

## SANIONA REACHES PHASE 3 DURING FIRST FIVE YEARS OF OPERATION

### Financial highlights

#### H1 2017 (H1 2016)

- Net revenues were SEK 11.9 M (18.9 M)
- EBIT was SEK -25.4 M (-14.6 M)
- Earnings per share were SEK -1.00 (-0.61)
- Diluted earnings per share were SEK -1.00 (-0.61)

#### Q2 2017 (Q2 2016)

- Net revenues were SEK 4.3 M (3.0 M)
- EBIT was SEK -17.9 M (-13.5 M)
- Earnings per share were SEK -0.69 (-0.49)
- Diluted earnings per share were SEK -0.69 (-0.49)

### Business highlights in Q2 2017

- Saniona initiates Phase 2a study for Tesomet in Prader-Willi syndrome
- Saniona's partner, Medix, obtains regulatory approval to initiate a Phase 3 study for tesofensine in obesity
- Saniona obtains research milestone from The Michael J. Fox Foundation for Parkinson's Research
- Saniona participates in formation of Scandion Oncology and spins out clinical program and related ion channel platform
- Saniona completes private placement for SEK 35 million
- Saniona is listed on Nasdaq Stockholm Small Cap

### Significant events after the reporting period

- Saniona buys out future payment obligation to NeuroSearch
- Saniona's partner, Luc Therapeutics, nominates clinical candidate and initiates preclinical development in joint Ataxia program
- Saniona's partner, Medix, initiates Phase 3 study for tesofensine in obesity

### Comments from the CEO

"This week Saniona became a Phase 3 company. After only five years of operation, we have one program in Phase 3, two in Phase 2, one in preclinical development and five active research programs. We are now listed on the main market and have more than 5,000 shareholders. I look forward to the future with excitement," 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 preclinical 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 Inc. Saniona is based in Copenhagen, Denmark, where it has a research center of high international standard. Saniona is listed at Nasdaq Stockholm Small Cap and has about 5,100 shareholders. The company's share is traded under the ticker SANION. Read more at [www.saniona.com](http://www.saniona.com).

## Letter from the CEO

"Within these days, we are approaching the fifth anniversary for the initiation of Saniona's operational activities. When I'm looking back at my 30 years of experience in biotech, I must say that these five years with Saniona have been exceptional. Five years ago, I couldn't imagine that we would reach that far in such a short time. Although we have a lot of activities ongoing and we see significant progress in each quarter, five years is still a relatively short time horizon in the context of biotech.

As we announced this Monday, Medix has now recruited the first patients in the Phase 3 clinical obesity study for tesofensine in Mexico. This means that Saniona has become a Phase 3 company. To be in Phase 3 in just five years is a rare luxury in our world. In addition to this program, we have eight other active programs including two Phase 2 programs, a preclinical program and five research programs.

The strong performance may in part be explained by our ability to continue the development and add value to an existing project pipeline, which represents the results of 20 years of intensive research work. We have a deep understanding on how to develop these assets since a large part of our team has worked together on these programs for decades. We acquired these assets from NeuroSearch. In return, NeuroSearch was entitled to milestone payments, royalties and income sharing on specific programs. After the completion of the second quarter, we announced that we have acquired NeuroSearch's remaining interest in these assets. We believe that the buyout of our payment obligation to NeuroSearch may prove to be valuable for our shareholders since it provides a significant increase in the upside to our pipeline including the most advanced programs such as tesofensine, Tesomet and NS2359.

We released another important news after the end of the second quarter. The message that Luc Therapeutics has reached its goal of selecting a drug candidate in the ataxia program may appear of limited significance. Nevertheless, it demonstrates our ability to deliver and that our strategy works. Four years ago, we established our first spinout, Ataxion, which was based on our ataxia program. Ataxion and Saniona has since then performed a research collaboration with the objective of identifying a candidate for clinical development. The research efforts are now bearing fruit. Recently, Ataxion was merged with Luc Therapeutics into a much stronger company. Saniona maintains an ownership in Luc Therapeutics and we are entitled to receive royalties on products developed under the ataxia program. Both our shareholding in Luc Therapeutics and the future royalty payments could potentially become valuable for our shareholders.

In line with the spin-out strategy, we have together with a research team in Copenhagen, established a new company called Scandion Oncology. This company will focus on cancer research. Scandion Oncology management and Saniona is currently considering various alternatives for financing the company including a potential private placement and a public listing.

The development of our own Phase 2 clinical program Tesomet for the treatment of metabolic diseases and eating disorders has shown good progression. In addition to the ongoing Phase 2 study in Prader Willi's Syndrome we are now undertaking tablet production for future clinical studies including a small pharmacokinetic study, which is expected to be initiated at the end of the year in preparation for Phase 2 studies.

Perhaps one of the most notable events from our news flow in the second quarter was the listing on Nasdaq Stockholm Small Cap. This was a big step for Saniona. The listing on the main market is of major importance for us in the long term since it is pivotal for our ability to attract international institutional investors.

Although the list of noteworthy events during the quarter is impressive, the list of accomplishments during the five years we've been in operation is overwhelming. We know that this does not happen by itself. It is the result of hard work – something that we will continue at the same pace as before.

I can't emphasize enough how impressed I am with the work that is performed by our entire team and our partners. Thanks to all."

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 preclinical and clinical stage. The research is focused on ion channels. Saniona has ongoing collaboration agreements with Boehringer Ingelheim GmbH, Proximagen Ltd., Productos Medix, S.A de S.V and Luc Therapeutics 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 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.

## 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 Target	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					
Luc Therapeutics program	Ataxia					
GABAA $\alpha 2/\alpha 3$ program	Neuropathic pain					
Boehringer Ingelheim program	Schizophrenia					
IK program	Inflammation, IBD					
Proximagen 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 ongoing programs address significant market segments:

Target/Program	Indication	Market estimate
<b>Tesomet</b>	Type 2 diabetes	> USD 23 billion <sup>1</sup>
<b>Tesomet</b>	Prader-Willi syndrome	- Orphan indication
<b>Tesofensine</b>	Obesity	- USD 250 million in Mexico <sup>2</sup>
<b>NS2359</b>	Cocaine addiction	> USD 1.8 billion <sup>3</sup>
<b>GABA-A <math>\alpha 2/\alpha 3</math> program</b>	Neuropathic pain	> USD 6 billion <sup>4</sup>
<b>Boehringer Ingelheim program</b>	Schizophrenia	> USD 4.8 billion <sup>5</sup>
<b>IK program</b>	Inflammatory bowel disease	> USD 5.9 billion <sup>6</sup>
<b>Nic-<math>\alpha 6</math> program</b>	Parkinson's disease	> USD 2.8 billion <sup>7</sup>
<b>Proximagen program</b>	Neurological diseases	- Not available
<b>Luc Therapeutic program</b>	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 opportunities for Saniona.

<sup>1</sup> 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

<sup>2</sup> Estimates of drugs for obesity in Mexico by Medix 2016

<sup>3</sup> Estimates by TRC

<sup>4</sup> Major markets 2012, Decision Resources

<sup>5</sup> Schizophrenia Forecast 7 major market, Datamonitor, 2014

<sup>6</sup> Major markets 2014, Datamonitor

<sup>7</sup> 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

### Financial key figures

	2017-04-01	2016-04-01	2017-01-01	2016-01-01	2016-01-01
	2017-06-30	2016-06-30	2017-06-30	2016-06-30	2016-12-31
Net sales, KSEK	4,347	3,046	11,886	18,899	74,921
Total operating expenses, KSEK	-22,223	-16,549	-37,333	-33,459	-70,764
Operating profit/loss, KSEK	* -17,876	-13,502	-25,448	-14,560	4,156
Operating margin, %	* -411%	-443%	-214%	-77%	6%
Cash flow from operating activities	-6,654	-11,463	-16,177	-9,556	7,953
Cash flow per share, SEK	* 1.06	-0.69	0.55	-0.60	0.32
Earnings per share, SEK	-0.69	-0.49	-1.00	-0.61	0.11
Diluted earnings per share, SEK	-0.69	-0.49	-1.00	-0.61	0.11
Average shares outstanding	21,286,811	20,841,467	21,065,369	20,841,467	20,841,467
Diluted average shares outstanding	21,350,811	20,905,467	21,129,369	20,905,467	20,905,467
Average number of employees, #	22.8	18.9	22.6	22.5	19.7
	2017-06-30		2016-06-30		2016-12-31
Cash and cash equivalent, KSEK	64,752		34,002		53,261
Equity, KSEK	66,323		39,649		54,252
Total equity and liabilities, KSEK	78,458		47,832		70,769
Liquidity ratio, %	* 581%		523%		412%
Equity ratio, %	* 85%		83%		77%
Equity per share, SEK	* 3.12		1.88		2.60

\* = Alternative performance measures

### Definitions and relevance of alternative performance measures

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 with an “\*” in the table above. 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 definition and relevance of key figures not calculated according to IFRS are set-out in the table below.

Key figure	Definition	Relevance
<b>Operating profit/loss</b>	Profit/loss before financial items and tax.	The operating profit/loss is used to measure the profit/loss generated by the operating activities.
<b>Operating margin</b>	Operating profit/loss as a proportion of revenue.	The operating margin shows the proportion of revenue that remains as profit before financial items and taxes, and has been included to allow investors to get an impression of the company's profitability.
<b>Liquidity ratio</b>	Current assets divided by current liabilities.	Liquidity ratio has been included to show the Company's short-term payment ability.
<b>Equity ratio</b>	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.
<b>Average number of employees</b>	Average number of employees employed during the period.	This key figure may explain part of the development in personnel expenses and has been included to provide an impression of how the number of employees at the company has developed.
<b>Equity per share</b>	Equity divided by the number of outstanding shares at the end of the period.	Equity per share has been included to provide investors with information about the equity reported in the balance sheet as represented by one share.
<b>Cash flow per share</b>	Cash flow for the period divided by number of shares for the period.	Cash flow per share has been included to provide investors with information about the cash flow represented by one share during the period.

### Derivation of alternative performance measurers

	2017-04-01 2017-06-30	2016-04-01 2016-06-30	2017-01-01 2017-06-30	2016-01-01 2016-06-30	2016-01-01 2016-12-31
Operation profit/loss, KSEK	-17,876	-13,502	-25,448	-14,560	4,156
Net sales, KSEK	4,347	3,046	11,886	18,899	74,921
<b>Operating margin, %</b>	<b>-411%</b>	<b>-443%</b>	<b>-214%</b>	<b>-77%</b>	<b>6%</b>
Cash flow for the period, KSEK	22,598	-14,413	11,536	-12,423	6,735
Number of shares	21,286,811	20,841,467	21,065,369	20,841,467	20,841,467
<b>Cash flow per share, SEK</b>	<b>1.06</b>	<b>-0.69</b>	<b>0.55</b>	<b>-0.60</b>	<b>0.32</b>
	2017-06-30		2016-06-30		2016-12-31
Current assets, KSEK	70,543		42,839		68,066
Current liabilities, KSEK	12,136		8,183		16,517
<b>Liquidity ratio, %</b>	<b>581%</b>		<b>523%</b>		<b>412%</b>
Equity, KSEK	66,323		39,649		54,252
Total equity and liabilities, KSEK	78,458		47,832		70,769
<b>Equity ratio, %</b>	<b>85%</b>		<b>83%</b>		<b>77%</b>
Equity, KSEK	66,323		39,649		54,252
Number of shares	21,286,811		21,065,369		20,841,467
<b>Equity per share, SEK</b>	<b>3.12</b>		<b>1.88</b>		<b>2.60</b>

### Revenues and result of the operation

#### Revenue

Total revenues during the second quarter of 2017 was SEK 4.3 million (3.0). In 2017 revenues comprised research funding under the agreements with Boehringer Ingelheim and Proximagen whereas in the second quarter of 2016 revenues comprised research funding under the agreement with Proximagen and Luc Therapeutics.

Total revenues during the first 6 months of 2017 was SEK 11.9 million (18.9). In 2017 revenues comprised research funding under the agreement with Boehringer Ingelheim, Proximagen and Luc Therapeutics. In 2016 revenues comprised upfront payments from Medix and Proximagen as well as research funding under the agreement with Luc Therapeutics and Proximagen.

#### Operating profit/loss

The operating loss for the second quarter was SEK 17.9 million (13.5). The company recognized operating expenses of SEK 22.2 million (16.5) for the second quarter of 2017. External expenses amounted to SEK 15.5 million (12.0). In the second quarter of 2017, external expenses comprised primarily research and development costs in relation to Tesomet followed by costs in relation to the listing on Nasdaq Stockholm Small Cap and research and development costs in relation to the GABAA  $\alpha 2\alpha 3$  program, the IK program and the tesofensine program. In the second quarter of 2016, external expenses comprised primarily research and development costs in relation to Tesomet followed by costs in relation to the listings on Nasdaq and research and development costs in relation to the GABAA  $\alpha 2\alpha 3$  program and the IK program. Personnel costs amounted to SEK 5.5 million (4.6). The increase in personal costs is in part explained by the increase in the average employee employed.

The company recognized an operating loss of SEK 25.4 million (14.6) for the first 6 months of 2017. The company recognized operating expenses of SEK 37.3 million (33.5) for the first 6 months of 2017. External expenses amounted to SEK 24.6 million (24.2) and personnel costs amounted to SEK 10.7 million (8.7). In 2017, external expenses comprised primarily research and development costs in relation to Tesomet followed by administrative costs in relation to the listing on Nasdaq Stockholm Small Cap and research and development costs in relation to the GABAA  $\alpha 2\alpha 3$  program and the IK program. In 2016, external expenses comprised primarily research and development costs in relation to Tesomet followed by administrative costs in relation to the listings on Nasdaq and research and development costs in relation to the GABAA  $\alpha 2\alpha 3$  program and the IK program.

#### Financial position

The equity ratio was 85 (83) % as of June 30, 2017, and equity was SEK 66.3 million (39.6). Cash and cash equivalents amounted to SEK 64.8 million (34.0) as of June 30, 2017. Total assets as of June 30, 2017, were SEK 78.5 million (47.8).

### **Cash flow**

Operating cash flow for the second quarter of 2017 was an outflow of SEK 6.7 million (outflow of 11.5). Consolidated cash flow for the second quarter of 2017 was an inflow of SEK 22.6 million (outflow of 14.4).

Operating cash flow for the first 6 months of 2017 was an outflow of SEK 16.2 million (outflow of 9.6). Consolidated cash flow for the first 6 months of 2017 was an inflow of SEK 11.6 million (outflow of 12.4).

The operating cash flow in 2017 is explained by the operating loss during the period and the improvement in working capital following to the release of the remaining upfront payment from Boehringer Ingelheim in the second quarter. The consolidated cash inflow in 2017 is explained by the private placement in the second quarter of 2017. The operating and consolidated outflows in 2016 are explained by the operating loss during the period.

### **The share, share capital and ownership structure**

At June 30, 2017, the number of shares outstanding amounted to 21,762,520 (20,841,467). The company established a warrant program on July 1, 2015, totalling 64,000 warrants, and on July 1, 2017, totalling 38,500 warrants.

At June 30, 2017, the company had 5,125 (4,304) shareholders excluding holdings in life insurance and foreign custody account holders.

### **Personnel**

As of June 30, the number of employees was 25 (22) of which 14 (12) are women. Of these employees, 4 (6) are part-time employees and 21 (16) are full-time employees, and a total of 20 (19) work in the company's research and development operations. 10 (11) of Saniona's employees hold PhDs, 4 (4) hold university degrees, 8 (5) have laboratory training and the remaining 3 (0) have other degrees.

### **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.

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.

A more detailed description of the Group's risk exposure and risk management is included in Saniona's 2016 Annual Report. There are no major changes in the Group's risk exposure and risk management in 2017.

### **Audit review**

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

### **Financial calendar**

Interim Report Q3	15 November 2017
Year-End Report 2017	21 February 2018

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, 23 August 2017  
Saniona AB

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Claus Bræstrup – Chairman

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Jørgen Drejer – CEO and board member

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Carl Johan Sundberg – Board member

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Leif Andersson – Board member



## Condensed consolidated statement of comprehensive income – Group

KSEK		2017-04-01	2016-04-01	2017-01-01	2016-01-01	2016-01-01
	Note	2017-06-30	2016-06-30	2017-06-30	2016-06-30	2016-12-31
	1-3					
Net sales	4	4,347	3,046	11,886	18,899	74,921
Total operating income		4,347	3,046	11,886	18,899	74,921
Raw materials and consumables		-1,035	121	-1,803	-378	-1,476
Other external costs		-15,513	-11,978	-24,611	-24,228	-51,098
Personnel costs	5	-5,541	-4,612	-10,670	-8,679	-17,805
Depreciation and write-downs		-134	-81	-250	-174	-384
Total operating expenses		-22,223	-16,549	-37,333	-33,459	-70,764
<b>Operating profit/loss</b>		<b>-17,876</b>	<b>-13,502</b>	<b>-25,448</b>	<b>-14,560</b>	<b>4,156</b>
Other financial income		-0	10	-0	13	991
Other financial expenses		145	846	-151	300	-234
Total financial items		145	856	-151	313	757
<b>Profit/loss after financial items</b>		<b>-17,731</b>	<b>-12,646</b>	<b>-25,599</b>	<b>-14,247</b>	<b>4,913</b>
Tax on net profit	6	3,039	2,375	4,540	1,531	-2,696
<b>Profit/loss for the period</b>		<b>-14,692</b>	<b>-10,271</b>	<b>-21,059</b>	<b>-12,715</b>	<b>2,217</b>
<b>Other comprehensive income</b>						
Item that may be reclassified to profit and loss		-	-	-	-	-
Translation differences		-149	-513	-153	-683	-715
<b>Total other comprehensive income net after tax</b>		<b>-149</b>	<b>-513</b>	<b>-153</b>	<b>-683</b>	<b>-715</b>
<b>Total comprehensive income</b>		<b>-14,841</b>	<b>-10,784</b>	<b>-21,211</b>	<b>-13,398</b>	<b>1,501</b>
Earnings per share, SEK		-0.69	-0.49	-1.00	-0.61	0.11
Diluted earnings per share, SEK		-0.69	-0.49	-1.00	-0.61	0.11

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

## Condensed consolidated statement of financial position – Group

KSEK	Note	2017-06-30	2016-06-30	2016-12-31
	1-3			
<b>ASSETS</b>				
Fixtures, fittings, tools and equipment		1,486	716	1,184
Tangible assets		1,486	716	1,184
Non-current tax assets	6	4,564	2,639	0
Investments in associates		331	391	0
Other long-term receivables		1,434	1,101	1,419
Deferred tax		101	147	100
Financial assets		6,430	4,277	1,519
<b>Non-current assets</b>		<b>7,916</b>	<b>4,993</b>	<b>2,703</b>
Trade receivables		2,869	204	12,260
Current tax assets	6	0	6,317	0
Other receivables		2,192	2,067	1,880
Prepayments and accrued income		730	248	665
Current receivables		5,791	8,837	14,804
Cash and cash equivalent		64,752	34,002	53,261
<b>Current assets</b>		<b>70,543</b>	<b>42,839</b>	<b>68,066</b>
<b>Total assets</b>		<b>78,458</b>	<b>47,832</b>	<b>70,769</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		1,088	1,042	1,042
Additional paid in capital		116,452	83,323	83,323
Retained earnings		-29,573	-31,600	-31,896
Currency translation reserve		-586	-401	-434
Profit/loss for the period		-21,059	-12,715	2,217
<b>Equity</b>		<b>66,323</b>	<b>39,649</b>	<b>54,252</b>
Prepayments from customers		541	0	3,006
Trade payables		3,765	6,215	6,225
Current tax liabilities		1,617	0	1,600
Other payables		1,837	2	434
Accrued expenses and deferred income		4,376	1,966	5,252
Current liabilities		12,136	8,183	16,517
<b>Total liabilities</b>		<b>12,136</b>	<b>8,183</b>	<b>16,517</b>
<b>Total equity and liabilities</b>		<b>78,458</b>	<b>47,832</b>	<b>70,769</b>

## Condensed consolidated statement of changes in equity – Group

	Number of shares	Share capital	Additional paid in capital	Translation reserves	Retained earnings	Share- holders' equity
<b>January 1, 2016</b>	<b>20,841,467</b>	<b>1,042</b>	<b>83,323</b>	<b>282</b>	<b>-31,704</b>	<b>52,943</b>
<b>Comprehensive income</b>						
Profit/loss for the year					-12,715	-12,715
Other comprehensive income:						0
Translation differences				-683		-683
<b>Total comprehensive income</b>				<b>-683</b>	<b>-12,715</b>	<b>-13,398</b>
<b>Transactions with owners</b>						
Share-based compensation expenses					104	104
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>104</b>	<b>104</b>
<b>June 30, 2016</b>	<b>20,841,467</b>	<b>1,042</b>	<b>83,323</b>	<b>-401</b>	<b>-44,316</b>	<b>39,649</b>
<b>July 1, 2016</b>	<b>20,841,467</b>	<b>1,042</b>	<b>83,323</b>	<b>-401</b>	<b>-44,316</b>	<b>39,649</b>
<b>Comprehensive income</b>						
Profit/loss for the year					14,932	14,932
Other comprehensive income:						0
Translation differences				-33		-33
<b>Total comprehensive income</b>				<b>-33</b>	<b>14,932</b>	<b>14,899</b>
<b>Transactions with owners</b>						
Share-based compensation expenses					107	107
Dividends paid					-403	-403
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-296</b>	<b>-296</b>
<b>December 31, 2016</b>	<b>20,841,467</b>	<b>1,042</b>	<b>83,323</b>	<b>-434</b>	<b>-29,680</b>	<b>54,252</b>
<b>January 1, 2017</b>	<b>20,841,467</b>	<b>1,042</b>	<b>83,323</b>	<b>-434</b>	<b>-29,680</b>	<b>54,252</b>
<b>Comprehensive income</b>						
Profit/loss for the year					-21,059	-21,059
Other comprehensive income:						0
Translation differences				-153		-153
<b>Total comprehensive income</b>				<b>-153</b>	<b>-21,059</b>	<b>-21,211</b>
<b>Transactions with owners</b>						
Shares issued for cash	921,053	46	34,954			35,000
Expenses related to capital increase			-1,825			-1,825
Share-based compensation expenses					107	107
<b>Total transactions with owners</b>	<b>921,053</b>	<b>46</b>	<b>33,129</b>	<b>0</b>	<b>107</b>	<b>33,282</b>
<b>June 30, 2017</b>	<b>21,762,520</b>	<b>1,088</b>	<b>116,452</b>	<b>-586</b>	<b>-50,631</b>	<b>66,323</b>

## Condensed consolidated statement of cash flows – Group

KSEK	Note	2017-04-01 2017-06-30	2016-04-01 2016-06-30	2017-01-01 2017-06-30	2016-01-01 2016-06-30	2016-01-01 2016-12-31
Operating loss before financial items		-17,876	-13,502	-25,448	-14,560	4,156
Depreciation		134	81	250	174	384
Changes in working capital		10,943	1,102	9,172	4,517	2,656
<b>Cash flow from operating activities before financial items</b>		<b>-6,799</b>	<b>-12,320</b>	<b>-16,026</b>	<b>-9,869</b>	<b>7,196</b>
Interest income received		0	10	0	13	991
Interest expenses paid		145	846	-151	300	-234
<b>Cash flow from operating activities</b>		<b>-6,654</b>	<b>-11,463</b>	<b>-16,177</b>	<b>-9,556</b>	<b>7,953</b>
<b>Investing activities</b>						
Investment in tangible assets		-515	-116	-551	-137	-816
Investments in subsidiaries		-331	-391	-331	-391	0
Investment in other financial assets		-3,077	-2,443	-4,580	-2,340	0
<b>Cash flow from investing activities</b>		<b>-3,922</b>	<b>-2,950</b>	<b>-5,462</b>	<b>-2,867</b>	<b>-816</b>
<b>Financing activities</b>						
New share issue		33,175	0	33,175	0	0
Dividends paid		0	0	0	0	-403
<b>Cash flow from financing activities</b>		<b>33,175</b>	<b>0</b>	<b>33,175</b>	<b>0</b>	<b>-403</b>
<b>Cash flow for the period</b>		<b>22,598</b>	<b>-14,413</b>	<b>11,536</b>	<b>-12,423</b>	<b>6,735</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>42,249</b>	<b>48,876</b>	<b>53,261</b>	<b>47,004</b>	<b>47,004</b>
Exchange rate adjustments		-95	-460	-46	-579	-477
<b>Cash and cash equivalents at end of period</b>		<b>64,752</b>	<b>34,002</b>	<b>64,752</b>	<b>34,002</b>	<b>53,261</b>

## Statement of income – Parent Company

KSEK	2017-04-01 2017-06-30	2016-04-01 2016-06-30	2017-01-01 2017-06-30	2016-01-01 2016-06-30	2016-01-01 2016-12-31
	1-3				
Net sales	0	0	0	0	0
Total operating income	0	0	0	0	0
Raw materials and consumables	-5	0	-10	0	-3
Other external costs	-3,738	-1,704	-4,695	-2,129	-6,758
Personnel costs	-343	-266	-615	-520	-1,033
Total operating expenses	-4,086	-1,970	-5,319	-2,649	-7,794
<b>Operating profit/loss</b>	<b>-4,086</b>	<b>-1,970</b>	<b>-5,319</b>	<b>-2,649</b>	<b>-7,794</b>
Other financial income	226	177	452	332	749
Other financial expenses	-61	-57	-97	-116	-298
Total financial items	165	120	354	216	450
<b>Profit/loss after financial items</b>	<b>-3,921</b>	<b>-1,850</b>	<b>-4,965</b>	<b>-2,433</b>	<b>-7,344</b>
Tax on net profit	0	0	0	0	0
<b>Profit/loss for the period</b>	<b>-3,921</b>	<b>-1,850</b>	<b>-4,965</b>	<b>-2,433</b>	<b>-7,344</b>

## Statement of comprehensive income – Parent Company

KSEK	2017-04-01 2017-06-30	2016-04-01 2016-06-30	2017-01-01 2017-06-30	2016-01-01 2016-06-30	2016-01-01 2016-12-31
	Note				
	1-3				
<b>Profit/loss</b>	<b>-3,921</b>	<b>-1,850</b>	<b>-4,965</b>	<b>-2,433</b>	<b>-7,344</b>
<b>Other comprehensive income</b>					
Item that may be reclassified to profit and loss					
Other comprehensive income	0	0	0	0	0
<b>Total other comprehensive income net after tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>	<b>-3,921</b>	<b>-1,850</b>	<b>-4,965</b>	<b>-2,433</b>	<b>-7,344</b>

## Balance Sheet – Parent Company

KSEK	Note	2017-06-30	2016-06-30	2016-12-31
<b>ASSETS</b>				
Investment in subsidiaries		11,832	11,832	11,832
Investment in subsidiaries		331	391	0
Financial assets		12,162	12,222	11,832
<b>Non-current assets</b>		<b>12,162</b>	<b>12,222</b>	<b>11,832</b>
Receivables from group companies		45,508	33,692	45,076
Other receivables		593	445	437
Prepayments and accrued income		303	24	270
Current receivables		46,405	34,161	45,783
Cash and cash equivalent		44,016	31,898	15,355
<b>Current assets</b>		<b>90,421</b>	<b>66,058</b>	<b>61,138</b>
<b>Total assets</b>		<b>102,583</b>	<b>78,281</b>	<b>72,969</b>
<b>EQUITY AND LIABILITIES</b>				
<i>Restricted equity</i>				
Share capital		1,088	1,042	1,042
<i>Unrestricted equity</i>				
Additional paid in capital		114,941	81,812	81,812
Retained earnings		-10,318	-2,572	-2,975
Profit for the period		-4,965	-2,433	-7,344
<b>Equity</b>		<b>100,746</b>	<b>77,848</b>	<b>72,535</b>
Trade payables		0	430	0
Other payables		1,837	2	434
Current liabilities		1,837	432	434
<b>Total liabilities</b>		<b>1,837</b>	<b>432</b>	<b>434</b>
<b>Total equity and liabilities</b>		<b>102,583</b>	<b>78,281</b>	<b>72,969</b>

## 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 Stockholm Small Cap. The Parent Company's share is traded under the ticker SANION and the ISIN code SE0005794617.

### Note 2 Significant accounting policies

The interim report has been prepared in accordance with IAS 34 Interim reporting. The Group applies the International Financial Reporting Standards (IFRS) and interpretations of IFRS IC as adopted by the EU, the Annual Accounts Act and the Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups.

The condensed 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 condensed 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 2016. More detailed information about the Group's and the Parent Company's accounting and valuation principles can be found in the Annual Report for 2016, which is available on [www.saniona.com](http://www.saniona.com). New and amended standards and interpretations implemented as of January 1, 2017, 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 Financial assets and liabilities

**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 2016 and 2017.**

**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 knowhow 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.**

### Note 4 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 5: Share based payments

Share-based compensation expenses for the first half of 2017 totalled SEK 107 (104) 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. A more detailed description can be found in the annual report for 2016.

#### **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 a tax income of SEK 4,540 (1,531) thousand during the first half of 2017. This amount has been recognized under non-current tax assets in accordance to the accounting policies described below.

Under the Danish R&D tax credit scheme (Skatte kreditordningen), 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 and 2017, 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%. 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 June 30, 2017, the Group had no current tax asset and SEK 4.6 million in non-current tax asset, which will be payable in November 2018. As of June 30, 2016, the Group had SEK 6.3 million in current tax asset, which was paid in November 2016, and SEK 2.6 million in non-current assets which was utilized towards earned profit during the second half of 2016.

#### **Note 7 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 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 March 31, 2017.

#### **Note 8 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 2016 and 2017.



## **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.

### **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.

### **Atlas Venture**

Atlas Venture Inc.

### **CNS**

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

### **Cocaine addiction**

The compulsive craving for use of cocaine despite adverse consequences.

### **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.

### **GABAA $\alpha 2\alpha 3$ program**

A small molecule program which is designed to positively modulate (PAM) GABA<sub>A</sub>  $\alpha 2$  and GABA<sub>A</sub>  $\alpha 3$  ion channels, which are expressed in various central and peripheral neurons and are believed to be key mediator in the control of pain signalling and the control of anxiety.

### **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.

### **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.

### **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 tumour), 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.

### **Schizophrenia**

A mental disorder often characterized by abnormal social behaviour 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.

**Type 2 diabetes**

A metabolic disorder that is characterized by hyperglycaemia (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.

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