769**	**57,673**
EQUITY AND LIABILITIES			
Share capital	*26*	1,042	1,042
Additional paid in capital		83,323	83,323
Retained earnings		-32,210	-8,860
Currency translation reserve		-120	385
Profit/loss for the period		2,217	-22,947
Equity		**54,252**	**52,943**
Prepayments from customers		3,006	-
Trade payables		6,225	2,868
Current tax liabilities		1,600	-
Other payables		434	-
Accrued expenses and deferred income	*22*	5,252	1,862
Current liabilities		16,517	4,730
Total liabilities		**16,517**	**4,730**
TOTAL EQUITY AND LIABILITIES		**70,769**	**57,673**

Consolidated statement of changes in equity – Group

	Number of shares	Share capital	Additional paid in capital	Translation reserves	Retained earnings	Share-holders' equity
January 1, 2015	13,882,200	694	16,978	-32	-8,860	8,780
Comprehensive income						
Profit/loss for the year					-22,947	-22,947
Other comprehensive income:						0
Translation differences				314		314
Total comprehensive income				**314**	**-22,947**	**-22,633**
Transactions with owners						
Shares issued for cash	6,959,267	348	72,788			73,136
Expenses related to capital increase			-6,443			-6,443
Share-based compensation expenses					103	103
Total transactions with owners	**6,959,267**	**348**	**66,345**	**0**	**103**	**66,796**
December 31, 2015	**20,841,467**	**1,042**	**83,323**	**282**	**-31,704**	**52,943**
January 1, 2016	20,841,467	1,042	83,323	282	-31,704	52,943
Comprehensive income						
Profit/loss for the year					2,217	2,217
Other comprehensive income:						0
Translation differences				-715		-715
Total comprehensive income				**-715**	**2,217**	**1,501**
Transactions with owners						
Share-based compensation expenses					211	211
Dividends paid					-403	-403
Total transactions with owners					**-192**	**-192**
December 31, 2016	**20,841,467**	**1,042**	**83,323**	**-434**	**-29,680**	**54,252**

Consolidated statement of cash flows – Group

KSEK	Note	2016	2015
Operating loss before financial items		4,156	-28,075
Depreciation		384	763
Changes in working capital		2,656	-325
Cash flow from operating activities before financial items		**7,196**	**-27,637**
Interest income received		991	-
Interest expenses paid		-234	-1,183
Cash flow from operating activities		**7,953**	**-28,820**
Investing activities			
Investment in tangible assets		-816	-242
Investment in other financial assets		-	-732
Cash flow from investing activities		**-816**	**-975**
Financing activities			
New share issue	*26*	-	66,693
Dividends paid		-403	-
Cash flow from financing activities		**-403**	**66,693**
Cash flow for the year		**6,735**	**36,898**
Cash and cash equivalents at beginning of year		**47,004**	**9,689**
Exchange rate adjustments		-477	417
Cash and cash equivalents at end of year		**53,261**	**47,004**

Statement of income – Parent Company

KSEK	Note	2016	2015
Total operating income	*1-4*		
Raw materials and consumables		-3	-
Other external costs	*8*	-6,758	-1,957
Personnel costs	*9*	-1,033	-38
Total operating expenses		**-7,794**	**-1,994**
Operating profit/loss		**-7,794**	**-1,994**
Financial income	*10*	749	172
Financial expenses	*11*	-298	-548
Total financial items		**450**	**-376**
Profit/loss after financial items		**-7,344**	**-2,370**
Tax on net profit	*12*	-	-
Profit/loss for the year		**-7,344**	**-2,370**

Statement of comprehensive income – Parent Company

KSEK	Note	2016	2015
Profit/loss for the year	*1-4*	**-7,344**	**-2,370**
Other comprehensive income for the year			
Item that may be reclassified to profit and loss			
Other comprehensive income for the year		-	-
Total other comprehensive income for the year, net after tax		**-**	**-**
Total comprehensive income for the year		-7,344	-2,370

Statement of financial position – Parent Company

KSEK	Note	2016-12-31	2015-12-31
ASSETS			
Investment in subsidiaries	*23*	11,832	11,832
Financial assets		11,832	11,832
Non-current assets		**11,832**	**11,832**
Receivables from group companies		45,076	23,278
Other receivables	*18*	437	1,319
Prepayments and accrued income	*18*	270	170
Current receivables		**45,783**	**24,767**
Cash and cash equivalent	*19*	15,355	43,956
Current assets		**61,138**	**68,723**
TOTAL ASSETS		**72,969**	**80,555**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	*26*	1,042	1,042
Unrestricted equity			
Additional paid in capital		81,812	81,812
Retained earnings		-2,975	-202
Profit/loss for the period		-7,344	-2,370
Equity		**72,535**	**80,282**
Trade payables		-	273
Other payables		434	-
Current liabilities		**434**	**273**
Total liabilities		**434**	**273**
TOTAL EQUITY AND LIABILITIES		**72,969**	**80,555**

Statement of changes in equity – Parent Company

	Number of shares	Share capital	Additional paid in capital	Retained earnings	Shareholders' equity
		Restricted capital	Unrestricted capital		
January 1, 2015	13,882,200	694	15,467	-202	15,960
Total comprehensive income				-2,370	-2,370
Transactions with owners					
Shares issued for cash	6,959,267	348	72,788		73,136
Expenses related to capital increase			-6,443		-6,443
December 31, 2015	**20,841,467**	**1,042**	**81,812**	**-2,572**	**80,282**
January 1, 2016	20,841,467	1,042	81,812	-2,572	80,282
Total comprehensive income				-7,344	-7,344
Transactions with owners					
Dividends paid				-403	-403
December 31, 2016	**20,841,467**	**1,042**	**81,812**	**-10,318**	**72,535**

Statement of cash flows – Parent Company

KSEK	Note	2016	2015
Operating loss before financial items		-7,794	-1,994
Changes in working capital		-20,855	-29,108
Cash flow from operating activities before financial items		**-28,649**	**-31,102**
Interest income received		749	172
Interest expenses paid		-298	-548
Cash flow from operating activities		**-28,198**	**-31,478**
Cash flow from investing activities		**-**	**-**
Financing activities			
New share issue	*26*	-	66,693
Dividends paid		-403	-
Cash flow from financing activities		**-403**	**66,693**
Cash flow for the period		**-28,601**	**35,215**
Cash and cash equivalents at beginning of period		**43,956**	**8,742**
Cash and cash equivalents at end of period		**15,355**	**43,956**

Notes to the consolidated and Parent Company's financial statements

NOTE 1 GENERAL INFORMATION

Saniona AB (publ), Corporate Registration Number 556962-5345, the Parent Company and its subsidiaries, collectively the Group, is a publicly listed research and development company focused on drugs for diseases of the central nervous system, autoimmune diseases, metabolic diseases and treatment of pain. The Parent Company is a limited liability company registered and headquartered in the municipality of Malmö in the county of Skåne, Sweden. The address of the head office is Baltorpvej 154, DK-2750 Ballerup, Denmark. Saniona is listed on Nasdaq Stockholm First North Premier. The Parent Company's share is traded under the ticker SANION and the ISIN code SE0005794617.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU.

The consolidated financial statements have been prepared under the historical cost convention, except in the case of certain financial assets and liabilities, which are measured at fair value. The consolidated financial statements are presented in Swedish kronor (SEK) which is also the functional currency of the Parent Company.

NEW STANDARDS AND INTERPRETATIONS FROM 2017 AND LATER

International Accounting Standards Board (IASB) has issued several new and amended standards that are not yet mandatory. Those standards have not been early adopted. The following new standards are assessed to be relevant for the Group´s financial statements for the first year of adoption:

IFRS 9 Financial Instruments

The standard applies to fiscal years beginning January 1, 2018, or later. The standard will replace IAS 39 Financial Instruments. The initial assessment is that IAS 39 will not have any material impact on the classifications and valuations of the Group´s financial statements.

IFRS 15 Revenue from contracts with customers

The standard applies to fiscal years beginning January 1, 2018, or later. The standard will replace all earlier released standards and interpretations related to revenue recognition. The initial assessment is that IFRS 15 will not have any material impact on the financial statements. However, it will lead to increased disclosurers. The Group will continuously assess how new revenue streams should be presented in the financial statements under IFRS 15.

IFRS 16 Leases

The standard, which applies to fiscal years beginning January 1, 2019, or later, is not yet adopted by the EU. It replaces IAS 17 Leases. IFRS 16 requires lessees to recognize nearly all leases in the balance sheet, which will reflect their right to use an asset for a period of time. The classification in operational and financial leases will no longer be applicable. The Group has no financial leases as of December 31, 2016. Apart from the lease hold it relation to its facilities, the Group has no operational leases as of December 31, 2016. The Group´s initial assessment is that the new standard will have an impact on the financial statements in future.

Other new and amended standards and interpretations, not yet adopted, are not expected to have any material impact on the Group´s financial statements for the first year of adoption.

BASIS OF CONSOLIDATION

The consolidated accounts include the Parent Company and companies in which the Parent Company directly or indirectly holds more than 50 percent of the voting rights or in any other way has control. Control is

achieved when Saniona is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements are prepared based on uniform accounting policies in all group entities. Consolidation of group entities is performed after elimination of all intra-group transactions, balances, income and expenses. Apart from the Parent Company, the current group enterprises comprise Saniona A/S.

FOREIGN CURRENCY TRANSLATION

For each of the reporting companies in the Group, a functional currency is determined. The functional currency is the currency used in the primary economic environment in which the individual reporting entity operates. Transactions in currencies other than the functional currency are transactions denominated in foreign currencies.

Transactions denominated in foreign curren¬cies are translated into the functional currency at the exchange rate at the dates of the respective transactions. Exchange differences arising be¬tween the exchange rate at the transaction date and the exchange rate at the date of actual payment are recognized in the income statement under financial income or financial expense.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated by applying the exchange rates at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the date of the arising of the receivable or payable, or the exchange rate applied in the most recent financial report, is recognized in the income statement under financial income or financial expense.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations with functional currencies other than SEK are translated into SEK using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for each quarter, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in currency translation reserve.

Foreign exchange adjustment of balances that are considered as part of the overall net investment in companies with functional currencies other than SEK are recognized directly in equity in the Consolidated Financial Statements in a separate reserve for currency translation.

On full or partial divestment of foreign entities or on repayment of balances that are considered to be part of the net investment, the attributable part of the accumulated exchange rate adjustments recognized in other comprehensive income is recognized in the income statement together with any gain or loss on the divestment.

INCOME STATEMENT

Revenue recognition

Income related to research agreements, development and license agreements, biotech alliances, and other biotech business models are recognized as revenue. Revenue consists of up-front payments, milestone payments, royalties and other income from research, development and license agreements. Revenue is recognized in the income statement if the general recognition criteria are met, including that the essential risks and rewards have been transferred to the buyers, that the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognized excluding value-added tax and with the elimination of intragroup sales.

The Group may receive up-front payments upon entering research and development agreements. Up-front payments that are attributable to subsequent research and/or development activities are considered as prepayments, are recognized as deferred revenue and will subsequently be recognized as revenue over the expected contract period. Non-refundable up-front payments that are not attributable to subsequent research and/or development activities or other delivery obligations are recognized as revenue when the contracts are signed.

Milestone payments that are attributable to specific milestone events as a consequence of previous research and/or development activities are considered as prepayments and are recognized as revenues at the time when it is certain that the milestone criteria have been met.

Any future royalty revenues are recognized as revenue in accordance with the economic substance of agreements.

Employee benefits

Remuneration of employees in the form of salaries, bonuses, share-based payments, paid vacation, paid sickness absence, etc. and pensions are recognized in line with the remuneration being earned.

Retirement benefit costs and termination benefits
Post-employment pensions and other remuneration are classified as defined-contribution or defined-benefit pension plans. The Group has only defined-contribution pension plans. For defined-contribution plans, the Group pays fixed contributions to a separate, independent legal entity and does not have any obligation to pay additional contributions. The Group's earnings are charged with expenses in line with the benefits being earned, which normally coincides with the time when the premium is paid.

Share-based payments
Saniona has established share-based incentive programs comprising equity-settled programs (warrant programs) to employees and consultants providing similar services. The equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 3 and note 9. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Net financials
Financial items comprise interest realized and unrealized currency translation adjustments and fair value adjustments of securities. Financial income and financial expenses are recognized in the income statement with the amounts related to the financial year.

Income tax and deferred tax subsidiaries in Denmark
Tax on income for the year, consisting of the year's current tax and deferred tax, is recognized in the income statement to the extent that it relates to the income or loss for the year and in other comprehensive income or equity to the extent that it relates thereto.

Under the Danish R&D tax credit scheme (Skattekreditordningen), loss-making R&D entities can obtain a tax credit which is equal to the tax value of the incurred research and development expenses. The tax credit is payable in November in the following financial year. In 2016 the R&D expense tax-base is capped to DKK 25 million equal to a tax credit of DKK 5.5 million at a tax rate of 22%. In 2015 the maximum amount was DKK 25 million equal to a tax credit of DKK 5.875 million at a tax rate of 23.5%. Research and development tax-credits under the Danish R&D tax credit scheme is recognized in the income statement to the extent that it relates to the research and development expenses for the period and Saniona expects to fulfil the requirement for tax credit for the year.

SEGMENT REPORTING
Operating segments are presented from the management's perspective, which means presented on the same basis that is used for internal reporting. The basis for identifying reportable segments is the internal reporting as reported to and followed up by the highest executive decision maker. The Group has identified the highest executive decision maker as the CEO. In internal reporting to the CEO, only one segment is used. For more information, see note 6.

STATEMENT OF FINANCIAL POSITION

PROPERTY, PLANT AND EQUIPMENT
Plant and machinery, IT equipment, other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation. Cost comprises acquisition price and costs directly related to acquisition until the time when the Group starts using the asset. The basis for depreciation is cost less estimated residual value after the end of useful life. Assets are depreciated under the straight-line method over the expected useful lives of the assets. The depreciation periods are as follows:

Leasehold improvements	5 years
Plant and machinery	5 years
IT equipment	3 years
Other fixtures and fittings, tools and equipment	2-3 years

Profits and losses arising from disposal of plant and equipment are stated as the difference between the selling price less the selling costs and the carrying amount of the asset at the time of the disposal. Profits and losses are recognized in the income

statement under research and development expenses and administrative expenses.

IMPAIRMENT OF NON-CURRENT ASSETS

The carrying amount of property, plant and equipment as well as non-current asset investments is reviewed for impairment when events or changed conditions indicate that the carrying amount may not be recoverable. If there is such an indication, an impairment test is made. An impairment loss is recognized in the amount with which the carrying amount exceeds the recoverable amount of the asset, which is the higher of the net present value and the net selling price. In order to assess the impairment, the assets are grouped on the least identifiable group of assets that generates cash flows (cash flow generating units). Impairments are recognized in the income statement under the same items as the related depreciation and amortization.

FINANCIAL INSTRUMENTS

A financial asset or liability is reported in the statement of financial position when the Company becomes party to the instrument's contractual terms and conditions. A financial asset is derecognized from the statement of financial position when the rights to the agreement are realized, mature, or the Company loses control over it. The same applies for a part of a financial asset. A financial liability is derecognized from the statement of financial position when the obligation in the agreement is fulfilled or becomes extinguished in some other way. The same applies for a part of a financial liability.

FINANCIAL ASSETS

Financial assets can be divided into the following categories: loans and receivables, financial assets and investments at fair value through the income statement. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. All financial assets that are not classified as fair value through the income statement are initially recognized at fair value, plus transaction costs.

The calculation of fair value of unlisted investments, including investments in unlisted life science companies, is made on the basis of relevant valuation methods e.g. comparable transactions on market conditions and capital increases on market conditions (level 3). If the fair value cannot be determined with sufficient reliability, the investments in question are recognized at cost less any impairment. The Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. Assessments of investments in unlisted investments, including investments in unlisted life science companies, include an assessment of whether the companies live up to the defined business plans and the impact of any noncompliance on the calculation of fair value.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities longer than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "Other receivables" in the balance sheet. Receivables are recognized at amortized cost less impairment losses. On initial recognition, the fair value is deemed to correspond to amortized cost. An impairment loss is recorded on receivables when there is objective evidence that Saniona will not be able to collect all amounts due according to the original terms of receivables. Significant difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognized in the income statement under research or development costs.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term investments with original maturities of three months or less and bank overdrafts.

PREPAID EXPENSES

Prepaid expenses comprise incurred expenses related to the following financial year.

TAX ASSETS, TAX PAYABLE AND DEFERRED TAX

Current tax liabilities and current tax receivables are recognized in the statement of financial position as tax calculated on the taxable income for the year adjusted for tax on previous years' taxable income and taxes paid on account/prepaid. The tax credit

under the Danish R&D tax credit scheme is recognized in the balance sheet under current tax assets if payable within 12 months and under non-current tax assets if payable after 12 months.

Deferred tax is calculated on all temporary differences between accounting and tax values. Deferred taxes are measured according to current tax rules and at the tax rates expected to be in force on the elimination of the temporary differences. Any changes in deferred tax as a consequence of amendments to tax rates are recognized in the income statement. Deferred tax arising on tax-deductible temporary differences (tax assets) is included in the balance sheet only if there is reasonable certainty that the tax assets can be set off by Saniona A/S against future taxable income. The amounts of tax-deductible temporary differences which are not capitalized are disclosed in a note to the Financial Statements of the annual report.

PREPAYMENTS FROM CUSTOMERS

Prepayments from customers comprise not yet consumed prepayments relating to the research collaboration.

FINANCIAL LIABILITIES

Other liabilities including trade creditors, amounts owing to subsidiaries and associates and other debt are measured at amortized cost.

STATEMENT OF CASH FLOWS

The statement of cash flows shows the cash flow for the year together with the cash and cash equivalents at the beginning and end of the period. The statement of cash flows is prepared according to the indirect method based on the net result adjusted for non-cash operating items, changes in the net working capital, financial items paid and income taxes paid. For the consolidated cash flow statement, cash flows from foreign subsidiaries are translated at average exchange rates for the respective quarters as presented in the quarterly reports.

Cash flow from operating activities
Cash flows from operating activities represent the net profit/(loss) adjusted for non-cash operating items and changes in working capital.

Cash flow from investment activities
Cash flows from investing activities include cash flows from the purchase and sale of intangible assets, property, plant and equipment, long-term financial assets and marketable securities with original maturities of more than three months.

Cash flow from financing activities
Cash flows from financing activities include cash flows from capital increases, the raising and repayment of long-term debt and financial items.

Cash and cash equivalents
Cash and cash equivalents comprise cash and bank balances.

ACCOUNTING POLICIES FOR THE PARENT COMPANY

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The application of RFR 2 means that as far as possible, the Parent Company applies all IFRS as endorsed by the EU within the auspices of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and considering the relationship between accounting and taxation. The differences between the Parent Company's and the Group's accounting policies are reviewed below:

Classification and presentation
The Parent Company presents a separate Statement of Comprehensive Income, separately from the Income Statement.

Investments in subsidiaries
Investments in subsidiaries are recognized at cost in the Parent Company's financial statements. Dividends are recognized in the income statement.

NOTE 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the statement of the carrying amounts of certain assets and liabilities estimates are required on how future events will affect the carrying amounts of these assets and liabilities at the balance sheet date.

The used estimates are based on assumptions assessed reasonable by management, however, estimates are inherently uncertain and unpredictable. The assumptions can be incomplete or inaccurate and unexpected events or circumstances might occur. Furthermore, the enterprise is subject to risks and uncertainties that might result in deviations in actual results compared to estimates.

REVENUE

Evaluating the criteria for revenue recognition with respect to the Group's research and development and collaboration agreements requires management's judgment to ensure that all criteria have been fulfilled prior to recognizing any amount of revenue. Such judgments are made with respect to determination of the nature of transactions, whether simultaneous transactions shall be considered as one or more revenue-generating transactions, allocation of the contractual price (upfront and milestone payments subscribed in connection with a collaboration agreement) to several elements included in an agreement, and the determination of whether the significant risks and rewards have been transferred to the buyer. Collaboration agreements are reviewed carefully to understand the nature of risks and rewards of the arrangement.

All the Group's revenue-generating transactions, including those with Boehringer Ingelheim GmbH, Proximagen Ltd., Productos Medix, S.A de S.V and Luc Therapeutics Inc. (former Ataxion Inc.) have been subject to such evaluation by management. The Group has received upfront payments from Boehringer Ingelheim GmbH, Proximagen Ltd., Productos Medix, S.A de S.V in 2016. These upfront payments were recognized as revenue when the contracts were signed since the criteria for recognition were met including that the essential risks and rewards have been transferred to the buyers, that the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group and that the payments were nonrefundable and not attributable to subsequent research and/or development activities or other delivery obligations.

EMPLOYEE INCENTIVE PROGRAM

In accordance with IFRS 2 "Share-based Payment," the fair value of the warrants, classified as equity settled, are measured at grant date and is recognized as an expense in the income statement over the vesting period and the period of delivery of work. Subsequently, the fair value is not re-measured. The fair value of each warrant granted during the year is calculated using the Black Scholes pricing model. This pricing model requires the input of subjective assumptions such as:

- The expected stock price volatility, which is based upon the historical volatility of Saniona's stock price;
- The risk-free interest rate, which is determined as the interest rate on Swedish zero coupon government bond with a maturity of 4-5 years;
- The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms in current warrant program.

These assumptions can vary over time and can change the fair value of future warrants granted. For more information, see note 9.

DEFERRED TAX

Saniona has unused tax losses. Saniona recognizes deferred tax assets, including the tax base of tax loss carry-forwards, if management assesses that these tax assets can be offset against positive taxable income within a foreseeable future. This judgment is made on an ongoing basis and is based on budgets and business plans for the coming years, including planned commercial initiatives. The creation and development of therapeutic products within the biotechnology and pharmaceutical industry is subject to considerable risks and uncertainties.

Deferred tax assets are not recognized since the tax assets are currently not deemed to meet the criteria for recognition as management is not able to provide any convincing positive evidence that deferred tax assets should be recognized.

INTANGIBLE ASSETS

Research and Development

According to the IAS 38, "Intangible Assets," intangible assets arising from development projects should be recognized in the statement of financial position. The criteria that must be met for capitalization are that:

- The development project is clearly defined and identifiable and the attributable costs can be measured reliably during the development period;
- The technological feasibility, adequate resources to complete and a market for the product or an internal use of the product can be documented; and
- Management has the intent to produce and market the product or to use it internally.

Such an intangible asset should be recognized if sufficient certainty can be documented that the future income from the development project will exceed the aggregate cost of production, development and the sale and administration of the product. A development project involves a single product candidate undergoing a high number

of tests to illustrate its safety profile and the effect on human beings prior to obtaining the necessary final approval of the product from the appropriate authorities. The future economic benefits associated with the individual development projects are dependent on obtaining such approval. Considering the significant risk and duration of the development period related to the development of pharmaceutical products, management has concluded that the future economic benefits associated with the individual projects cannot be estimated with sufficient certainty until the project has been finalized and the necessary regulatory final approval of the product has been obtained. Accordingly, Saniona has not recognized such assets at this time and therefore all research and development costs are recognized in the income statement when incurred.

Acquired intangible assets
Saniona purchased 15 drug projects and technical platforms from NeuroSearch A/S in 2012, two additional Phase 2 clinical program in 2014 and NeuroSearch's two remaining programs in 2016. According to the Saniona Board's assessment, NeuroSearch A/S and its partners had invested SEK 2-3 billion in these projects and technical platforms prior to the buy-out taking place. Saniona did not capitalize any amount attributable to these buyouts in its accounts since the agreement was that no purchase consideration was to be paid for the buyouts and instead the future sales revenues that may arise are to be distributed between Saniona and NeuroSearch A/S.

NOTE 4 FINANCIAL RISK MANAGEMENT

Through its operations, Saniona is exposed to various kinds of risks that may impact the Group's results and financial position. The risks can be divided into operational risks and financial risks. Operational risks are described in a separate section in the Directors' report. Financial risks relate to a potential negative impact on the financial position resulting from changes in the financial risk factors. The Board of Directors is ultimately responsible for the exposure, management and monitoring of the group's financial risks. The Board of Directors sets the framework that applies to the exposure, management and monitoring of the financial risks and this framework is evaluated and revised yearly. The Board of Directors can decide on temporary departures from its predetermined framework. Below is a description of the financial risk factors that are deemed the most significant for Saniona, and the management of them.

MARKET RISKS
Market risks primarily consist of interest risk and currency risk.

Currency risks
Currency risks means the risk that the fair value of future cash flows fluctuate because of changed exchange rates. Exposure to currency risk is primarily sourced from payment flows in foreign currency, termed transaction exposure, and from the translation of balance sheet items in foreign currency, as well as upon the translation of foreign subsidiaries' income statements and balance sheets to the Group's reporting currency, which is SEK, called balance exposure.

The currency exposure is mainly attributable to the net investment in Saniona since the majority of the Group's operations takes place in the Danish subsidiary, which functional currency is DKK. Income from the Group's partnerships mainly consist of USD and EUR. Internal operational costs mainly consist of DKK and some in SEK whereas external development costs mainly consist of EUR and USD. Consequently, the Group's outflows mainly consist of DKK, EUR and USD and some in SEK, whereas the Group's inflows from operation mainly consist of EUR and USD. The Group's inflows from financing activities consist of SEK.

The Group does not hedge its transaction exposure. The Group's exposure to currency risk between EUR, DKK and SEK is limited. The management of the risks in relation to USD is focused on risk mitigation, which is somewhat mitigated by income and cost incurred in USD. The Danish subsidiary represents a significant share of the Group's total assets, and accordingly, the Group is subject to some balance exposure resulting from the translation of DKK to SEK.

Interest risks
Interest risk means the risk that fair value or future cash flows fluctuates as a result of changed market interest rates. The group has no loans, and accordingly, any exposure to interest risk is limited.

LIQUIDITY AND FINANCING RISK
Liquidity risk means the risk that the group encounters difficulties in satisfying commitments related to the Group's financial liabilities. Financing risk means the risk that the Group is unable to arrange sufficient finance

for a reasonable cost. The Group is financed through equity and has no financial borrowings. Current liabilities amount to KSEK 16,517 (2015: 4,730) and mature within one year. Trade payables mature within three months. The group's current receivables that become due within one-year amount to KSEK 14,804 (8,369). The Group has cash and cash equivalents of KSEK 53,261 (47,004).

CREDIT AND COUNTERPARTY RISK

Credit risk means the risk that a counterparty in a transaction generates a loss for the Group by being unable to satisfy its contracted obligations. The Group's programs are sold primarily to pharmaceutical companies and spin-outs funded by pharmaceutical companies and venture capital firms. Historically, the Group has not sustained any losses on trade receivables and other receivables. This was also the case in 2015.

Credit risk may also arise if the Group's surplus liquidity is invested in various types of financial instrument. The Board of Directors' predetermined framework stipulates that surplus liquidity shall be hold at the Groups monetary market accounts at Group's bank, Nordea A/S.

The credit risk is judged to be limited.

MEASUREMENTS OF FINANCIAL INSTRUMENTS

All financial asset and financial liabilities, except for the investment in Luc Therapeutics as described below, are classified as 'Loans and receivables' respectively 'Other financial liabilities'. These financial instruments are measured at amortized cost and the carrying amount is a reasonable approximation of fair value. There has been no fair value adjustment of the financial assets in 2015 and 2016.

The Group owns 7% of the share capital of Luc Therapeutics. Luc Therapeutics merged in March 2017 with Ataxion, which was formed by Saniona, Atlas Venture and the management of Ataxion in 2013 as a spin-out from Saniona. Saniona received shares in Ataxion in return for certain know-how and patents in relation to Saniona's ataxia program. The specific assets of Saniona had a carrying and fair value amount 0 at the time of formation of Ataxion and the investments made by the other parties were insignificant. The merged company Luc Therapeutics is today developing the Ataxia-program. Considering the significant risk and duration of the development period related to the development of pharmaceutical products, management has concluded that the future economic benefits cannot be estimated with sufficient certainty until Luc Therapeutics is sold or public listed or the project has been finalized and the necessary regulatory final approval of the product has been obtained. Accordingly, the value of Luc Therapeutics is measured at costs since the fair value cannot be determined reliable.

CAPITAL

The Group's aim for managing its capital is to ensure the Group's capacity to continue its operations to generate a reasonable return to shareholders and benefit other stakeholders. The Group is funded through equity, which amounts to KSEK 54,252 (52,943). The Group's current policy is not to pay any dividend. A proposal on dividend to shareholders will not be possible until the Group achieves long-term profitability.

NOTE 5 INTERCOMPANY TRANSACTION

Purchases between the Parent Company and subsidiaries amounted to SEK 227,000 (0) and sales between the Parent Company and subsidiaries to SEK 227,000 (0). The Parent Company recognized an interest income of SEK 739,500 (172,000) pertaining to loans from the subsidiary.

NOTE 6 SEGMENT REPORTING

The Group is managed as a single business unit. The basis for identifying reportable segments is the internal reporting as reported to and followed up by the highest executive decision maker. The Group has identified the highest executive decision maker as the CEO. The internal management and reporting structure comprises only one business unit, and the Group therefore has only one operating segment, for which reason no segment information is provided.

Revenue consists of up-front payments, milestone payments, royalties and other income from research, development and license agreements

In 2016 Saniona's largest customers were Boehringer Ingelheim, Ataxion (now Luc Therapeutics), Medix and Proximagen with combined sales of KSEK 74,781 (13,030 Ataxion and Pfizer) corresponding to 100 per cent (96) of the Group's revenues. See note 7 regarding the distribution of revenues by geographic territory.

NOTE 7 NET SALES

	Group		Parent Company	
KSEK	2016	2015	2016	2015
USA	7,016	6,886	-	-
Europe	57,228	6,744	-	-
Other countries	10,677	-	-	-
Total	**74,921**	**13,630**	**-**	**-**

NOTE 8 AUDITORS FEES AND REMUNERATION

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Deloitte				
Audit assignment	594	233	401	98
Audit activities other than audit assignment	661	530	393	342
Tax consultancy services	475	56	436	-
Other assignments	-	63*	0	63*
Total	**1,730**	**883**	**1,230**	**503**

* Audit expenses from the listing and rights issue on AktieTorget.

NOTE 9 NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

The average number of employees in the Group during the year amounted to 19.7 (16.8), of whom 10.6 (8.8) were women.

As of December 31, the number of employees was 26 (19) of which 14 (10) are women. Of these employees, 18 (16) were full-time employees 8 (3) were part-time employees, and a total of 21 (17) work in the Group's research and development operations. The level of education among the personnel is high, 12 employees (11) hold PhDs, 4 (2) have university degrees, 7 (6) have laboratory training and 3 (0) have other degrees. In addition to its employees Saniona has several consultants who work with the Group on an ongoing basis.

Salaries and remuneration for the year 2016 Group and Parent Company

KSEK	Board fee	Basic salary	Pension costs	Share based payment	Social security expenses	Other staff expenses	Total
Claus Bræstrup, Chairman	-	-	-	-	-	-	-
Anker Lundemose, Board member	-	-	-	-	-	-	-
Leif Andersson, Board member	-	-	-	-	-	-	-
Carl Johan Sundberg, Board member*	135	-	-	-	-	-	135
Jørgen Drejer, CEO and Board member*	-	1,125	-	-	3	23	1,151
Thomas Feldthus, CFO	-	1,387	139	-	3	23	1,552
Palle Christophersen, CSO		1,037	-	-	3	23	1,063
Total, CEO, CFO and CSO	**-**	**3,549**	**139**	**-**	**9**	**69**	**3,766**
Other Employees	-	12,157	1,058	211	50	428	13,904
Total	**135**	**15,706**	**1,197**	**211**	**59**	**497**	**17,805**

*The board fee to Carl Johan Sundberg and the salary to Jørgen Drejer relates to fee and salaries in the Parent Company

Salaries and remuneration for the year 2015 Group and Parent Company

KSEK	Board fee	Basic salary	Pension costs	Share based payment	Social security expenses	Other staff expenses	Total
Claus Bræstrup, Chairman of the Board	-	-	-	-	-	-	-
Anker Lundemose, Board member	-	-	-	-	-	-	-
Leif Andersson, Board member	-	-	-	-	-	-	-
Carl Johan Sundberg, Board member*	38	-	-	-	-	-	38
Jørgen Drejer, CEO and Board member	-	1,129	-	-	3	31	1,163
Thomas Feldthus, CFO	-	1,214	135	-	3	31	1,383
Palle Christophersen, CSO	-	911	-	-	3	31	945
Total, CEO, CFO and CSO	**-**	**3,254**	**135**	**-**	**9**	**93**	**3,491**
Other employees	-	10,011	849	101	37	439	11,437
Total	**38**	**13,265**	**984**	**101**	**46**	**532**	**14,966**

SHARE BASED PAYMENTS

The 2015 Annual General Meeting voted in favor of establishing an employee incentive program involving the allotment of a maximum of 64,000 options free of charge to certain employees and consultants of the Group. Allotment of 64,000 employee options took place in July 2015.

Each employee option will entitle the holder to acquire one new share in Saniona for a subscription price of SEK 20.72 corresponding to 100% of the average closing price of the Parent Company's share during the ten trading days after the annual meeting 2015. Holders can take advantage of assigned and earned stock options during 30 days from the day following the publication of the Group's quarterly reports, or in the case of full-year, full-year report, for the first time after publication of the quarterly report for the first quarter of 2018 and last time after publication of the quarterly report for the third quarter of 2019.

If all issued warrants are exercised for subscription of new shares, the Parent Company's will issue a total of 64,000 new shares corresponding to a dilution of approximately 0.37%. The fair value of the options was determined to be SEK 13.13 per option using the Black-Scholes model. The data below has been used for the calculation.

Employee incentive program	2015
Allotted options	64,000
Fair value per option (SEK)	13.13
Share price for underlying shares (SEK)	19.90
Subscription price (SEK)	20.72
Vesting period	4 years
Estimated life of the option	4.50 years
Risk-free interest rate during the life of the option	0.2257%
Assumed volatility*	91.29%
Expected dividends	0

* The volatility equals the historical volatility for the longest period where trading activity is available (for the period since listing at AktieTorget on April 22, 2014 to date of grant).

Share-based compensation expenses for the full year of 2016 totaled SEK 211 (101) thousand. The Group accounts for share-based compensation by recognizing compensation expenses related to share-based instruments granted to the management, employees and consultants in the income statement. Such compensation expenses represent the fair market values of warrants granted and do not represent actual cash expenditures.

As of December 31, 2016, Saniona had 64,000 (64,000) options outstanding. Each option entitles the holder to acquire one new share in Saniona for a subscription price of SEK 20.72. The options will be exercisable for the first time after publication of the quarterly report for the first quarter of 2018.

Breakdown of number of shares held by the members of the Board of Directors and Executive Management

	2016		2015	
Shareholder	Number of shares	Ownership and votes	Number of shares	Ownership and votes
Jørgen Drejer, CEO and Board member	2,344,711	11.3%	2,344,711	11.3%
Thomas Feldthus, EVP and CFO	1,870,000	9.0%	1,870,000	9.0%
Leif Andersson, Board member	1,003,437	4.8%	1,003,437	4.8%
Palle Christophersen, CSO	820,000	3.9%	820,000	3.9%
Claus Bræstrup, Chairman of the Board	735,000	3.5%	735,000	3.5%
Carl Johan Sundberg, Board member	-	0.0%	-	0.0%
Total	**6,667,148**	**32.5%**	**6,667,148**	**32.5%**

The Board of Directors and Executive Management have no options in the Company.

NOTE 10 FINANCIAL INCOME

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Interest income	9	-	749	172
Foreign exchange gains	982	-	-	-
Total	**991**	**-**	**749**	**172**

NOTE 11 FINANCIAL EXPENSE

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Interest expense	234	46	187	46
Foreign exchange losses	-	1,137	111	502
Total	**234**	**1,183**	**298**	**548**

NOTE 12 TAX

TAX FOR THE YEAR

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Current tax on net profit for the year	-2,654	6,219	-	-
Deferred taxes attributable to temporary differences	100	142	-	-
Exchange rate adjustments	-142	-50	-	-
Recognized tax on net profit for the year	**-2,696**	**6,311**	**-**	**-**

Income tax in Sweden is calculated at 22% (22%) and in Denmark 22% (23.5%) of taxable profit for the year. In Denmark, the corporate tax rate has been reduced from 23.5% in 2015 to 22% in 2016.

RECONCILIATION OF EFFECTIVE TAX

A reconciliation of recognized profit and the tax expense for the year is presented below.

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Recognized profit/loss before tax	4,913	-29,258	-7,344	-2,370
Tax according to the applicable tax rate	1,081	-6,840	-1,616	-521
Tax effect of non-deductible income	2	-	2	-
Tax effect of non-deductible expenses	-25	84	-	-
Tax effect on deductible costs in relation to share issues taken to equity	-	-1,418	-	-1,418
Not utilized tax losses carry forward	1,614	1,939	1,614	1,939
Exchange rate adjustments	-17	14		
Current Tax	**2,654**	**-6,220**	**-**	**-**
Change in deferred tax	42	-91		
Recognized tax on net profit for the year	**2,696**	**-6,311**	**-**	**-**
Applicable tax rates	22%	22-23,5%	22%	22%

TAX LOSS CARRY FORWARDS

The Group has generated an accumulated loss since inception. However, the company management cannot assess when it will be possible to utilize the tax loss carry forwards. Accordingly, deferred tax assets attributable to loss carry forwards have been recognized to the extent that they can be offset against deferred tax liabilities. There is no time limit for the use of the loss carry forwards.

The Parent Company has accumulated tax loss carry forwards that have no time limit and thus can reduce future tax payments in relation to future profits. There is no accumulated tax loss carry forwards in Saniona A/S since the tax value of the subsidiary's deficit for research is paid to Saniona A/S in accordance with Danish tax rules.

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Loss carried forward January 1 for which no deferred tax assets were recognized	10,354	1,541	10,354	1,541
Loss carried forward for which no deferred tax assets were recognized	7,335	8,813	7,335	8,813
Loss carried forward December 31 for which no deferred tax assets were recognized	**17,688**	10,354	**17,688**	**10,354**

The Group has an accumulated unrecognized deferred tax asset of KSEK 3,891 (2,278).

NOTE 13 EARNINGS PER SHARE (EPS)

	Group	
KSEK	2016	2015
Net profit/(loss) (KSEK)	2.217	-22.947
Average number of outstanding shares (in thousands)	20.841	17.775
Earnings per share for the year (SEK)	**0,11**	**-1,29**
Diluted earnings per share for the year (SEK)	**0,11**	**-1,29**

Earnings/loss per share after dilution is the same as before dilution in 2015, since the result is negative in 2015.

NOTE 14 TANGIBLE ASSETS

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Cost at January 1	2,726	2,556	-	-
Additions	816	242	-	-
Foreign exchange adjustment	-29	-73		
Cost at December 31	**3,513**	**2,726**	**-**	**-**
Depreciation at January 1	1,973	1,283	-	-
Depreciation	384	763	-	-
Foreign exchange adjustment	-29	-73		
Depreciation at December 31	**2,328**	**1,973**	**-**	**-**
Carrying amount December 31	**1,184**	**753**	**-**	**-**

NOTE 15 DEPRECIATION AND IMPAIRMENT

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Depreciation	384	763	-	-
Total	**384**	**763**	**-**	**-**

NOTE 16 TRADE RECEIVABLES

As of December 31, 2016, the Group had KSEK 12,260 (0) in trade receivables. In 2016, trade receivables comprised primarily part of the upfront payment from Boehringer Ingelheim, which will be released upon completion of administrative procedures under the tax treaty between Denmark and Germany.

NOTE 17 CURRENT TAX ASSETS

Under the Danish R&D tax credit scheme (Skattekreditordningen), loss-making R&D entities can obtain a tax credit which is equal to the tax value of the incurred research and development expenses. The tax credit is payable in November in the following financial year. As of December 31, 2016, the Group had recorded current tax assets under the Danish R&D tax credit scheme of KSEK 0 (6,109).

NOTE 18 OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

	Group		Parent Company	
KSEK	2016	2015	2016	2015
VAT reimbursement	1,483	1,905	437	1,319
Other receivables	397	78	-	-
Total other receivables	**1,880**	**1,983**	**437**	**1,319**
Prepaid costs*	665	277	270	170
Total prepaid expenses and accrued income	**665**	**277**	**270**	**170**

*Prepaid costs concern research activities, insurance, subscriptions, etc.

The carrying amount of other receivables largely corresponds to the fair value. Other receivables are not subject to any material credit risk as they primarily concern prepaid costs and VAT. As of December 31, 2016, there were no indications of impairment of other receivables, and consequently no impairment losses have been recognized thereon.

NOTE 19 CASH AND CASH EQUIVALENT

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Money market accounts	53,261	47,004	15,355	43,956
Total	**53,261**	**47,004**	**15,355**	**43,956**

NOTE 20 RELATED PARTIES

SANIONA RELATED PARTIES

Related parties comprise the Group's Executive Management, Board of Directors and companies within the Group.

TRANSACTION WITH RELATED PARTIES

During the year, there were no transaction with related parties apart from intercompany transaction, please see note 5 and note 9.

NOTE 21 CONTINGENT ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

CONTINGENT LIABILITIES

The Group has KSEK 50 in contingent liabilities towards Euroclear.

CONTRACTUAL OBLIGATIONS

Saniona have entered into a Research Collaboration with Boehringer Ingelheim, Proximagen and Luc Therapeutics where Saniona provides research activities on fee for service arm's length basis. Except for the collaborative and license agreements with Boehringer Ingelheim, Proximagen and Luc Therapeutics, Saniona has no material contractual obligations as of December 31, 2016. There is no material change of control clauses in the Group's partnership agreement.

UNRECOGNIZED RENTAL AND LEASE COMMITMENTS

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Commitments under rental agreements or leases until expiry	1,144	1,088	-	-
Total	**1,144**	**1,088**	**-**	**-**

The above amounts relate to rental of the Group's domicile in Ballerup Denmark and cover the notice period, which is 9 months.

NOTE 22 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Accrued social security expenses	24	18	-	-
Accrued vacation pay liability	1,826	1,463	-	-
Other accrued expenses	1,156	381	-	-
Total	**3,006**	**1,862**	**-**	**-**

NOTE 23 INVESTMENTS IN SUBSIDIARIES

Specification of Parent Company's holding of shares and participations in Group Companies

Subsidiary / Corp. Reg. No. / Domicile	Share of equity	Share of voting power	Carrying amount KSEK
Saniona A/S / DK 34 04 96 10 / Ballerup, Denmark	100%	100%	11,832

Cost

KSEK	2016	2015
Opening cost	11,832	11,832
Acquisitions for the year	-	-
Closing cost	**11,832**	**11,832**
Carrying amount at year-end	**11,832**	**11,832**

As of December 31, 2016, equity in Saniona A/S equals KSEK -6,452 (-15,507).

NOTE 24 OTHER SECURITIES HELD AS NON-CURRENT ASSETS

Specification of subsidiary's holding of shares and participations in other companies

Company / domicile	Share of equity	Share of voting power	Carrying amount KSEK
Luc Therapeutics, Inc. / Cambridge, MA, USA	7%	7%	-

The shareholding in Ataxion Inc. was 14% as of December 31, 2016. The ownerships in Luc Therapeutics, Inc. is 7% following the merger with Ataxion Inc. on March 6, 2017.

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
KSEK	2016	2015	2016	2015
Pledged assets				
Bank balances	-	-	-	-
Contingent liabilities				
Guarantees	50	50	-	-
Guarantees for Group companies	-	-	-	-

The Parent Company has provided a guarantee to the subsidiary Saniona A/S to ensure that Saniona A/S will be able to pay its creditors as the obligations fall due for the period until June 30, 2018. Saniona A/S had no external net debt as of December 31, 2016.

NOTE 26 STATEMENT OF MOVEMENTS IN EQUITY

	Number of shares	Quotient value SEK	Share capital SEK
January 1, 2015	13,882,200	0.05	694,110
Shares issued for cash	6,959,267	0.05	347,963
December 31, 2015	**20,841,467**	**0.05**	**1,042,073**
January 1, 2016	20,841,467	0.05	1,042,073
Shares issued for cash	-	-	-
December 31, 2016	**20,841,467**	**0.05**	**1,042,073**

In a right issue in February 2015, Saniona raised a total of SEK 24,293,850 by the issue of 3,470,550 shares at a share price of SEK 7.00 per share with a quotient value of SEK 0.05 per share equal to an increase in share capital of SEK 173,528. In a right issue in November 2015, Saniona raised a total of SEK 48,842,038 by the issue of 3,488,717 shares at a share price of SEK 14.00 per share with a quotient value of SEK 0.05 per share equal to an increase in share capital of SEK 174,436.

As of December 31, Saniona had 20,841,467 shares outstanding at SEK 0.05 per share equal to a share capital of SEK 1,042,073.

NOTE 27 INVESTMENT IN ASSOCIATES

In the beginning of May 2016, Saniona participated in formation of a new company, Initiator Pharma A/S, with the aim of spinning out three programs, which Saniona did not plan to pursue internally. Saniona AB paid KSEK 391 (KDKK 313) for the shares at the formation of Initiator Pharma A/S. The investment has been recorded in the Saniona AB's and the Groups balance sheet under Investment in Subsidiaries in the half year report and the interim report for the third quarter 2016. At an extraordinary general meeting on October 13, 2016, it was decided to distribute all shares held by Saniona in Initiator Pharma A/S to Saniona AB's shareholders as extraordinary dividend. The dividend is recognized at fair value and amounts to SEK 402,751, equal to the carrying amount of the Initiator shares, in accordance with IFRIC 17. This corresponds to a dividend of approximately SEK 0.0193 (DKK 0.015) per outstanding share of Saniona. The record date for the dividend payment was on October 21, 2016. Therefore, Saniona did not held any shares in Initiator Pharma A/S as of December 31, 2016.

NOTE 28 PROPOSED APPROPRIATION OF FUNDS

The following funds are at the disposal of the Annual General Meeting:

SEK	
Share premium reserve	81,811,568
Profit/loss carried forward	-2,974,592
Profit/loss for the year	-7,343,699
Total	**71,493,295**

At an extraordinary general meeting on October 13, 2016, it was decided to distribute all shares held by Saniona in Initiator Pharma A/S to Saniona AB's shareholders as extraordinary dividend. The dividend was equal to SEK 402,751 or approximately SEK 0.0193 (DKK 0.015) per outstanding share of Saniona. Apart from this extraordinary dividend, the Board of Directors propose that no dividend be distributed for the 2016 financial year.

The Board of Directors propose that the funds at their disposal, SEK 71,493,295, be carried forward.

NOTE 29 SUBSEQUENT EVENTS TO THE BALANCE SHEET DATE

- On January 3, 2017, Saniona reports positive top line results from the Tesomet Phase 2a study in type 2 diabetes.
- On March 6, 2017, Saniona announces a merger of its spinout company Ataxion with Luc Therapeutics.
- On March 20, 2017, Saniona announces that it expects to initiate the planned Phase 2a study for Tesomet in Prader-Willi syndrome in Q2 2017.
- On April 3, 2017, Saniona announces that it has initiated the Phase 2a study for Tesomet in Prader-Willi syndrome.
- On April 12, 2017, Saniona announces that its partner, Medix, has obtained approval to initiate Phase 3 study for tesofensine in obese Mexican patients.
- On April 20, 2017, Saniona obtains research milestone from The Michael J. Fox Foundation for Parkinson's Research.
- On April 28, 2017, Saniona renames the Upsher-Smith program to Proximagen program

Board of Directors' declaration

The Board of Directors and Chief Executive Officer declare that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and give a true and fair view of the group's financial position and results of operations. The annual accounts have been prepared in accordance with generally accepted accounting principles, and give a true and fair view of the Group's and the Parent Company's financial position and results of operations.

The Directors Report of the Group and Parent Company gives a true and fair view of the progress of the Group's and Parent Company's operations, financial position and results of operations, and states significant risks and uncertainty factors facing the Group and the Parent Company.

The Income Statements and Balance Sheets will be submitted to the Annual General Meeting on May 23, 2017, for adoption.

Ballerup, Denmark, May 2, 2017

Claus Bræstrup
Chairman of the Board

Jørgen Drejer
CEO and Board member

Leif Andersson
Board member

Carl Johan Sundberg
Board member

Our Audit Report was presented on May 2, 2017.
Deloitte AB

Elna Lembrér Åström
Authorized Public Accountant

Auditor's Report

To the general meeting of the shareholders of Saniona AB
Corporate identity number 556962-5345

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Saniona AB (publ) for the financial year 2016-01-01 - 2016-12-31. The annual accounts and consolidated accounts of the company are included on pages 24-59 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Information other than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the pages 4-23 and 62-69 but does not include the annual accounts, consolidated accounts and our auditor's report thereon.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Saniona AB (publ) for the financial year 2016-01-01 - 2016-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group´s financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Malmö, May 2, 2017

Deloitte AB

Elna Lembrér Åström
Authorized Public Accountant

Board of Directors

CLAUS BRÆSTRUP (b. 1945)
Chairman and board member since 2014 and cofounder of the Company
Education: Doctor of Medicine and graduate in biochemistry
Other assignments: Chairman of the Board of Saniona A/S. Board member of Bavarian Nordic A/S, Evolva Holding SA and Evotec AG., CEO of Kastan Aps
Previous assignments: CEO of H. Lundbeck A/S, Executive Vice President for Research and Development of H. Lundbeck A/S. CEO of Nordic Biotech General Partner II ApS. Chairman of the Board of Directors of Probiodrug AG. Member of the Board of Santaris Pharma A/S and Gyros AB.
No. of shares: 735,700 (735,700) privately owned
Non-affiliated to the management, the Company and major owners

JØRGEN DREJER (b. 1955)
Board member and CEO of Saniona AB since 2014 and co-founder of the Company
Education: PhD in neurobiology
Other assignments: Member of the Board and CEO of Saniona A/S. Member of the Board of Directors of Ellegaard Göttingen Minipigs ApS and Azign Bioscience A/S
Previous assignments: Executive Vice President, Research Director and co-founder of NeuroSearch A/S. Chairman of the Board of Delta Reader A/S. Member of the Board of Directors of Atonomics A/S, Delta, NSGene A/S, Origio A/S, Poseidon Pharmaceuticals A/S, Zgene A/S and Aktieselskabet af 20. November 2003.
No. of shares: 2,344,711 (2,344,711) privately owned
Affiliated to the management, the Company and major owners

LEIF ANDERSSON (b. 1957)
Member of the Board since 2014
Education: Journalist
Other assignments: Chairman of the Board of Sensitivus Gauge ApS. Board member of Saniona A/S. CEO of Leif Andersson Consulting ApS
Previous assignments: CEO of Sensitivus ApS. Chairman of the Board of KANMalmö AB. Board member of Grayling and Citigate Norden AB. Co-founder of Sund Kommunikation AB
No. of shares: 1,003,437 (1,003,437) through companies
Non-affiliated to the management, the Company and major owners

CARL JOHAN SUNDBERG (b. 1958)
Member of the Board since 2015
Education: MD
Other assignments: Professor at the Department of Physiology & Pharmacology at Karolinska Institutet, Stockholm, Sweden. Board member of Karolinska Development AB, Cobra Biologics Holding AB, Arne Ljungqvist Anti-doping Foundation AB and Medkay Konsulting AB, bolagsman in Medkay Konsulting HB. Head of research at the Unit for Bio entrepreneurship at Karolinska Institutet, member of the International Olympic Committee´s Medical Commission and an elected member of the Royal Swedish Academy of Engineering Sciences (IVA).
Previous assignments: Board member of Alfta Rehab Holding AB, KI Management AB, KI Management Partners AB and NSGene A/S.
No. of shares: 0 (0)
Non-affiliated to the management, the Company and major owners

Management and auditor

JØRGEN DREJER (b. 1955)
Board member and CEO of Saniona AB since 2014 and co-founder of the Company
Education: PhD in neurobiology
Other assignments: Member of the Board and CEO of Saniona A/S. Member of the Board of Directors of Ellegaard Göttingen Minipigs ApS and Azign Bioscience A/S
Previous assignments: Executive Vice President, Research Director and co-founder of NeuroSearch A/S. Chairman of the Board of Delta Reader A/S. Member of the Board of Directors of Atonomics A/S, Delta, NSGene A/S, Origio A/S, Poseidon Pharmaceuticals A/S, Zgene A/S and Aktieselskabet af 20. November 2003.
No. of shares: 2,344,711 (2,344,711) privately owned

THOMAS FELDTHUS (b. 1960)
CFO of Saniona AB since 2014, EVP since 2015 and co-founder of the Company
Education: M.Sc. in Engineering, M.Sc. in Management (MBA, Sloan Fellow)
Other assignments: CFO of Saniona A/S. CEO of Fertilizer Invest ApS.
Previous assignments: CFO and co-founder of Symphogen A/S.
No. of shares: 1,870,000 (1,870,000) privately owned and 17,500 (17,500) through relatives

PALLE CHRISTOPHERSEN (b. 1958)
CSO and Saniona AB since 2014 and co-founder of the Company
Education: Ph.D. in physiology
Other assignments: CSO of Saniona A/S
Previous assignments: Vice President and member of the NeuroSearch A/S VP management group. Director of in Vitro Pharmacology, NeuroSearch A/S
No. of shares: 820,000 (820,000) privately owned

AUDITOR

Deloitte AB
Auditor in charge
Elna Lembrér Åström

Deloitte AB
Hjälmaregatan 3
201 23, Malmö
Sweden

Elna Lembrér Åström is an Authorized Public Accountant and a member of the FAR, the Professional Association of accountants and advisers.

Business terms - glossary

ALZHEIMER'S DISEASE
A chronic neurodegenerative disease that usually starts slowly and gets worse over time and accounts for 60% to 70% of cases of dementia. As the disease advances, symptoms can include problems with language, disorientation (including easily getting lost), mood swings, loss of motivation, not managing self-care, and behavioral issues. Gradually, body functions are lost, ultimately leading to death. The cause for most Alzheimer's cases is still mostly unknown except for 1% to 5% of cases where genetic differences have been identified. Several competing hypotheses exist trying to explain the cause of the disease.

AN363
A small molecule under the GABA-A α2/α3 program.

AN761
A small molecule which is designed to open (agonize) nicotinic α7 channels. Nicotinic α7 channels are expressed in various CNS tissue and are believed to be key mediators of cognitive processes. AN761 is a clinical candidate which may be a fast follower in a breakthrough drug class for treatment of cognition deficits in schizophrenia and Alzheimer's disease.

AN788
A unique dual (serotonin-dopamine) reuptake inhibitor which represents a novel clinical candidate for second line treatment of Major Depressive Disorder. AN788 has been administered to healthy volunteers in a single ascending dose study and in a PET study, demonstrating orderly pharmacokinetics and attaining levels of occupancy at serotonin and dopamine transporters that support its potential as a second line treatment for treating residual symptoms in MDD, such us fatigue, excessive sleepiness and lack of interest.

ATAXIA
A neurological sign consisting of lack of voluntary coordination of muscle movements. Ataxia is a non-specific clinical manifestation implying dysfunction of the parts of the nervous system that coordinate movement, such as the cerebellum. Several possible causes exist for these patterns of neurological dysfunction and they can be mild and short term or be symptoms of sever chronic diseases such as Friedreich's ataxia, which is an autosomal recessive inherited disease that causes progressive damage to the nervous system which manifests in initial symptoms of poor coordination that progresses until a wheelchair is required for mobility.

ATAXION
Ataxion Inc. was a spin-out from Saniona based on Saniona's ataxia-program. The company merged with Luc Therapeutics in March 2017. For further details, please see Partners section.

ATLAS VENTURE
Atlas Venture Inc. For further details, please see description about Luc Therapeutics under Partners section.

BOEHRINGER INGELHEIM
Boehringer Ingelheim GmbH. For further details, please see the Partners section.

COCAINE ADDICTION
The compulsive craving for use of cocaine despite adverse consequences.

CNS
Central Nervous System, a part of the nervous system consisting of the brain and spinal cord.

CTA
Clinical Trial Application which a pharmaceutical company file to EMA to obtain permission to ship and test an experimental drug in Europe before a marketing application for the drug has been approved. The approved application is called an Investigational New Drug (IND) in the US.

EMA
European Medicines Agency

FDA
US Food and Drug Administration

GABA-A α2/α3 PROGRAM
A small molecule program which is designed to positively modulate (PAM) GABA-A α2 and GABA-A α3 ion channels, which are expressed in various central and peripheral neurons and are believed to be key mediator in the control of pain signaling and the control of anxiety.

IK PROGRAM
A small molecule program which is designed to block (antagonize) IK channels, which are expressed by immune cells and believed to be key mediator of inflammation in auto inflammatory diseases such as inflammatory bowel disease, multiple sclerosis and Alzheimer's' disease.

IND
Investigational New Drug is a program by which a pharmaceutical company obtains permission to ship and test an experimental drug in the US before a marketing application for the drug has been approved. In Europe, the application is called a Clinical Trial Application (CTA).

ION CHANNEL
Channels or pores in cell membranes which is made up of unique protein classes. Ion channels controls muscles and nerves and are central to the function of the body by governing the passage of charged ions across cell membranes.

ION CHANNEL MODULATORS
A drug which modulates the function of ion channels by blocking or opening ion channels or by decreasing or increasing throughput of ion channels. Agonists opens ion channels, Antagonists blocks ion channels, PAMs (Positive Allosteric Modulators) increase throughput whereas NAMs (Negative Allosteric Modulators) decrease throughput of ion channels.

LUC THERAPEUTICS
Luc Therapeutics, Inc. For further details, please see the Partner section.

MAJOR DEPRESSIVE DISORDERS
A mental disorder characterized by a pervasive and persistent low mood that is accompanied by low self-esteem and by a loss of interest or pleasure in normally enjoyable activities.

MEDIX
Productos Medix, S.A de S.V. For further details, please see the Partner section.

MULTIPLE SCLEROSIS
A demyelinating disease in which the insulating covers of nerve cells in the brain and spinal cord are damaged by the immune system. This damage disrupts the ability of parts of the nervous system to communicate, resulting in a wide range of signs and symptoms including physical, mental, and sometimes psychiatric problems.

NEUROPATHIC PAIN
Pain caused by damage or disease affecting the somatosensory nervous system. Central neuropathic pain is found in spinal cord injury, multiple sclerosis, and some strokes. Aside from diabetes (diabetic neuropathy) and other metabolic conditions, the common causes of painful peripheral neuropathies are herpes zoster infection, HIV-related neuropathies, nutritional deficiencies, toxins, remote manifestations of malignancies, immune mediated disorders and physical trauma to a nerve trunk. Neuropathic pain is also common in cancer as a direct result of cancer on peripheral nerves (e.g., compression by a tumor), or as a side effect of chemotherapy, radiation injury or surgery. Neuropathic pain is often chronic and very difficult to manage with some 40-60% of people achieving only partial relief.

NS2359
A triple monoamine reuptake inhibitor, which blocks the reuptake of dopamine, norepinephrine, and serotonin in a similar manner to cocaine. However, NS2359 dissociates slowly from these transporters and has a long human half-life (up to 10 days) which makes frequent dosing unnecessary. NS2359's pharmacological profile means that it may be able to reduce cocaine withdrawal symptoms, reduce cocaine craving and reduce cocaine-induced euphoria. In preclinical trials, NS2359 has been shown to reduce the reinforcing effects of cocaine and may have effects on cue induced drug craving. Furthermore, human trials with NS2359 have shown that NS2359 has little or no abuse potential and does not have adverse interactions with cocaine. Thus, NS2359 is a promising clinical candidate for the treatment of cocaine dependence.

PROXIMAGEN
Proximagen Ltd. is wholly-owned by the Evenstad family's holding company, ACOVA. For further details, please see the Partner section.

SCHIZOPHRENIA
A mental disorder often characterized by abnormal social behavior and failure to recognize what is real. Common symptoms include false beliefs, unclear or confused thinking, auditory hallucinations, reduced social engagement and emotional expression, and lack of motivation.

TESOFENSINE
A triple monoamine reuptake inhibitor, which is positioned for obesity and type 2 diabetes, two of the major global health problems. Tesofensine has been evaluated in Phase 1 and Phase 2 human clinical studies with the aim of investigating treatment potential with regards to obesity, Alzheimer's disease and Parkinson's disease. Tesofensine demonstrated strong weight reducing effects in Phase 2 clinical studies in obese patients.

TRC
The University of Pennsylvania Treatment Research Center. For further details, please see the Partners section.

TYPE 2 DIABETES
A metabolic disorder that is characterized by hyperglycemia (high blood sugar) in the context of insulin resistance and relative lack of insulin. This contrasts with diabetes mellitus type 1, in which there is an absolute lack of insulin due to breakdown of islet cells in the pancreas. The classic symptoms are excess thirst, frequent urination, and constant hunger. Type 2 diabetes makes up about 90% of cases of diabetes, with the other 10% due primarily to diabetes mellitus type 1 and gestational diabetes. Obesity is thought to be the primary cause of type 2 diabetes in people who are genetically predisposed to the disease.

Financial key ratios and definitions

Saniona presents certain financial measures in the annual report that are not defined per IFRS. The company considers that these measures provide valuable supplementary information for investors and company management as they enable an assessment of relevant trends of the company's performance. These financial measures should not be regarded as substitutes for measures defined per IFRS. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies.

The following ratios are not defined per IFRS, unless stated otherwise.

AVERAGE NUMBER OF EMPLOYEES
Average number of employees employed by the company during the period. This average number of employees provides a trend in the company's research and development capacity and may explain part of the development in personnel expenses.

EARNINGS PER SHARE
Profit/loss for the period divided by the average number of shares outstanding during the period.[8]

DILUTED EARNINGS PER SHARE
Profit/loss for the period divided by the average number of shares outstanding after dilution during the period.[9]

EQUITY RATIO
Shareholders' equity as a proportion of total assets. The equity ratio shows the proportion of total assets covered by equity and provides an indication of the company's financial stability and ability to survive in the long term.

LIQUIDITY RATIO
Current assets divided by current liabilities. The liquidity ratio is presented to show the company's short-term payment ability.

OPERATING MARGIN
EBIT as a proportion of revenue. Operating margin shows the percentage of revenue left as profit before financial items and taxes and are presented to show the company's profitability.

OPERATING PROFIT/LOSS OR EBIT
Earnings Before Interest and Taxes (Operating profit/loss).

8 Defined in accordance to IFRS
9 Defined in accordance to IFRS

Financial calendar and contact

FINANCIAL CALENDAR

Interim Report Q1	May 11, 2017
Annual General Meeting	May 23, 2017
Interim Report Q2	August 23, 2017
Interim Report Q3	November 15, 2017
Year-End Report, 2017	February 21, 2018

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Saniona is a research and development company focused on drugs for diseases of the central nervous system, autoimmune diseases, metabolic diseases and treatment of pain. The company has a significant portfolio of potential drug candidates at pre-clinical and clinical stage. The research is focused on ion channels, which makes up a unique protein class that enables and controls the passage of charged ions across cell membranes. Saniona has ongoing collaboration agreements with Boehringer Ingelheim GmbH, Proximagen Ltd., Productos Medix, S.A de S.V and Luc Therapeutics. Saniona is based in Copenhagen, Denmark, where it has a research center of high international standard. Saniona is listed at Nasdaq First North Premier and has about 5,000 shareholders. Pareto Securities is Certified Advisor for Saniona. The company's share is traded under the ticker SANION.

Read more at: **www.saniona.com**

saniona

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