

LICENSING INCOME PROVIDES FUNDING FOR INTERNAL PROGRAMS

Financial highlights

Jan - Sep 2016 (Jan - Sep 2015)

- Net revenues were SEK 69.5 M (11.8 M)
- EBIT was SEK 19.2 M (-22.7 M)
- Earnings per share were SEK 0.70 (-1.07)
- Diluted earnings per share were SEK 0.70 (-1.07)

Q3 2016 (Q3 2015)

- Net revenues were SEK 50.6 M (2.0 M)
- EBIT was SEK 33.7 M (-10.9 M)
- Earnings per share were SEK 1.32 (-0.46)
- Diluted earnings per share were SEK 1.31 (-0.46)

Business highlights in Q3 2016

- Saniona and Boehringer Ingelheim signed 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.
- Three public grants awarded for research programs totaling SEK 5.3 million.
- Recruitment of the 60 patients in Phase 2a study for Tesomet in type 2 diabetes completed.
- Distribution of all Saniona's shares in Initiator Pharma to Saniona's shareholders suggested to an extraordinary general meeting.
- Board member Anker Lundemose stepped down from the board of directors.

Significant events after the reporting period

- Distribution of all Saniona's shares held in Initiator Pharma to Saniona's shareholders decided at an extraordinary general meeting.
- Saniona postponed list change to Nasdaq Stockholm following advanced ruling from the listing committee.
- Research milestone of about SEK 1.5 million obtained from The Michael J. Fox Foundation for Parkinson's Research.
- Saniona and Upsher Smith extended research collaboration under the drug discovery and development collaboration for neurological diseases, which the parties signed in the beginning of 2016. Saniona expects to report about SEK 7.5 million in revenues under this agreement in 2017.
- Saniona filed 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.

Comments from the CEO

"The significant agreement with Boehringer Ingelheim provides strategic flexibility and opportunities for investments in our own programs. Third quarter is closing with a substantial profit, which clearly shows the strength in our business model. We are focusing our investments on Tesomet, which is in phase 2 for type 2 diabetes. Our intention is to initiate an additional Phase 2 study for Prader-Willi Syndrome in a near future," says Jørgen Drejer, CEO of Saniona.

For more information, please contact

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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. 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, Upsher-Smith Laboratories, Inc., Productos Medix, S.A de S.V and Saniona's Boston based spinout Ataxion Inc. 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 4,600 shareholders. Pareto Securities is Certified Advisor for Saniona. The company's share is traded under the ticker SANION. Read more at www.saniona.com.

Letter from the CEO

“Saniona was listed at AktieTorget in April 2014. Since then, we have grown in a fast pace based on our strong platform and broad pipeline of programs. We have very high ambitions in Saniona. Still, I can proudly say that we during the third quarter again were able to demonstrate that Saniona is developing faster and with greater strength than I had dared to hope for.

Of course, the new collaboration with Boehringer Ingelheim was the most import event during the quarter. It is a rare luxury to sign such an agreement. Experienced deal makers know that it requires significant efforts to make such a deal and that it requires a high quality program. We are extremely proud that we succeeded and humble about the fact that Boehringer Ingelheim decided to go all the way with us. I know the company from previous collaborations and not only are they one of the largest and most successful companies in our industry but also have a very respectful approach towards their partners.

This quarter also marks a strengthening of our financial position. Operating profit in Q3 reached SEK 33.7 million and we had SEK 63.7 million in cash at the end of September 2016. This is equal to about 75% of the capital we have raised since we formed the company in 2011 despite that we have invested in our research, preclinical and clinical programs. This bodes well for the future. The improved financial position enables us to continue and even accelerate the development of our own programs. Our focus is on Tesomet, where we completed recruitment in the ongoing Phase 2 study in diabetes in August. We are eagerly looking forward to report topline data, which we expect to be available early 2017.

But we're not just going to wait for that. We believe Tesomet has significant potential in a broader space of metabolic syndromes and eating disorders, such as Prader Willi syndrome, Binge eating and NASH. In November, we announced that we have filed 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 (PWS) in 2017. This new PWS study will take approximately a year and may potentially pave the way for initiating a Phase 3 study. PWS is an orphan disease and Saniona plans to apply for orphan disease designation to both the EMA and FDA in the near future. Our current financial position allows us to invest in such a Phase 2a study and thereby create potentially significant additional value to the program.

In addition to the new collaboration with Boehringer Ingelheim, the improved financial position and the progress on Tesomet we have also made significant achievements on other programs:

- We have received public research grants totaling SEK 5.3 million during the quarter.
- Our collaboration with Ataxion, where we own the 14% of the shares, is progressing well and we have continued to receive research funding from Ataxion for our part of the program.
- Our partnership with Upsher Smith is progressing well and after the end of the quarter we could report that the research part will be extended for another year leading to an expected research funding of SEK 7.5 million in 2017.
- Likewise, after the end of the quarter we received SEK 1.5 million milestone payment under our collaboration with the Michael J. Fox Foundation for Parkinson's research.
- Finally, we can report that Medix is diligently working on the plans to initiate phase 3 studies for tesofensine in obesity.

There is hardly any report that is purely rosy. While we have had no bad news in our projects it was clearly disappointing that we had to postpone the listing on Nasdaq Stockholm Small Cap. In the very last minute, we were informed that Nasdaq's listing committee has concluded that that Saniona should stay at First North Premier longer before the company can be listed on the main market. This decision was highly unexpected

However, our objective is unchanged. Our intention is to list the company on Nasdaq Stockholm Small Cap in order to enable institutional investors to participate in this exciting venture. It appears that this may happen at the earliest during the second quarter of 2017.

In the meantime, we and our shareholders can enjoy that another listing is on its way. After the end of the quarter, it was decided at an extraordinary general meeting to distribute Saniona's shares in Initiator Pharma to the shareholders of Saniona. The intention of Initiator Pharma is to list the company on AktieTorget during the first quarter of next year. The distribution of shares in spin-outs like Initiator Pharma represents one of the many ways we are pursuing to create value for our shareholders. We continue to work on a range of initiatives to enhance the value for our shareholders and are we looking forward to report on these achievements in future.”

Jørgen Drejer

CEO, Saniona AB

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. The company has a significant portfolio of potential drug candidates at pre-clinical and clinical stage. The research is focused on ion channels. Saniona has ongoing collaboration agreements with Boehringer Ingelheim GmbH, Upsher-Smith Laboratories, Inc., Productos Medix, S.A de S.V and Saniona's Boston based spinout Ataxion Inc. Saniona is based in Copenhagen, Denmark, where it has a research center of high international standard.

Vision

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

Business idea

Saniona will discover and develop better 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.











Business model

The company commercializes its research efforts through the following 3 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.

Project portfolio

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	Preclinical research	Preclinical development	Clinical Phase 1	Clinical Phase 2	Clinical Phase 3
Tesofensine monotherapy	Obesity					
Tesomet	Type 2 diabetes					
	Prader-Willi syndrome					
NS2359	Cocaine addiction					
GABAA $\alpha 2/\alpha 3$ program	Neuropathic pain					
Boehringer Ingelheim program	Schizophrenia					
IK program	Inflammation, IBD					
Ataxion program	Ataxia					
Upsher-Smith program	Neurological disorders					
Nicotinic $\alpha 6$ program	Parkinson's disease					

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

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:

Product	Indication	Market estimate
Tesomet	Type 2 diabetes	> USD 23 billion ¹
Tesofensine	Obesity	- USD 250 million in Mexico ²
NS2359	Cocaine addiction	> USD 1.8 billion ³
GABA _A α2α3 program	Neuropathic pain	> USD 6 billion ⁴
Boehringer Ingelheim program	Schizophrenia	> USD4.8 billion ⁵
IK program	Inflammatory bowel disease	> USD 5.9 billion ⁶
Nic-α6 program	Parkinson's disease	> USD 2.8 billion ⁷

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.

Many of the large pharmaceutical companies have in recent years undergone considerable restructuring, which has resulted in fewer research projects and a close-down of research sites. Furthermore, the number of dedicated biotech firms that can provide new innovative products to the pharmaceutical industry has decreased as a result of the global financial crisis. However, there is still 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 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

Financial review

	2016-07-01	2015-07-01	2016-01-01	2015-01-01	2015-01-01
	2016-09-30	2015-09-30	2016-09-30	2015-09-30	2015-12-31
Net sales, KSEK	50,611	1,955	69,510	11,803	13,630
Total operating expenses, KSEK	16,866	12,812	50,325	34,550	41,705
Operating profit/loss, KSEK	*	33,744	-10,857	19,184	-22,748
Operating margin, %	*	67%	-555%	28%	-193%
Cash flow from operating activities	26,677	-8,223	16,808	-13,648	-27,637
Earnings per share, SEK	1.32	-0.46	0.70	-1.07	-1.29
Diluted earnings per share, SEK	1.31	-0.46	0.70	-1.07	-1.29
Average shares outstanding	20,841,467	17,352,750	20,841,467	16,895,095	17,775,099
Diluted average shares outstanding	20,905,467	17,416,750	20,905,467	16,959,095	17,839,099
Average number of employees, #	*	19.4	16.6	19.2	16.6
	2016-09-30		2015-09-30		2015-12-31
Cash and cash equivalent, KSEK	63,695		12,456		47,004
Equity, KSEK	66,900		13,161		52,943
Total equity and liabilities, KSEK	82,913		26,470		57,673
Equity ratio, %	81%		50%		92%
Liquidity ratio, %	*	502%	146%		1171%

* Saniona presents certain financial measures in the interim report that are not defined according to IFRS, so called alternative performance measures. These have been noted in the table above. Further information and why these are considered important can be found in Financial key ratios and definitions at the end of this report.

Revenues and result of the operation

Revenue

Total revenues during the third quarter of 2016 was SEK 50.6 million (2.0). In 2016 revenues comprised an upfront payment from Boehringer Ingelheim of SEK 47.5 million and research funding under the agreements with Ataxion and Upsher Smith totaling SEK 3.1 million. In 2015 revenues primarily comprised research funding under the agreement with Ataxion.

Saniona generated total revenues of SEK 69.5 million (11.8) for the first 9 months of 2016. In 2016 revenues comprised upfront payments from Boehringer Ingelheim, Medix and Upsher-Smith totaling SEK 60.4 million whereas the balance comprised research funding under the agreement with Ataxion and Upsher-Smith. In 2015, revenues comprised primarily research funding under the agreements with Ataxion and Pfizer.

Operating profit/loss

The operating profit for the third quarter was SEK 33.7 million (loss of 10.9). The operating profit for the first 9 months was SEK 19.2 million (loss of 22.7).

The company recognized operating expenses of SEK 16.9 million (12.8) for third quarter of 2016, an increase of 32%.

The company recognized operating expenses of SEK 50.3 million (34.6) for the first 9 months of 2016, an increase of 46%. External expenses amounted to SEK 36.4 million (21.1) and personnel costs amounted to SEK 12.8 million (11.0). In 2016, external expenses comprised primarily development costs in relation to Tesomet totaling SEK 16.2 million followed by the IK program and the GABA_A α2,3 program with each SEK 2 million. In 2015, the external expenses comprised primarily research and development costs in relation to AN363 with SEK 6.8 million followed by the IK program SEK 2.3 million.

Financial position

The equity ratio was 81 (50) % as of September 30, 2016, and equity was SEK 66.9 million (13.2). Cash and cash equivalents amounted to SEK 63.7 million (12.5) as of September 30, 2016. Total assets as of September 30, 2016, were SEK 82.9 million (26.5). The company expects to have sufficient capital to finance planned and communicated activities in 2016 and 2017.

Cash flow

Operating cash flow for the third quarter of 2016 was an inflow of SEK 27.4 million (outflow of 7.7). Consolidated cash flow for the third quarter of 2016 was an inflow of SEK 29.9 million (outflow 10.5).

Operating cash flow for the first 9 months of 2016 was an inflow of SEK 17.9 million (outflow of 14.1). Consolidated cash flow for the first 9 months of 2016 was an inflow of 17.4 million (inflow 2.8). The inflow in 2016 is explained by the operating income during the first 9 months of 2016. The inflow in 2015 is explained by the rights issue in the first quarter last year.

Segment information

Financial information reported to the CEO as the basis for allocating resources and judging the Group's profit or loss is not divided into different operating segments. Accordingly, the Group consists of a single operating segment.

The share, share capital and ownership structure

At September 30, 2016, the number of shares outstanding amounted to 20,841,467 (17,352,750). The company established a warrant program on July 1, 2015, totaling 64,000 warrants.

At September 30, 2016 the company had 4,578 (2,094) shareholders, excluding holdings in life insurance and foreign custody account holders.

Personnel

As of September 30, the number of employees was 22 (18) of which 12 (9) are women. Of these employees, 6 (3) are part-time employees and 16 (15) are full-time employees, and a total of 19 (16) work in the company's research and development operations. 11 (11) of Saniona's employees hold PhDs, 4 (2) hold university degrees and the remaining 7 (5) have laboratory training.

Operational risks and uncertainties

All business operations involve risk. Managed risk-taking is necessary to maintain good profitability. Risk may be due to events in the external environment and may affect a certain industry or market. Risk may also be specific to a certain company.

The main risks and uncertainties which Saniona is exposed to are related to drug development, the company's collaboration agreements, competition, technology development, patent, regulatory requirements, capital requirements and currencies.

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.

Exchange rate risks arise because the Group's expenses and income in different currencies do not match and because the Group's assets and liabilities denominated in foreign currency do not balance. The management of these risks is focused on risk mitigation, which is somewhat mitigated by income and cost incurred in USD.

A more detailed description of the Group's risk exposure and risk management is included in Saniona's 2015 Annual Report. There are no major changes in the Group's risk exposure and risk management in 2016.

Audit review

This Interim Report has not been subject to review by the company's auditors.

Financial calendar

Year-End Report	February 21, 2017
Interim Report Q1	May 23, 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

Annual General Meeting 2017

Saniona's Annual General Meeting will be held at Setterwalls Advokatbyrå AB's office at Stortorget 23, Malmö, Sweden on May 23, 2017 at 4 pm CET.

Shareholders who wish to have a matter addressed at the Annual General Meeting should, to ensure that the proposal may be considered, send such proposal to the Board of Directors no later than April 4, 2017. The Board

of Directors can be contacted by email to tf@saniona.com marked "Annual General Meeting" or through regular mail to: Saniona AB, Att.: Thomas Feldthus, Baltorpvej 154, DK-2750 Ballerup, Denmark.

The Nomination Committee's member are: Søren Skjærbæk, Partner at Saxo lawyers, Vejle, Denmark, appointed by Jørgen Drejer; John Haurum, CEO of F-star Biotechnology Limited, Cambridge, UK, appointed by Thomas Feldthus; and Claus Bræstrup, Chairman of Saniona AB's Board of Directors.

Shareholders who would like to submit proposals to the Nomination Committee can do so via e-mail to tf@saniona.com marked "Recommendation to the Nomination Committee" or by ordinary mail to the address: Saniona AB, Att. Thomas Feldthus, Baltorpvej 157, DK-2750 Ballerup, Denmark.

The Board of Directors and the CEO of Saniona AB (publ) provide their assurance that the interim report provides a fair and true overview of the Parent Company's and the Group's operations, financial position and results, and describes material risks and uncertainties faced by the parent Company and the companies in the Group.

Ballerup, November 15, 2016
Saniona AB

Claus Bræstrup – Chairman

Jørgen Drejer – CEO and board member

Carl Johan Sundberg – Board member

Leif Andersson – Board member

Consolidated statement of comprehensive income – Group

KSEK		2016-07-01	2015-07-01	2016-01-01	2015-01-01	2015-01-01
	Note	2016-09-30	2015-09-30	2016-09-30	2015-09-30	2015-12-31
	1-3					
Net sales		50,611	1,955	69,510	11,803	13,630
Total operating income		50,611	1,955	69,510	11,803	13,630
Raw materials and consumables	4	-467	-357	-845	-1,696	-2,050
Other external costs		-12,195	-8,778	-36,423	-21,146	-23,926
Personnel costs	5	-4,106	-3,448	-12,785	-11,042	-14,966
Depreciation and write-downs		-98	-228	-272	-667	-763
Total operating expenses		-16,866	-12,812	-50,325	-34,550	-41,705
Operating profit/loss		33,744	-10,857	19,184	-22,748	-28,075
Other financial income		1,318	0	1,332	1	-3
Other financial expenses		-568	516	-268	-476	-1,180
Total financial items		750	516	1,063	-475	-1,183
Profit/loss after financial items		34,494	-10,341	20,248	-23,223	-29,258
Tax on net profit	6	-7,086	2,383	-5,555	5,066	6,311
Profit/loss for the period		27,408	-7,959	14,693	-18,156	-22,947
Other comprehensive income for the period						
Item that may be reclassified to profit and loss						
Other comprehensive income for the period		-211	-73	-893	-117	314
Total other comprehensive income for the period		-211	-73	-893	-117	314
Total comprehensive income for the period		27,197	-8,032	13,799	-18,273	-22,633
Earnings per share, SEK		1.32	-0.46	0.70	-1.07	-1.29
Diluted earnings per share, SEK		1.31	-0.46	0.70	-1.07	-1.29

Consolidated statement of financial position – Group

KSEK	Note	2016-09-30	2015-09-30	2015-12-31
1-3				
ASSETS				
Fixtures, fittings, tools and equipment		794	873	753
Tangible assets		794	873	753
Non-current tax assets	6	0	5,098	0
Investments in associates	7	403	0	0
Other long-term receivables		1,274	1,098	1,547
Financial assets		1,677	6,196	1,547
Non-current assets		2,471	7,069	2,300
Trade receivables	8	7,990	1,994	0
Current tax assets	6	6,450	1,869	6,109
Other receivables		1,822	2,050	1,983
Prepayments and accrued income		484	1,033	277
Current receivables		16,746	6,945	8,369
Cash and cash equivalent		63,695	12,456	47,004
Current assets		80,442	19,401	55,373
Total assets		82,913	26,470	57,673
EQUITY AND LIABILITIES				
Share capital		1,042	868	1,042
Additional paid in capital		83,323	39,407	83,323
Retained earnings		-31,807	-8,860	-8,860
Currency translation reserve		-351	-97	385
Profit for the period		14,693	-18,156	-22,947
Equity		66,900	13,161	52,943
Prepayments from customers		0	1,732	0
Trade payables		9,855	6,951	2,868
Current tax liabilities		4,473	0	0
Other payables		1	3,196	0
Accrued expenses and deferred income		1,685	1,430	1,862
Current liabilities		16,013	13,309	4,730
Total liabilities		16,013	13,309	4,730
Total equity and liabilities		82,913	26,470	57,673

Consolidated statement of changes in equity – Group

	Number of shares	Share capital	Additional paid in capital	Translation reserves	Retained earnings	Shareholders' equity
January 1, 2015	13,882,200	694	16,978	-32	-8,860	8,780
Comprehensive income						
Profit/loss for the year					-18,156	-18,156
Other comprehensive income:						0
Translation differences				-117		-117
Total comprehensive income				-117	-18,156	-18,273
Transactions with owners						
Shares issued for cash	3,470,550	174	24,120			24,294
Expenses related to capital increase			-1,692			-1,692
Share-based compensation expenses					52	52
Total transactions with owners	3,470,550	174	22,429	0	52	22,654
September 30, 2015	17,352,750	868	39,407	-149	-26,965	13,161
October 1, 2015	17,352,750	868	39,407	-149	-26,965	13,161
Comprehensive income						
Profit/loss for the year					-4,790	-4,790
Other comprehensive income:						
Translation differences				431		431
Total comprehensive income				431	-4,790	-4,360
Transactions with owners						
Shares issued for cash	3,488,717	174	48,668			48,842
Expenses related to capital increase			-4,752			-4,752
Share-based compensation expenses					51	51
Total transactions with owners	3,488,717	174	43,916		51	44,141
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					14,693	14,693
Other comprehensive income:						0
Translation differences				-893		-893
Total comprehensive income				-893	14,693	13,799
Transactions with owners						
Share-based compensation expenses					156	156
Total transactions with owners					156	156
September 30, 2016	20,841,467	1,042	83,323	-612	-16,855	66,898

Consolidated statement of cash flows – Group

KSEK		2016-07-01	2015-07-01	2016-01-01	2015-01-01	2015-01-01
	Note	2016-09-30	2015-09-30	2016-09-30	2015-09-30	2015-12-31
Operating loss before financial items		33,744	-10,857	19,184	-22,748	-28,075
Depreciation		98	228	272	667	763
Changes in working capital		-7,166	2,405	-2,649	8,433	-325
Cash flow from operating activities before financial items		26,677	-8,223	16,808	-13,648	-27,637
Interest income received		1,318	0	1,332	1	-3
Interest expenses paid		-568	516	-268	-476	-1,180
Cash flow from operating activities		27,427	-7,708	17,871	-14,123	-28,820
Investing activities						
Investment in tangible assets		-177	-43	-313	-267	-242
Investments in associates	7	-12	0	-403	0	0
Investment in other financial assets		2,612	-2,745	273	-5,381	-732
Cash flow from investing activities		2,424	-2,788	-443	-5,648	-975
Financing activities						
New share issue		0	0	0	22,602	66,693
Cash flow from financing activities		0	0	0	22,602	66,693
Cash flow for the period		29,851	-10,495	17,428	2,831	36,898
Cash and cash equivalents at beginning of period		34,002	22,973	47,004	9,689	9,689
Exchange rate adjustments		-157	-21	-736	-65	417
Cash and cash equivalents at end of period		63,695	12,456	63,695	12,456	47,004

Statement of income – Parent Company

KSEK	Note	2016-07-01 2016-09-30	2015-07-01 2015-09-30	2016-01-01 2016-09-30	2015-01-01 2015-09-30	2015-01-01 2015-12-31
Net sales		0	0	0	0	0
Total operating income		0	0	0	0	0
Other external costs		-2,510	-729	-4,640	-1,272	-1,957
Personnel costs		-224	-38	-744	-38	-38
Total operating expenses		-2,734	-767	-5,384	-1,309	-1,994
Operating profit/loss		-2,734	-767	-5,384	-1,309	-1,994
Other financial income		192	60	524	73	172
Other financial expenses		-136	484	-252	-448	-548
Total financial items		57	544	272	-375	-376
Profit/loss after financial items		-2,678	-222	-5,111	-1,684	-2,370
Tax on net profit		0	0	0	0	0
Profit/loss for the period		-2,678	-222	-5,111	-1,684	-2,370

Statement of comprehensive income – Parent Company

KSEK	Note	2016-07-01 2016-09-30	2015-07-01 2015-09-30	2016-01-01 2016-09-30	2015-01-01 2015-09-30	2015-01-01 2015-12-31
	1-3					
Profit/loss for the period		-2,678	-222	-5,111	-1,684	-2,370
Other comprehensive income for the period						
Item that may be reclassified to profit and loss						
Other comprehensive income for the period		0	0	0	0	0
Total other comprehensive income for the period, net after tax		0	0	0	0	0
Total comprehensive income for the period		-2,678	-222	-5,111	-1,684	-2,370

Balance Sheet – Parent Company

KSEK	Note	2016-09-30	2015-09-30	2015-12-31
ASSETS				
Investment in subsidiaries		11,832	11,832	11,832
Investment in associates	7	403	0	0
Financial assets		12,234	11,832	11,832
Non-current assets		12,234	11,832	11,832
Receivables from group companies		44,826	15,164	23,278
Other receivables		554	1,169	1,319
Prepayments and accrued income		72	564	170
Current receivables		45,453	16,897	24,767
Cash and cash equivalent		18,809	8,827	43,956
Current assets		64,262	25,725	68,723
Total assets		76,496	37,556	80,555
EQUITY AND LIABILITIES				
Share capital		1,042	868	1,042
Additional paid in capital		81,812	37,896	81,812
Retained earnings		-2,572	-202	-202
Profit for the period		-5,111	-1,684	-2,370
Equity		75,111	36,878	80,282
Trade payables		1,325	678	273
Current liabilities		1,325	678	273
Total liabilities		1,325	678	273
Total equity and liabilities		76,496	37,556	80,555

Notes

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 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 First North Premier. The Parent Company's share is traded under the ticker SANION and the ISIN code SE0005794617.

Note 2 Significant accounting policies

The consolidated financial statements have been prepared in accordance with IAS 34 and the Annual Accounts Act, the Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, International Financial Reporting Standards (IFRS) and interpretations of IFRS IC 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.

The applied accounting principles are in accordance with those described in the Annual Report for 2015. More detailed information about the Group's and the Parent Company's accounting and valuation principles can be found in the Annual Report for 2015, which is available on www.saniona.com. New and amended standards and interpretations implemented as of January 1, 2016, has not had any significant impact on the Group's financial statements.

Disclosures in accordance with IAS 34 Interim Financial Reporting are presented either in the notes or elsewhere in the interim report.

Note 3 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.

Note 4 Financial assets and liabilities

All financial asset and financial liabilities, except for the investment in Ataxion 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 14% of the share capital of Saniona's spin-out Ataxion. Ataxion 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 knowhow and patents in relation to Saniona's ataxia program. The specific assets had a carrying and fair value amount of SEK 0 at the time of formation of Ataxion and the investments made by the other parties were insignificant. 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 Ataxion is sold or the project has been finalized and the necessary regulatory final approval of the product has been obtained. Accordingly, the value of Ataxion is measured at costs since the fair value cannot be determined reliable.

Note 5: Share based payments

Share-based compensation expenses for the first nine months of 2016 totaled SEK 156 (52) 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 September 30, 2016, Saniona had 64,000 options outstanding. Each option entitles the holder to acquire one new share in Saniona for a subscription price of SEK 20.77. The options will be exercisable for the first time after publication of the quarterly report for the first quarter of 2018. There were no outstanding options at the beginning of 2015. There has not been granted any option in Saniona previously. None of the options granted in 2015 have forfeited, exercised or expired. A more detailed description can be found in the annual report for 2015.

Note 6 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 period and in other comprehensive income or equity to the extent that it relates thereto.

The Group recognized taxes of SEK 5,555 (-5,066) thousands during the first 9 months of 2016. Saniona's Danish subsidiary received an upfront payment of US 1.25 million during the first quarter of 2016, which is subject to a 10% withhold tax in Mexico equal to KUSD 125 (KSEK 1,108). Under the tax treaty between Denmark and Mexico, this amount will be deductible towards tax payable in Denmark during the financial year 2016 if any. This tax asset has been utilized in the third quarter 2016 since the Group expect to pay tax in 2016. During the first 6 months of 2016, the Group recognized tax credit of KSEK -2,639 under the Danish R&S tax credit scheme (skattekredit ordningen). This amount was recognized under non-current tax assets as of June 30, 2016, in accordance to the accounting policies described below. However, this tax asset has been utilized during the third quarter 2016 following the transaction with Boehringer Ingelheim. Therefore, the Group has not recognized any tax credit under the Danish R&D tax credit scheme during the first 9 months of 2016. During the first 9 months of 2015, the Group recognized tax credit of KSEK -5,066 under the Danish R&D tax credit scheme.

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 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. 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. As of September 30, 2016, the Group had KSEK 6,450 in current tax asset, which will be payable in November 2016, whereas it has no non-current tax assets. As of September 30, 2015, the Group had KSEK 1,869 in current tax asset, which was paid November 2015, and KSEK 5,098 in non-current tax assets which is payable in November 2016.

Note 7 Investment in Initiator Pharma

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 does not plan to pursue internally. Saniona AB paid KSEK 391 (KDKK 313) for the shares in connection with 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. As of September 30, Saniona AB owns 60% of Initiator Pharma A/S. The financial statements of Initiator Pharma A/S have not been subject to consolidation in the Group as of September 30, 2016. The reason is that the shares in Initiator Pharma A/S have been acquired exclusively for the purpose of distribution to Saniona AB's shareholders. In connection with the investment, Saniona informed that it intended to distribute its shareholding in Initiator Pharma A/S to Saniona AB's shareholders as an extraordinary dividend. 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 equal to SEK 402,751 corresponding carrying amount of the Initiator shares as of September 26, 2016. 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.

Note 8 Trade receivables

As of September 30, 2016, the Group had KSEK 7,990 (1,994) in trade receivables. In 2016, trade receivables comprised 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. In 2015, trade receivables comprised research funding under the agreement with Ataxion.

Note 9 Pledged assets and contingent liabilities

The Group has provided a guarantee of KSEK 50 (50) to Euroclear. The Parent Company has provided a guarantee to the subsidiary Saniona A/S to cover and ensure that Saniona A/S will be able to pay its creditors as the obligations fall due for the period until the approval of the annual report for 2016 at the general meeting in Saniona A/S. Saniona A/S had no external net debt as of September 30, 2016.

Note 10 Related parties

Related parties comprise the Group's Executive Management, Board of Directors and companies within the Group. Apart from intercompany transaction, there has been no transaction with related parties during 2015 and 2016.

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 behavioural 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 GABAA $\alpha 2\alpha 3$ program.

AN761

A small molecule which is designed to open (agonize) nicotinic $\alpha 7$ channels. Nicotinic $\alpha 7$ 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 as 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 severe 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. is a spin-out from Saniona based on Saniona's ataxia-program. For further details, please see Partners section.

Atlas Venture

Atlas Venture Inc. For further details, please see description about Ataxion under Partners section.

Biogen

Biogen Inc. For further details, please see description about Ataxion under 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 in order 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.

GABAA $\alpha 2\alpha 3$ program

A small molecule program which is designed to positively modulate (PAM) GABA_A $\alpha 2$ and GABA_A $\alpha 3$ 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.

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.

EMA

European Medicines Agency

FDA

US Food and Drug Administration

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.

Medix

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

Proximagen

Proximagen Ltd. is a wholly-owned subsidiary of Upsher-Smith. 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 is in contrast to 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.

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.

Upsher-Smith

Upsher-Smith Laboratories, Inc. For further details, please see the Partners section.

Financial key ratios and definitions

Saniona presents certain financial measures in the interim report that are not defined according to 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 according to 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 according to 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.¹⁰

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).

The information in this interim report is information that Saniona (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and Sweden's Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 CET on November 15, 2016.

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⁸ Defined in accordance to IFRS

⁹ Defined in accordance to IFRS

¹⁰ Defined in accordance to IFRS