INTERIM REPORT FOR SANIONA AB (PUBL)
556962-5345
January - March 2018
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SANIONA PREPARED TO GO ALL THE WAY ON ITS OWN IN PRADER WILLI SYNDROME AFTER SUCCESSFUL PHASE-2A STUDY

Financial highlights

Q1 2018 (Q1 2017)

- Net revenues were SEK 4.3 M (7.5 M)
- EBIT was SEK -15.7 M (-7.6 M)
- Net profit/loss was SEK -13.5 M (-6.4 M)
- Earnings per share were SEK -0.62 (-0.31)
- Diluted earnings per share were SEK -0.62 (-0.31)

Business highlights in Q1 2018

- Saniona reported top line results from the Tesomet Phase 2a interim study in Prader-Willi syndrome, indicating clinical meaningful reduction in weight and hyperphagia
- Saniona's partner, Medix, completed the recruitment of 272 patients in a Phase 3 study for tesofensine in obesity
- Saniona initiated and completed recruitment of 60 volunteers in a Phase 1 study with the new Tesomet tablet
- Saniona's partner Cadent Therapeutics initiated a Phase 1 trial for CAD-1883 for the treatment of spinocerebellar ataxia and essential tremor
- Saniona and Proximagen (now BenevolentAI) extended the research collaboration
- In January, the extraordinary shareholders' meeting resolved to elect J. Donald deBethizy and Anna Ljung as new ordinary Board members and to elect J. Donald deBethizy as new chairman of the Board of Directors.

Significant events after the reporting period

- Saniona progressed to second part of Phase 2a study for Tesomet in Prader-Willi Syndrome based on positive results in adult patients
- Saniona gained full rights to BenevolentAI program following termination of collaboration

Comments from the CEO

"The positive results from the Tesomet Phase 2a interim study in Prader-Willi syndrome is highly encouraging. We are preparing the second part of the study now and are committed to develop Tesomet internally with the aim of attaining market approval in this indication. This will increase the value of the project significantly for our shareholders", 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, Productos Medix, S.A de S.V and Cadent Therapeutics Inc. Saniona is based in Copenhagen, Denmark. The company is listed at Nasdaq Stockholm Small Cap and has about 5,300 shareholders. The company's share is traded under the ticker SANION. Read more at www.saniona.com.

Letter from the CEO

“To kick off the year, we reported top line results from the first part of our exploratory Phase 2a study of Tesomet in adults with Prader-Willi syndrome (PWS). PWS is a debilitating genetic disease affecting 15-20,000 people in the U.S. and EU, causing unrelenting cravings for food and oftentimes preventing those suffering from PWS from living on their own. To date, there is no approved therapy for patients suffering from this complex disease, however, based on the results from our study, we found that Tesomet, our novel combination of tesofensine and metoprolol, has the potential to provide a meaningful reduction in hyperphagia and weight.

Following the positive results from our interim PWS-study and encouraging support from Key Opinion Leaders in the field, we recently received approval to continue advancing our clinical development for PWS adolescents while using a lower dose of Tesomet than in the initial study. We will now initiate this second part of our Phase 2a study in up to 10 adolescents and expect to begin recruitment during the second quarter 2018.

We aim to continue developing Tesomet internally with the goal of attaining market approval in PWS as the clinical development can be completed at a relatively low cost. The impact on the value of the study for the company and thereby the shareholders will be enormous compared to linking up with partners.

Concurrently, we are looking forward to the completion of our Phase 3 program for tesofensine in Mexico with our partner, Medix, by the end of 2018. Following full enrolment of 372 patients in just five months, this accelerated timeline is very encouraging as Mexico is currently struggling with an obesity epidemic. At present 7 out of 10 Mexicans are categorized as overweight or obese. This is more than twice the worldwide average, and 8 in 10 deaths in Mexico are caused by chronic, non-transmitted diseases that are linked to the overweight and obese population. This trial will not only provide us with validation of tesofensine as a potentially highly efficacious treatment for obesity, but may also provide us with a significant double-digit royalty stream in both Mexico and Argentina which will help to fund our broad pipeline.

As we seek to build on our extensive pipeline and drive long-term value for the company, we have continued to make great progress with our partnerships and spinouts. The first major advancement comes from our partner Cadent Therapeutics, which announced in March the initiation of its first Phase 1 trial for CAD-1883 for the treatment of spinocerebellar ataxia (SCA) and essential tremor. CAD-1883 is the first program from our research portfolio to enter clinical development and may hold the potential to restore or improve the ability to control fine movements. Our spinout, Scandion Oncology has made tremendous progress. After having closed a seed round, acquired an additional asset and made important new inventions, the company is now investigating the possibility for a public listing.

BenevolentAI terminated the collaboration on the Kv-7 program in May two months after acquiring our partner, Proximagen, since the program did not fit into their business strategy. The results are that all compounds, data, inventions, patent applications and know-how developed under the collaboration will be the sole property of Saniona. Proximagen has made substantial investments in the program during the last 2½ year. Therefore, we are taking over a very large, mature and high-quality program, which we have been deeply involved in and therefore can move forward from where Proximagen left it. We will now pursue the Kv-7 program internally or together with a new partner.

Cravings, obsessions and addictions are the source behind many of the societal burdens we face today. It is our mission to develop first in class therapeutics that will have a profound, positive impact on society and help to regulate these conditions. Through our diverse business strategy including partnerships, spinouts and our own internal development projects, we have successfully grown the company’s pipeline to not only include potential treatments for PWS, obesity and cocaine addiction, but we have also initiated programs for the potential treatment of ataxia, neuropathic pain, schizophrenia, and other indications. And though we have accomplished much thus far, we have only just embarked on our journey to effectively treat significant disorders and diseases. We anticipate making significant progress in 2018, especially as we move into the second part of our Phase 2a trial in PWS and conclude our Phase 3 trial with our partner Medix for tesofensine in Mexico, and are infinitely grateful to our team, shareholders, and partners who work with us on a daily basis to achieve new heights in the search for new and innovative treatments.”

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 Cadent Therapeutics Inc.

Vision and objective

Saniona will be a leading biotech company focussing on treatments for CNS, autoimmune and metabolic diseases as well as the treatment of pain. Saniona's overall objective is to develop new treatments both in-house and together with partners that address significant unmet needs. Strategically the company intends to develop and commercialize treatments for orphan indications on its own and engage in partnerships with larger entities for development programs aiming to treat large indications such as obesity.

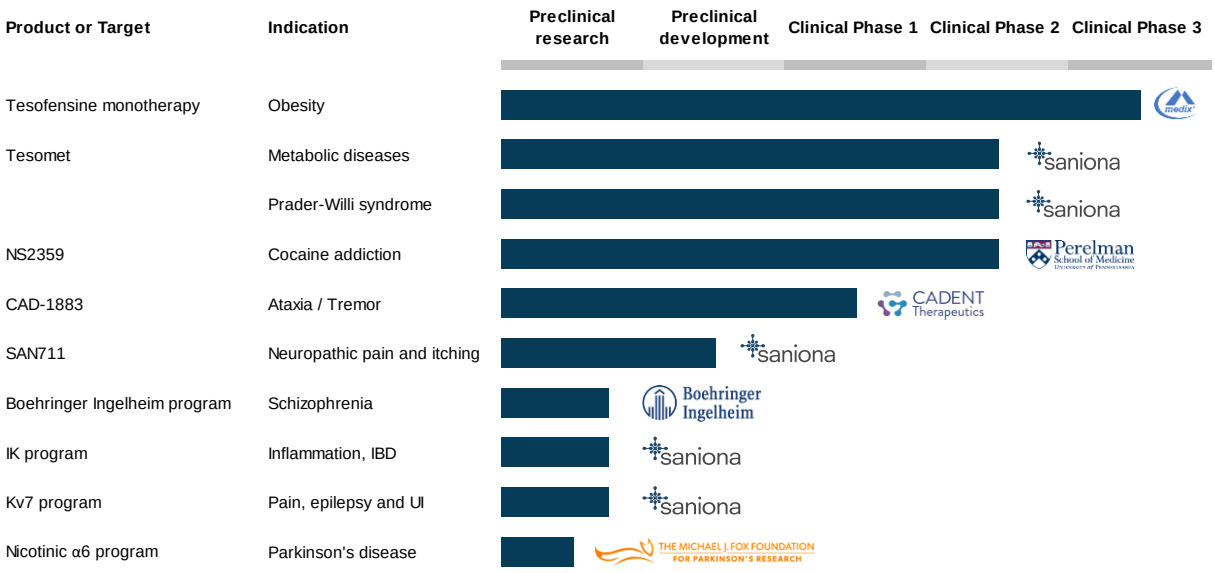
Strategy and business model

Saniona is developing products internally with the aim of attaining market approval itself in the U.S. and Europe for certain orphan indications where the required investments are limited, and the commercial opportunities appear to be very large. For example, Saniona is currently developing Tesomet for Prader Willi syndrome in the U.S. and Europe. Patients with Prader Willi syndrome suffer from extreme hyperphagia which can be life-threatening and lead to severe obesity if food access is not controlled. The disease has severe consequences for the patients and their families and it is at the same time very expensive for payors and society. There is a significant medical need for a product, which can provide weight loss and reduce hyperphagia in these patients. The market for such a product may consequently be significant despite a relative low number of patients. Furthermore, the required investments for developing Tesomet in this indication are comparatively small and the required commercial infrastructure for servicing these patients in the U.S. and Europe is manageable.

In addition to this, Saniona enters into research collaborations with pharmaceutical companies or is developing products internally with the aim of entering into a collaboration with a pharmaceutical company at a later stage. The structure of Saniona's collaboration agreements depend on the product, the indication, the investment and the risk as well as the interest and capabilities of Saniona's partners. In general, Saniona grants its partners commercial license to a limited territory or on world-wide basis, when it decides to develop a product in collaboration with pharmaceutical company. In exchange Saniona's partners typically finance future research and development activities and pay Saniona upfront payments, research funding, milestone payments and royalties on product sales when the product candidates are commercialized.

Project portfolio

Saniona has four programs in clinical development including three late stage clinical programs focused on the development of treatments to effectively regulate obsessions, cravings and addictions related to food and drugs. In total, the company has a portfolio of nine active drug development programs in clinical and pre-clinical stages, of which five are financed through partnerships or grants. Saniona's pipeline is set out below.



Market

Saniona's ongoing programs address significant market segments:

Target/Program	Indication	Market estimate
Tesomet	Type 2 diabetes	> USD 23 billion[1]
Tesomet	Prader-Willi syndrome	- Orphan indication > USD 1 billion[2]
Tesofensine	Obesity	- USD 250 million in Mexico[3]
NS2359	Cocaine addiction	> USD 1.8 billion[4]
SAN711	Neuropathic pain	> USD 6 billion[5]
Boehringer Ingelheim program	Schizophrenia	> USD 4.8 billion[6]
IK program	Inflammatory bowel disease	> USD 5.9 billion[7]
Nic-α6 program	Parkinson's disease	> USD 2.8 billion[8]
Kv7 program	Pain, epilepsy IU	
Cadent Therapeutic program	Ataxia	- Orphan indication

Apart from orphan indication such as Prader-Willi syndrome, where Saniona may develop and commercialise Tesomet on its own, Saniona will be dependent on major pharmaceutical companies' interest in purchasing, developing and commercializing projects from Saniona's pipeline of preclinical and clinical drug candidates. According to the Board's assessment, there is a well-developed market for licensing, sale, and establishment of research and development collaboration between smaller, research-intensive businesses and large pharmaceutical companies.

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

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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 *Financial analysts estimate that there is about 15-20,000 PWS patients in the US and Europe collectively and that the obtainable price level is USD 80,000 – 150,000 per patient per year, Leerink, JMP Securities, Canaccord Genuity, SunTrust Robinson Humphrey*
3 *Estimates of drugs for obesity in Mexico by Medix 2016*
4 *Estimates by TRC*
5 *Major markets 2012, Decision Resources*
6 *Schizophrenia Forecast 7 major market, Datamonitor, 2014*
7 *Major markets 2014, Datamonitor*
8 *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

		2018-01-01 2018-03-31	2017-01-01 2017-03-31	2017-01-01 2017-12-31
Net sales, KSEK		4,340	7,539	20,692
Total operating expenses, KSEK		-20,070	-15,111	-77,881
Operating profit/loss, KSEK	*	-15,730	-7,572	-57,189
Operating margin, %	*	-362%	-100%	-276%
Cash flow from operating activities		-5,393	-10,966	-57,339
Cash flow per share, SEK	*	0.11	-0.53	-1.41
Earnings per share, SEK		-0.62	-0.31	-2.30
Diluted earnings per share, SEK		-0.62	-0.31	-2.30
Average shares outstanding		21,769,071	20,841,467	21,416,810
Diluted average shares outstanding		22,157,366	20,905,467	21,519,102
Average number of employees, #		23.6	21.7	24.1
		2018-03-31	**2017-03-31**	**2017-12-31**
Cash and cash equivalent, KSEK		25,449	42,249	22,313
Equity, KSEK		33,971	47,935	37,628
Total equity and liabilities, KSEK		53,313	58,835	48,375
Liquidity ratio, %	*	224%	502%	377%
Equity ratio, %	*	64%	81%	78%
Equity per share, SEK	*	1.56	2.30	1.76

* =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
Operating profit/loss	Profit/loss before financial items and tax.	The operating profit/loss is used to measure the profit/loss generated by the operating activities.
Operating margin	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.
Liquidity ratio	Current assets divided by current liabilities.	Liquidity ratio has been included to show the Company's short-term payment ability.
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.
Average number of employees	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.
Equity per share	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.
Cash flow per share	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

	2018-01-01 2018-03-31	2017-01-01 2017-03-31	2017-01-01 2017-12-31
Operation profit/loss, KSEK	-15,730	-7,572	-57,189
Net sales, KSEK	4,340	7,539	20,692
Operating margin, %	**-362%**	**-100%**	**-276%**
Cash flow for the period, KSEK	2,343	-11,003	-30,134
Number of shares	21,769,071	20,841,467	21,416,810
Cash flow per share, SEK	**0.11**	**-0.53**	**-1.41**

	2018-03-31	2017-03-31	2017-12-31
Current assets, KSEK	43,304	54,708	40,569
Current liabilities, KSEK	19,342	10,900	10,747
Liquidity ratio, %	**224%**	**502%**	**377%**
Equity, KSEK	33,971	47,935	37,628
Total equity and liabilities, KSEK	53,313	58,835	48,375
Equity ratio, %	**64%**	**81%**	**78%**
Equity, KSEK	33,971	47,935	37,628
Number of shares	21,769,071	20,841,467	21,416,810
Equity per share, SEK	**1.56**	**2.30**	**1.76**

Revenues and result of the operation

Revenue
Total revenues during the first quarter of 2018 was SEK 4.3 million (7.5). In 2018 revenues comprised research funding under the agreements with Boehringer Ingelheim and BenevolentAI whereas in the first quarter of 2017 revenues comprised research funding under the agreements with Boehringer Ingelheim, BenevolentAI and Cadent Therapeutics Inc.

Operating profit/loss
The operating loss for the first quarter was SEK 15.7 million (7.6).

The company recognized operating expenses of SEK 20.1 million (15.1) for first quarter of 2018. External expenses amounted to SEK 13.2 million (9.1) and personnel costs amounted to SEK 5.9 million (5.1). In the first quarter of 2018, external expenses comprised primarily research and development costs in relation to Tesomet followed by IK program and GABAA α2α3 program. In the first quarter of 2017, external expenses comprised primarily research and development costs in relation to Tesomet followed by GABAA α2α3 program and IK program.

Cash flow
Operating cash flow for the first quarter of 2018 was an outflow of SEK 15.4 million (outflow of 11.0). Consolidated cash flow for the first quarter of 2018 was an inflow of SEK 2.3 million (outflow 11.0).

In 2018, the consolidated cash flow during the first quarter is explained by the operating loss and an inflow of from convertible loan note from Nice & Green totalling SEK 18 million of which SEK 10 million has not been converted. The balance of SEK 8 million was converted into equity during the first quarter and is recorded under new share issues after deduction of issuing expenses. In 2017, the consolidated cash flow during the first quarter is explained by the operating loss.

Financial position
The equity ratio was 64 (81) % as of March 31, 2018, and equity was SEK 34.0 million (47.9). Cash and cash equivalents amounted to SEK 25.4 million (42.2) as of March 31, 2018. Total assets as of March 31, 2018, were SEK 53.3 million (58.8).

The share, share capital and ownership structure

At March 31, 2018, the number of shares outstanding amounted to 22,057,335 (20,841,467). The company established a warrant program on July 1, 2015, totalling 64,000 warrants, on July 1, 2017, totalling 38,750 warrants and on January 19, 2018, totalling 286,003 warrants.

At March 31, 2018, the company had 5,297 (4,956) shareholders excluding holdings in life insurance and foreign custody account holders.

Personnel

As of March 31, 2018, the number of employees was 25 (25) of which 13 (14) are women. Of these employees, 3 (5) are part-time employees and 22 (20) are full-time employees, and a total of 20 (20) work in the company's research and development operations. 12 (10) of Saniona's employees hold PhDs, 2 (4) hold university degrees, 8 (8) have laboratory training and the remaining 3 (3) 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 2017 Annual Report. There are no major changes in the Group's risk exposure and risk management in 2018.

Audit review

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

Financial calendar

Annual General Meeting	May 24, 2018
Interim Report Q2	August 22, 2018
Interim Report Q3	November 14, 2018
Year-End Report 2018	February 21, 2019

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, May 24, 2018
Saniona AB

J. Donald deBethizy - Chairman	Jørgen Drejer – CEO and board member
Claus Bræstrup – Board member	Anna Ljung - Board member
Carl Johan Sundberg - Board member	Leif Andersson - Board member

Condensed consolidated statement of comprehensive income – Group

KSEK	Note	2018-01-01 2018-03-31	2017-01-01 2017-03-31	2017-01-01 2017-12-31
	1-3			
Net sales	4	4,340	7,539	20,692
Total operating income		4,340	7,539	20,692
Raw materials and consumables		-830	-767	-3,263
Other external costs		-13,163	-9,098	-51,387
Personnel costs	5	-5,927	-5,130	-22,671
Depreciation and write-downs		-151	-116	-561
Total operating expenses		-20,070	-15,111	-77,881
Operating profit/loss		**-15,730**	**-7,572**	**-57,189**
Other financial income		-0	0	1,289
Other financial expenses		-136	-296	-376
Total financial items		-136	-296	914
Profit/loss after financial items		**-15,866**	**-7,868**	**-56,275**
Tax on net profit	6	2,414	1,501	7,086
Profit/loss for the period		**-13,452**	**-6,367**	**-49,190**
Other comprehensive income				
Item that may be reclassified to profit and loss		-	-	-
Translation differences		1,219	-3	-968
Total other comprehensive income net after tax		**1,219**	**-3**	**-968**
Total comprehensive income		**-12,234**	**-6,370**	**-50,157**
Earnings per share, SEK		-0.62	-0.31	-2.30
Diluted earnings per share, SEK		-0.62	-0.31	-2.29

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	2018-03-31	2017-03-31	2017-12-31
	1-3			
ASSETS				
Fixtures, fittings, tools and equipment		1,284	1,105	1,366
Tangible assets		1,284	1,105	1,366
Non-current tax assets	6	2,491	1,507	0
Investments in associated companies	9	331	0	331
Other long-term receivables	10	5,810	1,415	6,019
Deferred tax		93	100	89
Financial assets		8,725	3,022	6,439
Non-current assets		**10,009**	**4,127**	**7,806**
Trade receivables		4,939	9,762	7,180
Current tax assets	6	7,596	0	7,276
Other receivables		3,160	1,509	3,261
Prepayments and accrued income		2,159	1,188	540
Current receivables		17,855	12,459	18,256
Cash and cash equivalent		25,449	42,249	22,313
Current assets		**43,304**	**54,708**	**40,569**
Total assets		**53,313**	**58,835**	**48,375**
EQUITY AND LIABILITIES				
Share capital	11	1,103	1,042	1,088
Additional paid in capital	11	123,976	83,323	116,452
Retained earnings		-77,472	-29,626	-29,321
Currency translation reserve		-183	-437	-1,402
Profit/loss for the period		-13,452	-6,367	-49,190
Equity		**33,971**	**47,935**	**37,628**
Prepayments from customers		201	0	604
Trade payables		5,392	5,650	5,209
Current tax liabilities		0	1,595	0
Convertible loan	11	10,000	0	0
Other payables		515	567	511
Accrued expenses and deferred income		3,234	3,087	4,423
Current liabilities		19,342	10,900	10,747
Total liabilities		**19,342**	**10,900**	**10,747**
Total equity and liabilities		**53,313**	**58,835**	**48,375**

Condensed consolidated statement of changes in equity – Group

	Number of shares	Share capital	Additional paid in capital	Trans-lation reserves	Retained earnings	Shareholders' equity
January 1, 2017	**20,841,467**	**1,042**	**83,323**	**-434**	**-29,680**	**54,252**
Comprehensive income						
Profit/loss for the year					-6,367	-6,367
Other comprehensive income:						
Translation differences				-3		-3
Total comprehensive income				**-3**	**-6,367**	**-6,370**
Transactions with owners						
Share-based compensation expenses					53	53
Total transactions with owners	**0**	**0**	**0**	**0**	**53**	**53**
March 31, 2017	**20,841,467**	**1,042**	**83,323**	**-437**	**-35,993**	**47,935**
April 1, 2017	**20,841,467**	**1,042**	**83,323**	**-437**	**-35,993**	**47,935**
Comprehensive income						
Profit/loss for the year					-42,823	-42,823
Other comprehensive income:						
Translation differences				-964		-964
Total comprehensive income				**-964**	**-42,823**	**-43,787**
Transactions with owners						
Shares issued for cash	921,053	46	34,954			35,000
Expenses related to capital increase			-1,825			-1,825
Share-based compensation expenses					359	359
Total transactions with owners	**921,053**	**46**	**33,129**	**0**	**359**	**33,534**
December 31, 2017	**21,762,520**	**1,088**	**116,452**	**-1,402**	**-78,511**	**37,628**
January 1, 2018	**21,762,520**	**1,088**	**116,452**	**-1,402**	**-78,511**	**37,628**
Comprehensive income						
Profit/loss for the year					-13,452	-13,452
Other comprehensive income:						
Translation differences				1,219		1,219
Total comprehensive income				**1,219**	**-13,452**	**-12,234**
Transactions with owners						
Shares issued for cash	294,815	15	7,985			
Expenses related to capital increase			-462			
Share-based compensation expenses					1,038	1,038
Total transactions with owners	**294,815**	**15**	**7,523**	**0**	**1,038**	**8,577**
March 31, 2018	**22,057,335**	**1,103**	**123,976**	**-183**	**-90,925**	**33,971**

Condensed consolidated statement of cash flows – Group

KSEK	Note	2018-01-01 2018-03-31	2017-01-01 2017-03-31	2017-01-01 2017-12-31
Operating loss before financial items		-15,730	-7,572	-57,189
Adjustments for non-cash transactions		1,157	169	918
Changes in working capital		-683	-3,267	-347
Cash flow from operating activities before financial items		**-15,256**	**-10,670**	**-56,617**
Interest income received		0	0	1,289
Interest expenses paid		-136	-296	-376
Tax paid		0	0	-1,635
Cash flow from operating activities		**-15,393**	**-10,966**	**-57,339**
Investing activities				
Investment in tangible assets		-12	-40	-708
Investments in associated companies	9	0	0	-331
Investment in other financial assets		209	4	-4,931
Cash flow from investing activities		**197**	**-37**	**-5,970**
Financing activities				
Convertible loan	11	10,000	0	0
New share issue	11	7,538	0	33,175
Cash flow from financing activities		**17,538**	**0**	**33,175**
Cash flow for the period		**2,343**	**-11,003**	**-30,134**
Cash and cash equivalents at beginning of period		**22,313**	**53,261**	**53,261**
Exchange rate adjustments		793	-10	-815
Cash and cash equivalents at end of period		**25,449**	**42,249**	**22,313**

Statement of income – Parent Company

KSEK	Note	2018-01-01 2018-03-31	2017-01-01 2017-03-31	2017-01-01 2017-12-31
	1-3			
Net sales		0	0	0
Total operating income		0	0	0
Raw materials and consumables		-5	-5	-20
Other external costs		-1,102	-957	-7,218
Personnel costs		-467	-271	-1,249
Total operating expenses		-1,573	-1,233	-8,487
Operating profit/loss		**-1,573**	**-1,233**	**-8,487**
Other financial income		394	225	1,085
Other financial expenses		-80	-36	-259
Total financial items		314	189	826
Profit/loss after financial items		**-1,259**	**-1,043**	**-7,660**
Tax on net profit		0	0	0
Profit/loss		**-1,259**	**-1,043**	**-7,660**

Balance Sheet – Parent Company

KSEK	Note	2018-03-31	2017-03-31	2017-12-31
ASSETS				
Investment in subsidiaries		11,832	11,832	11,832
Investments in associated companies		331	0	331
Financial assets		12,162	11,832	12,162
Non-current assets		**12,162**	**11,832**	**12,162**
Receivables from group companies		88,571	45,295	69,062
Other receivables		240	206	122
Prepayments and accrued income		722	466	95
Current receivables		89,533	45,967	69,279
Cash and cash equivalent		13,148	14,261	17,120
Current assets		**102,682**	**60,228**	**86,399**
Total assets		**114,844**	**72,059**	**98,561**
EQUITY AND LIABILITIES				
Restricted equity				
Share capital	11	1,103	1,042	1,088
Additional paid in capital	11	122,464	81,812	114,941
Retained earnings		-17,979	-10,318	-10,318
Profit for the period		-1,259	-1,043	-7,660
Equity		**104,329**	**71,492**	**98,050**
Convertible loan	11	10,000	0	0
Other payables		515	567	511
Current liabilities		10,515	567	511
Total liabilities		**10,515**	**567**	**511**
Total equity and liabilities		**114,844**	**72,059**	**98,561**

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 2017. More detailed information about the Group's and the Parent Company's accounting and valuation principles can be found in the Annual Report for 2017, which is available on www.saniona.com. New and amended standards and interpretations implemented as of January 1, 2018, 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 Cadent 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 2017 and 2018.

The Group owns 7% of the share capital of Cadent Therapeutics. Cadent 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 Cadent 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 Cadent 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 Cadent 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 quarter of 2018 totalled SEK 1,038 (53) 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.

	Options granted in 2015	Options granted in 2017	Options granted in 2018	Total
Share-based payment				
Outstanding at 1 January 2018	64,000	38,292	-	102,292
Granted during the period	-	-	286,003	286,003
Forfeited during the period	-	-	-	-
Outstanding at 31 March 2018	**64,000**	**38,292**	**286,003**	**388,295**

If all issued warrants are exercised for subscription of new shares, the Parent Company's will issue a total of 388,295 new shares corresponding to a dilution of approximately 1.73%. The data below has been used for the calculation.

Employee incentive program	2015	2017	2018
Allotted options	64,000	38,750	286,003
Fair value per option (SEK)	13.13	29.48	12.67
Share price for underlying shares (SEK)	19.90	45.50	26.95
Subscription price (SEK)	20.72	41.13	33.60
Vesting period	4 years	4 years	3 years
Estimated life of the option	4.50 years	5.50 years	6.25 years
Risk-free interest rate during the life of the option	0.2257%	-0.0584%	0.2389%
Assumed volatility*	91.29%	76.75%	57.41%
Expected dividends	0	0	0

** In 2015 and 2017, the volatility equals the historical volatility for the longest period where trading activity is available (for the period since listing at AktieTorget on April 22, 2014 to date of grant). In 2018, the volatility equals a twelve-month period.*

Option granted in 2015 entitle the holder to acquire one new share in Saniona for a subscription price of SEK 20.72. The options are earned gradually over a period of 48 months. Holders can take advantage of assigned and earned stock options during 30 days from the day following the publication of the Group's quarterly reports, or in the case of full-year, full-year report, for the first time after publication of the quarterly report for the first quarter of 2018 and last time after publication of the quarterly report for the third quarter of 2019. A more detailed description can be found in the annual report for 2017.

Allotment of 38,750 options took place in July 2017. Option granted in 2017 entitle the holder to acquire one new share in Saniona for a subscription price of SEK 41.13. The options are earned gradually over a period of 48 months. Holders can take advantage of assigned and earned stock options during 30 days from the day following the publication of the Group's quarterly reports, or in the case of full-year, full-year report, for the first time after publication of the quarterly report for the first quarter of 2021 and last time after publication of the quarterly report for the third quarter of 2022. A more detailed description can be found in the annual report for 2017.

Allotment of 286,003 options took place in March 2018. Option granted in 2018 entitle the holder to acquire one new share in Saniona for a subscription price of SEK 33.60. 25% of the options vested on January 19, 2018, when the holder was elected as chairman of the Board of Directors. The balance of the options is earned with 25% on each anniversary of the election as chairman of the Board of Directors over a period of 3 years. The holder can take advantage of assigned and earned stock options during 30 days from the day following the publication of the Group's quarterly reports, or in for full-year, the year-end report, the first time after publication of the quarterly report for the first quarter of 2021 and last time after publication of the quarterly report for the first quarter of 2024.

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 2,414 (tax income of 1,501) thousand during the first quarter of 2018. 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 (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 2017 and 2018, 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 March 31, 2018, the Group had SEK 7.6 million in current tax asset, which will be payable in November 2018, and SEK 2.5 million in non-current tax assets which will be payable in November 2019. As of March 31, 2017, the Group had no current tax asset and SEK 1.5 million in non-current tax asset, which will be payable in November 2018.

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, 2019. Saniona A/S had no external net debt as of March 31, 2018.

Note 8 Related parties

Related parties comprise the Group's Executive Management, Board of Directors and companies within the Group. Apart from intercompany transaction and board fees as well as remuneration of management in accordance to the remuneration policy as resolved at the annual general meeting, there has been no transaction with related parties during 2017 and 2018.

Note 9 Investment in Scandion Oncology

On May 3, 2017, Saniona participated in formation of a new company, Scandion Oncology A/S. The investment of KSEK 331 has been recorded in the Saniona AB's and the Groups balance sheet under Investment in associated companies. In December, Saniona announced that Scandion Oncology has raised DKK 2 million in a private placement. As of March 31, 2018, Saniona AB owns 46.55% of Scandion Oncology A/S. The remaining 53.45% of the shares are owned by the three co-founders of Scandion Oncology A/S and a group of investors participating in the private placement. Saniona Group has no further obligations toward Scandion Oncology A/S. The financial statements of Scandion Oncology A/S have not been subject to consolidation in the Group. As of March 31, 2018, Saniona does not have controlling interest in Scandion Oncology.

Note 10 NeuroSearch

On July 4, 2017, Saniona acquired NeuroSearch's remaining interest in the preclinical and clinical assets, which Saniona acquired from NeuroSearch during the period 2012-2016. According to the previous agreements, Saniona was obliged to pay NeuroSearch a milestone payment of EUR 400,000 when the first preclinical program was tested in humans. In addition, Saniona was obliged to pay royalties on its product sales or a percentage of its licensing income in relation to the acquired clinical assets including the clinical development compounds, tesofensine and NS2359. According to the new agreement, Saniona has paid NeuroSearch a onetime cash payment of DKK 5.5 million. Following this, Saniona has no additional payment obligations to NeuroSearch. Saniona estimates that the onetime cash payment of DKK 5.5 million would have been payable to NeuroSearch with a four-year period under the previous agreements. Therefore, the amount will be expensed over a four-year period starting July 1, 2017. In 2018 the onetime cash payment has been expensed with DKK 0.3 million (SEK 0.4 million) and as March 31, 2018, the recorded value of the asset is DKK 4.5 million (SEK 6.2 million).

Note 11 Convertible loan

Saniona entered into a convertible notes funding agreement with Nice & Green S.A on December 29, 2017. Under the terms of the agreement, Nice & Green has committed to subscribe up to SEK 72 million in convertible notes in 12 individual tranches of SEK 6 million each over a 12-month period subject to prolongation by Saniona. Saniona has the right to extend the convertible notes funding agreement with Nice & Green for an additional SEK 72 million with the same terms, totalling SEK 144 million over a two-year period.

The convertible notes will bear no interest and will mature 12 months from the date issued. Unless an event of default occurs, the non-converted convertible notes will be converted to shares or reimbursed in cash at Saniona's discretion at the maturity date. Nice & Green will have the right to request conversion of the convertible notes at any time during a period of 12 months following the issue of the respective tranche. To the extent Nice & Green has not requested conversion at the end of the respective conversion period, Saniona will have the right to request conversion. The pricing of the shares will be determined as 92% of the lowest daily volume-weighted average share price (VWAP) of the five trading days prior to the date on which Nice & Green has sent a

conversion notice to Saniona. Upon each request for conversion, Saniona has the right to instead of effectuating conversion, pay a cash amount to Nice & Green. The cash amount to be paid in case Saniona utilizes this right, will be calculated as V/0.97 where V is the nominal amount of the convertible note for which Saniona choses to effect cash payment. For further details, please see Saniona's press release dated December 29, 2017.

In the first quarter of 2018, Saniona has drawn three tranches totalling SEK 18 million of which SEK 8 million has been converted to shares by Nice & Green as of March 31, 2018. The converted amount of SEK 8 million is taken to equity after deducting expenses relating to capital increase totalling KSEK 462.

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.

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

Atlas Venture
Atlas Venture Inc.

BenevolentAI
BenevolentAI acquired Proximagen Ltd. in Q1 2017.

Boehringer Ingelheim
Boehringer Ingelheim GmbH.

Cadent Therapeutics
Cadent Therapeutics was established in March 2017 through a merger between Saniona's spin-out company, Ataxion, and Luc Therapeutics.

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.

Chronic itching
Chronic itching (also known as pruritus) is defined as an unpleasant sensation that provokes the desire to scratch. Prolonged itching and scratching may increase the intensity of the itch and lead to skin injury, infection and scarring. The possible causes are numerous and include dry skin, skin disorders such as eczema and psoriasis, infections such as chicken pox and scabies, underlying illness such liver disease, kidney failure and cancers, nerve disorders such as multiple sclerosis and diabetes mellitus, and allergic diseases including allergic reactions to medications such as antibiotics and chemotherapy. For some patients, there's no known cause. Chronic itching ranges in intensity from a mild annoyance to a disabling condition. The constant need to scratch can be as debilitating as chronic pain. Depending on the underlying cause, the current treatment options include moisturizing cream, antihistamines, corticosteroids, local anaesthetics, calcineurin inhibitors and antidepressants. Many patients experience only a partial relief whereas others have no relief from existing treatment options.

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

EMA
European Medicines Agency

Essential tremor
Essential tremor is the most common movement disorder with a prevalence of 4% in persons age 40 and older and considerably higher among persons in their 60s, 70s, 80s and 90s. It typically involves a tremor of the arms, hands or fingers but sometimes involving the head, vocal cords or other body parts during voluntary movements such as eating and writing. Although essential tremor is often mild, people with severe tremor have difficulty performing many of their routine activities of daily living.

FDA
US Food and Drug Administration

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

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

IND
Investigational New Drug is a program by which a pharmaceutical company obtains permission to ship and test an experimental drug in the U.S. 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.

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. For further details, please see the Partners section.

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

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