YEAR END REPORT FOR SANIONA AB (PUBL)
556962-5345
January - December 2015
Published February 19, 2016

SANIONA IS MAKING TWO PROJECTS READY FOR PHASE 2 AND CONTINUES TO DEVELOP ITS BROAD PORTFOLIO

Financial highlights

Jan-Dec 2015 (Jan-Dec 2014)

- Net revenues were KSEK 13,630 (21,718)
- EBIT was KSEK -28,075 (-8,258)
- Earnings per share were SEK -1.10 (-0.43)
- Diluted earnings per share were SEK -1.10 (-0.43)

Q4 2015 (Q4 2014)

- Net revenues were KSEK 1,827 (3,720)
- EBIT was KSEK -5,327 (-6,243)
- Earnings per share were SEK -0.23 (-0.32)
- Diluted earnings per share were SEK -0.23 (-0.32)

Business highlights in Q4 2015

- Saniona and Ataxion extend their on-going drug discovery and development collaboration with the aim of identifying a development candidate.
- Rights issue is subscribed to 80.4% and the company raises about SEK 48.8 Million before issue expenses, amounting to around SEK 5.3 million.
- New pre-clinical efficacy data for AN363 published at the Society for Neurosciences 2015 Conference in Chicago along with new scientific data in relation to the AN346 program.
- Saniona increased the shareholder base with more than 50% during the 4th quarter 2015 primarily due to a significant interest from Danish investors with a more than tenfold increase in number.
- Saniona initiated manufacturing of tablets for the Phase 2a clinical study in type 2 diabetes with Tesomet after having completed the validation and release of drug substance for clinical studies in humans.

Significant events after the reporting period

- Saniona and Upsher-Smith Laboratories, Inc., through its wholly-owned UK subsidiary Proximagen Ltd., sign collaboration agreement for the research and development of therapeutics for neurological disorders. Proximagen is granted exclusive worldwide rights to develop, manufacture and commercialize medicines identified through the collaboration. Saniona is entitled to pre-commercial milestone payments of up to US$30 million (about SEK 250 million) and tiered royalties on product sales.
- Saniona and Productos Medix, S.A de S.V sign a drug development and commercialization collaboration. Medix is granted exclusive rights to develop and commercialize tesofensine and Tesomet in Mexico and Argentina. Medix will finance the clinical development in the two countries. Medix intends to initiate Phase 3 clinical studies for tesofensine for obesity later this year. Saniona retains all rights to tesofensine and Tesomet in the rest of the world including clinical data developed by Medix. Medix will pay Saniona an upfront payment of US$ 1.25 million (about SEK 10.5 million), regulatory milestone payments, and double-digit royalties on product sales.

Comments from the CEO

”Saniona took a significant leap forward during Q4 by announcing that we now are planning for two Phase 2 studies during the first half of 2016. One for NS2359 and the other for Tesomet. We have made a flying start during the first two months of 2016 by signing two new partnership contracts with great financial potential. The new contracts clearly show that we are committed to our objective of financing most of our internal costs through partnerships,” 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 Upsher-Smith Laboratories, Inc., Productos Medix, S.A de S.V and Saniona's Boston based spinout Ataxion Inc., which is financed by Atlas Venture Inc. and Biogen Idec Inc. Saniona is based in Copenhagen, Denmark, where it has a research center of high international standard. Saniona is listed at AktieTorget since April 2014 and has about 3,000 shareholders. The company's share is traded under the ticker SANION. Read more at www.saniona.com

Letter from the CEO

”Saniona finished 2015 strongly. We closed our finance round in November. We took a clear step forward towards initiating Phase 2 studies for Tesomet for type 2 diabetes in December. And a few days later we could report that the Phase 2 study for NS2359 for cocaine addiction will be initiated in 2016 together with our partner, TRC.

We also made a flying start in 2016 by signing a new Pharma collaboration agreement with Upsher-Smith's subsidiary Proximagen, where the pre-commercial milestone payments can reach around a quarter billion Swedish kronor (US $30 million). This new agreement relates to a project, which we have not communicated about previously. It clearly demonstrates the value and strength of our platform and broad portfolio of projects.

Yesterday, the flying start got even more momentum with the announcement of the Medix collaboration for development of tesofensine and Tesomet in Mexico and Argentina. This collaboration is completely in line with our strategy of combining high ambitions with a low burn rate. It brings us closer to the market and represents a significant leap for Saniona. Medix intends to initiate Phase 3 clinical trials for tesofensine and Phase 2 and Phase 3 clinical trials for Tesomet in obesity. Therefore, Medix may potentially be the first company to introduce one of Saniona´s product candidates to the market, which may lead to a stable income stream to Saniona through royalties on product sales in Mexico and Argentina in the medium term. Moreover, Saniona will have the exclusive rights to use the clinical data developed by Medix in the rest of world. Our objective is to finance a significant part of the internal costs through partnerships, which has been achieved with the two new collaboration.

We are confident that we will be able to deliver on the commercialization of our research efforts through all of our three business models in 2016.

- New early stage partnerships – we are continuously in discussion with a variety of pharmaceutical companies about potential collaboration on our platform and research programs. The recent agreement with Proximagen is the outcome of such discussions. We see good opportunities to enter into additional agreements on our platform and early stage programs.
- Own internal development – we expect to initiate two Phase 2 programs in 2016. Together with our partner TRC we plan to initiate Phase 2 studies for the potentially first effective treatment for cocaine addiction. Saniona has all the commercial rights to NS2359. It is our intentions to apply for additional public funding together with TRC for the continued development of NS2359, if the Phase 2 trial proves to be successful. In addition to the NS2359 program, we expect to initiate Phase 2 studies for Tesomet. Tesomet represents an innovative treatment approach for type 2 diabetes. Finally, we are still investigating whether our preclinical candidate, AN363, can be cleared for Phase 1 clinical studies for neuropathic pain. It is our intention to build further value into these programs through early clinical development before out licensing to 3rd parties.
- Joint ventures or spin-outs – our successful spin-out company Ataxion continues to develop well in collaboration with Biogen and Atlas Ventures who are the other shareholders. We retain an ownership interest of 14 per cent of Ataxion after Biogen and Atlas Ventures have committed to invest up to USD 17 million in the program. This should enable Ataxion to take the lead program through Phase 1 clinical trials at which point Biogen has an option to acquire the company. During 2016, we will look on additional opportunities for establishing spin-outs and joint ventures which may be financed through venture capital or through independent listings.

In summary, Saniona is in an increasingly strong position for the future. Our achievements in 2015 show that our strategy of combining low cost with high ambitions has delivered. At the turn of the year, we have a strong balance sheet with SEK 47 million in cash. The NS2359 Phase 2 program will be financed through public grants and we expect to have enough capital to finalize the Phase 2 study for Tesomet. We have partnering opportunities which may provide additional financing and support the internal developed programs.

I want to take this opportunity to thank all our dedicated employees at Saniona for their substantial achievements during the year. This proves that hard work pays off. Also, I want to thank our longstanding loyal shareholders for their support and welcome the many new shareholders who decided to invest in Saniona during the 4th quarter of 2015. The number of shareholders increased during the last quarter of 2015 by 50%, a sign of trust, which we will do everything we can to live up to."

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 drug candidates at pre-clinical and clinical stage. The research is focused on ion channels. Saniona has ongoing collaboration agreements with Upsher-Smith Laboratories, Inc., Productos Medix, S.A de S.V and Saniona's Boston based spinout Ataxion Inc., which is financed by Atlas Venture Inc. and Biogen Idec Inc. Saniona is based in Copenhagen, Denmark, where it has a research center of high international standard and 19 employees.

Vision and objective

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

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

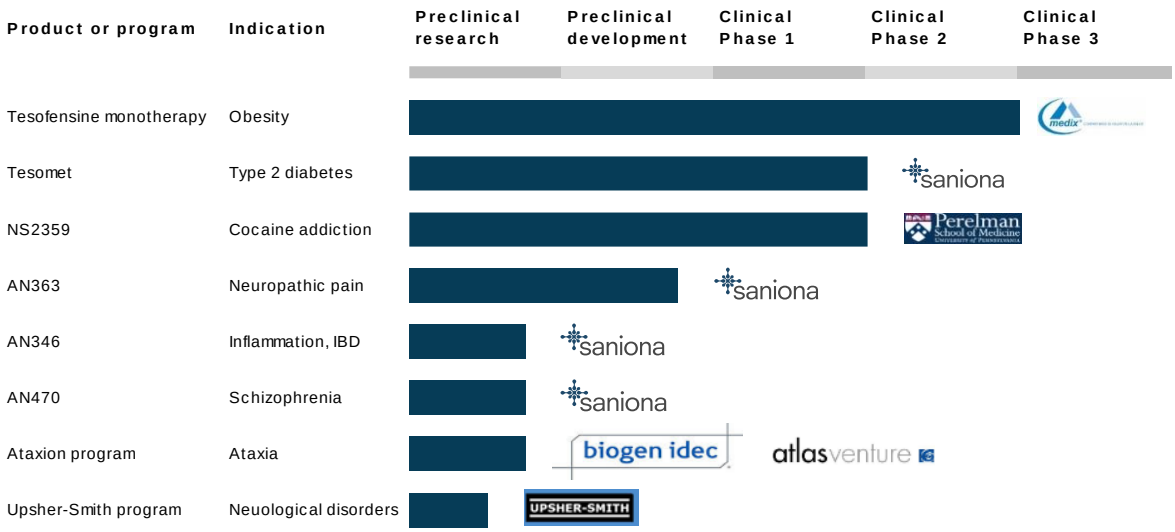
Business model

The company commercializes its research efforts through the following 3 business models:

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

Project portfolio

Saniona has a significant portfolio of potential drug candidates at pre-clinical and clinical stage. The clinical stage programs include tesofensine and Tesomet, where the active ingredient tesofensine has demonstrated strong weight reducing effects in Phase 2 clinical studies in obese patients, and NS2359, which is a promising drug candidate for the treatment of cocaine dependence. The company is currently preparing a Phase 2a trial for Tesomet in type 2 diabetes and a Phase 2a trial for NS2359 in cocaine addiction in collaboration with the University of Pennsylvania's Treatment Research Center (TRC). In addition, the company is collaborating with Productos Medix, S.A de S.V, which is planning to develop tesofensine and Tesomet for obesity in Mexico and Argentina. Saniona currently has five active research programs. The company is developing three internal research programs and two research program in collaboration with Upsher-Smith Laboratories, Inc. and Saniona's spin-out Ataxion Inc. Ataxion is financed by Atlas Venture Inc. and Biogen Inc. The company's project portfolio is set-out below.



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

Market

Saniona's research is focused in the field of ion channels, which is an established concept in pharmaceutical development. According to a recent global strategic business report, the global market for ion channel-modulators is expected to exceed $21 billion in 2018[1].

Saniona's ongoing programs address significant market segments:

Product	Indication	Market estimate
Tesomet	Type 2 diabetes	> USD 23 billion[2]
NS2359	Cocaine addiction	> USD 1.8 billion[3]
AN363	Neuropathic pain	> USD 6 billion[4]
AN470	Schizophrenia	> USD4.8 billion[5]
AN346	Inflammatory bowel disease	> USD 5.9 billion[6]

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

Many of the large pharmaceutical companies have in recent years undergone considerable restructuring, which has resulted in fewer research projects and a close down of research sites. Furthermore, the number of dedicated biotech firms that can provide new innovative products to the pharmaceutical industry has decreased as a result of the global financial crisis. However, there is still a significant need for new and innovative products for the pharmaceutical companies, which often have a limited number of products in their pipelines. Therefore, the market for out-licensing of new, innovative pharmaceutical projects and product programs are considered attractive. Importantly, within the field of ion channels, there are relatively few biotech companies supplying major pharmaceutical companies with research and development projects. Combined this is creating interesting opportunities for Saniona.

1 *http://www.prweb.com/releases/ion_channel_modulators/electrophysiology/prweb10579822.htm. Further details may be found in the annual report for 2014 page 6.*
2 *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*
3 *Estimates by TRC, University of Penn*
4 *Major markets 2012, Decision Resources*
5 *Schizophrenia Forecast 7 major market, Datamonitor, 2014*
6 *Major markets 2014, Datamonitor*

Financial review

	2015-10-01 2015-12-31 3 months	2014-10-01 2014-12-31 3 months	2015-01-01 2015-12-31 12 months	2014-01-01 2014-12-31 12 months
Net sales, KSEK	1,827	3,720	13,630	21,718
Total operating expenses, KSEK	-7,155	-9,963	-41,705	-29,977
Operating profit/loss, KSEK	-5,327	-6,243	-28,075	-8,258
Cash flow from operating activities	-13,989	-4,484	-27,637	-8,478
Operating margin, %	-292	-168	-206	-38
Average number of employees, #	17.5	16.4	16.8	14.8
		2015-12-31		2014-12-31
Cash and cash equivalent, KSEK		47,004		9,689
Equity, KSEK		52,943		8,780
Total equity and liabilities, KSEK		57,673		15,461
Equity ratio, %		92		57

Revenues and result of the operation

Revenue
Saniona generated total revenues of KSEK 1,827 (3,720) for the fourth quarter of 2015, a decrease of 51%. In the fourth quarter of 2015 revenues comprised primarily services under the agreement Ataxion. In 2014 revenues comprised fees for services under the agreement with Pfizer and Ataxion.

Saniona generated total revenues of KSEK 13,630 (21,718) for the full year of 2015, a decrease of 37%. In 2015 revenues comprised primarily services under the agreement with Pfizer and Ataxion. In 2014 revenues comprised an upfront payment from Pfizer plus fees for services under the agreement with Pfizer and Ataxion.

Operating profit/loss
The company recognized an operating loss of KSEK 5,327 (6,243) for the fourth quarter of 2015. The reduction in operating loss is primarily due to a decrease in revenues of KSEK 1,893 and a decrease in operating expenses of KSEK 2,808. The reduction in operating expenses is due to a write down of a loan of KSEK 2,962 to NeuroSearch. Saniona received a loan from NeuroSearch in 2012. According to the agreement with NeuroSearch, any outstanding loan as of December 31, 2015, shall be written off. Accordingly, the write down of the loan has been recognized in the income statement as a reduction in the external development costs in the fourth quarter 2015.

The company recognized an operating loss of KSEK 28,075 (8,258) for the full year of 2015. The development is primarily due to the decrease in revenues and an increase in external expenses, which amounted to KSEK 23,926 (15,022), and in personnel costs, which amounted to KSEK 14,966 (12,465). The increase in external expenses relates primarily to the preclinical development of the company's internal program, AN363, followed by external costs in relation to AN346 and Tesomet. The loss for the full year of 2015 was KSEK 22,947 (5,908). The company recognized a tax credit of KSEK 6,311 (1,831) in the full year of 2015 under the Danish R&D tax credit scheme (please see note 2, Income tax and deferred tax subsidiaries in Denmark).

Financial position
The equity/assets ratio was 92 (57) % as of December 31, 2015, and equity was KSEK 52,943 (8,780). Cash and cash equivalents amounted to KSEK 47,004 (9,689) as of December 31, 2015, an increase of KSEK 37,314 from the beginning of the year. Total assets as of December 31, 2015, were KSEK 57,673 (15,461). The company expects to have sufficient capital to initiate and finance the planned Phase 2a study for Tesomet in 2016.

Cash flow
Operating cash flow for the fourth quarter of 2015 was an outflow of KSEK 13,989 (4,484). Consolidated cash flow for the fourth quarter of 2015 was an inflow of KSEK 34,066 (outflow 4,502).

Operating cash flow for the full year of 2015 was an outflow of KSEK 27,637 (8,478). Consolidated cash flow for the full year of 2015 was an inflow of KSEK 36,898 (8,739). The positive inflow in 2015 is explained by the right issue in the first quarter and fourth quarter this year and the positive inflow in 2014 by the initial public offering in the second quarter last year.

The share, share capital and ownership structure

At December 31, 2015, the number of shares outstanding amounted to 20,841,467 (13,882,200). In February 2015, Saniona raised about SEK 24.3 million before finance cost through a right issue comprising 3,470,550 shares at SEK 7 per share and in November 2015, Saniona raised about SEK 48.8 million before finance cost through a right issue comprising 3,488,717 shares at SEK 14 per share. The company has established a warrant program on July 1, 2015, totaling 64,000 warrants.

At December 31, 2015 the company had 3,212 (777) shareholders, excluding holdings in life insurance and foreign custody account holders. The following shareholders own more than 5% of the number of shares in Saniona AB:

Name	Number of shares		Share of capital and votes	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Jørgen Drejer	2,344,711	2,301,000	11.3%	16.6%
Thomas Feldthus	1,870,000	1,801,000	9.0%	13.0%
Försäkringsaktiebolaget, Avanza Pension	1,602,128	498,024	7.7%	3.6%
Others	15,024,628	9,282,176	72.1%	66.9%
Total	20,841,467	13,882,200	100.0%	100.0%

Personnel

As of December 31, the number of employees was 19 (18) of which 10 (9) are women. Of these employees, 3 (4) are part-time employees and 16 (14) are full-time employees, and a total of 17 (16) work in the company's research and development operations. 11 (11) of Saniona's employees hold PhDs, 2 (2) hold university degrees and the remaining 6 (5) have laboratory training.

Operational risks and uncertainties

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

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

A more detailed description of the Group's risk exposure and risk management is included in Saniona's 2014 Annual Report and in the prospectus published in September 2015. There are no major changes in the Group's risk exposure and risk management in 2015.

Annual General Meeting

The Annual General Meeting (AGM) of Saniona AB (publ) will be held on Tuesday, May 10, 2016, at 2pm, at the office of Setterwalls Advokatbyrå AB, Stortorget 23, Malmö, Sweden.

The Board of Directors propose that no dividend will be paid for the 2015 financial year.

The Annual Report for 2015 will be published on www.saniona.com three weeks before the AGM. It will also be available at Saniona's head office at Baltorpvej 154, 2750 Ballerup, Denmark.

Audit review

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

Financial calendar

Interim Report Q1	May 10, 2016
Annual General Meeting	May 10, 2016
Interim Report Q2	August 23, 2016
Interim Report Q3	November 15, 2016
Year-End Report	February 21, 2017

Ballerup, February 19, 2016
Saniona AB

Claus Bræstrup – Chairman	Jørgen Drejer – CEO and board member
Anker Lundemose – Board member	Leif Andersson – Board member
Carl Johan Sundberg – Board member	

Financial statements

Consolidated statement of comprehensive income – Group

(KSEK)	2015-10-01 2015-12-31 3 months	2014-10-01 2014-12-31 3 months	2015-01-01 2015-12-31 12 months	2014-01-01 2014-12-31 12 months
Net sales	1,827	3,720	13,630	21,718
Total operating income	1,827	3,720	13,630	21,718
Raw materials and consumables	-355	-576	-2,050	-1,729
Other external costs	-2,780	-5,624	-23,926	-15,022
Personnel costs	-3,925	-3,549	-14,966	-12,465
Depreciation and write-downs	-96	-214	-763	-760
Total operating expenses	-7,155	-9,963	-41,705	-29,977
Operating profit/loss	**-5,327**	**-6,243**	**-28,075**	**-8,258**
Other financial income	-4	297	-3	559
Other financial expenses	-704	-0	-1,180	-39
Total financial items	-708	297	-1,183	520
Profit/loss after financial items	**-6,036**	**-5,946**	**-29,258**	**-7,739**
Tax on net profit	1,245	1,505	6,311	1,831
Profit/loss for the period	**-4,790**	**-4,441**	**-22,947**	**-5,908**
Other comprehensive income for the period	432	21	315	37
Total comprehensive income for the period	**-4,358**	**-4,420**	**-22,632**	**-5,871**
Earnings per share, SEK	-0.23	-0.32	-1.10	-0.43
Diluted earnings per share, SEK	-0.23	-0.32	-1.10	-0.43

Consolidated statement of financial position – Group

(KSEK)	2015-12-31	2014-12-31
ASSETS		
Fixtures, fittings, tools and equipment	753	1,273
Tangible assets	753	1,273
Other long-term receivables	1,405	815
Deferred tax	142	0
Financial assets	1,547	815
Non-current assets	**2,300**	**2,088**
Trade receivables	0	3
Current tax assets	6,109	1,893
Other receivables	1,983	1,205
Prepayments and accrued income	277	583
Current receivables	8,369	3,684
Cash and cash equivalent	47,004	9,689
Current assets	**55,373**	**13,373**
Total assets	**57,673**	**15,461**
EQUITY AND LIABILITIES		
Share capital	1,042	694
Share premium account	83,323	16,978
Retained earnings	-8,860	-2,952
Currency translation reserve	385	-32
Profit for the period	-22,947	-5,908
Equity	**52,943**	**8,780**
Trade payables	2,868	2,229
Other payables	0	2,962
Accrued expenses and deferred income	1,862	1,489
Current liabilities	4,730	6,681
Total liabilities	**4,730**	**6,681**
Total equity and liabilities	**57,673**	**15,461**
Pledged assets	**0**	**256**
Contingent liabilities	**50**	**50**

Consolidated statement of changes in equity - Group

	Number of shares	Share capital	Share premium	Translation reserves	Retained earnings	Shareholders' equity
January 1, 2014	**10,000,000**	**120**	**0**	**-68**	**-2,952**	**-2,901**
Total comprehensive income				37	-5,908	-5,871
Transactions with owners						
Shares issued for cash	3,882,200	574	18,341			18,916
Expenses related to capital increase			-1,363			-1,363
December 31, 2014	**13,882,200**	**694**	**16,978**	**-32**	**-8,860**	**8,780**
January 1, 2015	**13,882,200**	**694**	**16,978**	**-32**	**-8,860**	**8,780**
Total comprehensive income				315	-22,947	-22,632
Transactions with owners						
Shares issued for cash	6,959,267	348	72,788			73,136
Expenses related to capital increase			-6,443			-6,443
Share-based compensation expenses					101	101
December 31, 2015	**20,841,467**	**1,042**	**83,323**	**283**	**-31,706**	**52,943**

Consolidated statement of cash flows - Group

(KSEK)	2015-10-01 2015-12-31 3 months	2014-10-01 2014-12-31 3 months	2015-01-01 2015-12-31 12 months	2014-01-01 2014-12-31 12 months
Operating loss before financial items	-5,327	-6,243	-28,075	-8,258
Depreciation	96	214	763	760
Changes in working capital	-8,757	1,544	-325	-980
Cash flow from operating activities before financial items	**-13,989**	**-4,484**	**-27,637**	**-8,478**
Interest income received	-4	297	-3	559
Interest expenses paid	-704	0	-1,180	-39
Cash flow from operating activities	**-14,698**	**-4,187**	**-28,820**	**-7,958**
Investing activities				
Investment in tangible assets	24	-286	-242	-805
Investment in other financial assets	4,649	-28	-732	-51
Cash flow from investing activities	**4,673**	**-315**	**-975**	**-856**
Financing activities				
New share issue	44,090	0	66,693	17,553
Cash flow from financing activities	**44,090**	**0**	**66,693**	**17,553**
Cash flow for the period	**34,066**	**-4,502**	**36,898**	**8,739**
Cash and cash equivalents at beginning of period	**12,456**	**14,170**	**9,689**	**914**
Exchange rate adjustments	481	21	417	37
Cash and cash equivalents at end of period	**47,004**	**9,689**	**47,004**	**9,689**

Statement of comprehensive income – Parent Company

(KSEK)	2015-10-01 2015-12-31 3 months	2014-10-01 2014-12-31 3 months	2015-01-01 2015-12-31 12 months	2014-01-30 2014-12-31 11 months
Total operating income	0	0	0	0
Other external costs	-685	-249	-1,957	-576
Personnel costs	0	0	-38	0
Total operating expenses	-685	-249	-1,994	-576
Operating profit/loss	**-685**	**-249**	**-1,994**	**-576**
Other financial income	99	264	172	404
Other financial expenses	-100	0	-548	-29
Total financial items	-1	264	-376	375
Profit/loss after financial items	**-686**	**15**	**-2,370**	**-202**
Tax on net profit	0	0	0	0
Profit/loss for the period	**-686**	**15**	**-2,370**	**-202**
Total comprehensive income for the period	**-686**	**15**	**-2,370**	**-202**

Statement of financial position – Parent Company

(KSEK)	2015-12-31	2014-12-31
ASSETS		
Investment in subsidiaries	11,832	11,832
Non-current assets	**11,832**	**11,832**
Receivables from group companies	23,278	0
Other receivables	1,319	570
Prepayments and accrued income	170	131
Current receivables	24,767	701
Cash and cash equivalent	43,956	8,742
Current assets	**68,723**	**9,442**
Total assets	**80,555**	**21,274**
EQUITY AND LIABILITIES		
Share capital	1,042	694
Share premium account	81,812	15,467
Retained earnings	-202	0
Profit for the period	-2,370	-202
Equity	**80,282**	**15,960**
Trade payables	273	172
Liabilities to companies in the Group	0	5,142
Current liabilities	273	5,314
Total liabilities	**273**	**5,314**
Total equity and liabilities	**80,555**	**21,274**
Pledged assets	**0**	**0**
Contingent liabilities	**50**	**297**

Statement of changes in equity – Parent Company

	Number of shares	Share capital	Share premium	Translation reserves	Retained earnings	Shareholders' equity
January 30, 2014	**10,482,200**	**524**	**0**	**0**	**0**	**524**
Total comprehensive income				0	-202	-202
Transactions with owners						
Shares issued for cash	3,400,000	170	16,830			17,000
Expenses related to capital increase			-1,363			-1,363
December 31, 2014	**13,882,200**	**694**	**15,467**	**0**	**-202**	**15,960**
January 1, 2015	**13,882,200**	**694**	**15,467**	**0**	**-202**	**15,960**
Total comprehensive income				0	-2,370	-2,370
Transactions with owners						
Shares issued for cash	6,959,267	348	72,788			73,136
Expenses related to capital increase			-6,443			-6,443
December 31, 2015	**20,841,467**	**1,042**	**81,812**	**0**	**-2,572**	**80,282**

Statement of cash flows – Parent Company

(KSEK)	2015-10-01 2015-12-31 3 months	2014-10-01 2014-12-31 3 months	2015-01-01 2015-12-31 12 months	2014-01-30 2014-12-31 11 months
Operating loss before financial items	-685	-249	-1,994	-576
Changes in working capital	-8,275	2,815	-29,108	4,614
Cash flow from operating activities before financial items	**-8,961**	**2,567**	**-31,102**	**4,038**
Interest income received	99	264	172	404
Interest expenses paid	-100	0	-548	-29
Cash flow from operating activities	**-8,962**	**2,830**	**-31,478**	**4,412**
Investing activities				
Investments in subsidiaries	0	-5,112	0	-11,307
Cash flow from investing activities	**0**	**-5,112**	**0**	**-11,307**
Financing activities				
New share issue	44,090	0	66,693	15,637
Cash flow from financing activities	**44,090**	**0**	**66,693**	**15,637**
Cash flow for the period	**35,129**	**-2,282**	**35,215**	**8,742**
Cash and cash equivalents at beginning of period	**8,827**	**11,024**	**58,268**	**0**
Cash and cash equivalents at end of period	**43,956**	**8,742**	**93,482**	**8,742**

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 and headquartered in the municipality of Malmö in the county of Skåne, Sweden. The address of the head office is Baltorpvej 154, DK-2750 Ballerup, Denmark. Saniona has been listed on AktieTorget since April 22, 2014. The company's share is traded under the ticker SANION and the ISIN code SE0005794617.

Note 2 Significant accounting policies

Basis of preparation

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

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

Basis of consolidation

The subsidiary, Saniona A/S, was registered in November 2011 and began operations in September 2012. The Group was formed in a transaction on January 30, 2014, in which the Parent Company acquired 100 % of the shares in Saniona A/S by an issue in kind.

The consolidated accounts include the Parent Company and companies in which the Parent Company directly or indirectly holds more than 50 percent of the voting rights or in any other way has control. Control is achieved when Saniona is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements are prepared based on uniform accounting policies in all group entities. Consolidation of group entities is performed after elimination of all intra-group transactions, balances, income and expenses. Apart from the Parent Company, the current group enterprises comprise Saniona A/S.

Foreign currency translation

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

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate at the dates of the respective transactions. Exchange differences arising between the exchange rate at the transaction date and the exchange rate at the date of actual payment are recognised in the income statement under financial income or financial expense.

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

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

Foreign exchange adjustment of balances that are considered as part of the overall net investment in companies with functional currencies other than SEK are recognised directly in equity in the Consolidated Financial

Statements in a separate reserve for currency translation.

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

Income statement

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

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

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

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

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

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

Share-based payments
Saniona has established share-based incentive programs comprising equity-settled programs (warrant programs) to employees and consultants providing similar services. The equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 3 and note 4. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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

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

Under the Danish R&D tax credit scheme (Skattekreditordningen), loss-making R&D entities can obtain a tax credit which is equal to the tax value of the incurred research and development expenses. The tax credit is payable in November in the following financial year. In 2015 the R&D expense tax-base is capped to DKK 25 million equal to a tax credit of DKK 5.875 million at a tax rate of 23.5%. In 2014 the maximum amount was DKK 25 million equal to a tax credit of DKK 6.25 million at a tax rate of 25%. Research and development tax-credits under the Danish R&D tax credit scheme is recognised in the income statement to the extent that it relates to the research and development expenses for the period and Saniona expects to fulfil the requirement for tax credit for the year.

Segment reporting
The Group is managed as a single business unit. 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.

Statement of financial position

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

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

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

Investments in subsidiaries
Investments in subsidiaries are measured at cost in the parent company's financial statements. Where the recoverable amount of the investment is lower than cost, the investments are written down to this low value.

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

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted

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

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

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

Tax assets, tax payable and deferred tax
Current tax liabilities and current tax receivables are recognized in the statement of financial position as tax calculated on the taxable income for the year adjusted for tax on previous years' taxable income and taxes paid on account/prepaid. The tax credit under the Danish R&D tax credit scheme is recognised in the balance sheet under current tax assets if payable within 12 months and under non-current tax assets if payable after 12 months.

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

Prepayments from customers
Prepayments from customers comprise not yet consumed prepayments relating to the research collaboration with Ataxion in 2015 and Pfizer and Ataxion in 2014.

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

Statement of cash flows

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

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

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

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

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

Note 3: Critical accounting judgements and key sources of estimation uncertainty

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

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

Revenue

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

All the company's revenue-generating transactions, including those with Pfizer Inc., Janssen Pharmaceuticals Inc. and Ataxion Inc. have been subject to such evaluation by management.

Employee incentive program

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

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

These assumptions can vary over time and can change the fair value of future warrants granted.

Deferred tax

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

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

Intangible assets

Research and Development

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

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

Such an intangible asset should be recognized if sufficient certainty can be documented that the future income from the development project will exceed the aggregate cost of production, development and the sale and administration of the product. A development project involves a single product candidate undergoing a high number of tests to illustrate its safety profile and the effect on human beings prior to obtaining the necessary final approval of the product from the appropriate authorities. The future economic benefits associated with the individual development projects are dependent on obtaining such approval. Considering the significant risk and duration of the development period related to the development of pharmaceutical products, management has concluded that the future economic benefits associated with the individual projects cannot be estimated with sufficient certainty until the project has been finalized and the necessary regulatory final approval of the product has been obtained. Accordingly, Saniona has not recognized such assets at this time and therefore all research and development costs are recognized in the income statement when incurred.

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

Note 4: Share based payments

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

Each employee option will entitle the holder to acquire one new share in Saniona for a subscription price of SEK 20.72 corresponding to 100% of the average closing price of the company's share during the ten trading days after the annual meeting 2015. Holders can take advantage of assigned and earned stock options during 30 days from the day following the publication of the company'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.

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

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

Share-based compensation expenses for the full year of 2015 totaled SEK 101 (0) 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.

Note 5 Financial risk

SEK '000	2015-12-31 Fair value	2015-12-31 Carrying amount	2014-12-31 Fair value	2014-12-31 Carrying amount
Financial assets				
Investment in unlisted life science companies	0	0	0	0
Loans and receivables				
Trade receivables	0	0	3	3
Other receivables	1,983	1,983	1,205	1,205
Financial assets and investments at fair value through the income statement	1,983	1,983	1,207	1,207
Financial liabilities				
Other financial liabilities				
Trade payables	2,868	2,868	2,229	2,229
Other payables	0	0	2,962	2,962
Financial liabilities measured at amortised cost through the income statement	2,868	2,868	5,192	5,192

The Group owns 14% of the share capital of Saniona's spin-out Ataxion. Ataxion was formed by Saniona, Atlas Ventures 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. Ataxion is today developing the Ataxia-program based on financing from Biogen Inc. and Atlas Ventures. Considering the significant risk and duration of the development period related to the development of pharmaceutical products, management has concluded that the future economic benefits cannot be estimated with sufficient certainty until Ataxion is sold or the project has been finalized and the necessary regulatory final approval of the product has been obtained. Accordingly, the value of Ataxion is measured at costs since the fair value cannot be determined reliable.

There has been no fair value adjustment of the financial assets in 2014 and 2015.

The Group's programs are sold primarily to pharmaceutical companies and spin-outs funded by pharmaceutical companies and venture capital firms. Historically, the Group has not sustained any losses on trade receivables and other receivables. This was also the case in 2014 and 2015.

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

Note 6: Subsequent Events to the Balance Sheet Date

In January 2016, Saniona and Upsher-Smith Laboratories, Inc., through its wholly-owned UK subsidiary Proximagen Ltd., signed a collaboration agreement for the research and development of new small molecule therapeutics for neurological disorders, using Saniona's expertise in ion channels and related technology platforms. Under the terms of the agreement, Proximagen is granted exclusive worldwide rights to develop, manufacture and commercialize medicines identified through the collaboration. For Saniona, the total potential value of pre-commercial milestone payments is up to US$30 million. In addition, Saniona will receive tiered royalties on net sales of any potential products commercialized by Proximagen as a result of this collaboration.

In February, Saniona and Productos Medix, S.A de S.V signed a development and commercialization agreement for tesofensine and Tesomet in Mexico and Argentina. Medix is granted exclusive rights to develop and commercialize tesofensine and Tesomet in Mexico and Argentina. Medix will finance and be responsible for the clinical development and regulatory filings in the two countries. Medix intends to initiate Phase 3 clinical studies for tesofensine for obesity later this year. Saniona retains all rights to tesofensine and Tesomet in the rest of the world including the clinical data developed by Medix. Medix will pay Saniona an upfront payment of US$ 1.25 million (about SEK 10.5 million), regulatory milestone payments, and double-digit royalties on product sales.

Note 7: Implementation to IFRS

Saniona intends to list the Parent Company on Nasdaq Stockholm Small Cap in 2016. As a consequence the Group is required to prepare its consolidated financial statements according to IFRS. The listing rules requires that the Group present two years of comparative figures meaning that the annual report for 2015 will include comparative figures for 2014 and 2013. Therefore, the transition date to IFRS has been determined to January 1, 2013.

The subsidiary, Saniona A/S, was registered in November 2011 and began operations in September 2012. The Group was formed in a transaction on January 30, 2014, in which the Parent Company acquired 100 % of the shares in Saniona A/S by an issue in kind. Before that transaction the owners of Saniona A/S had established the Parent Company. The Parent Company does not have any business other than owning shares in Saniona A/S. Under Swedish GAAP the issue in kind was performed at the book-values in Saniona A/S, hence no assets or liabilities was revalued and no new goodwill was recorded.

IFRS 3 *Business Combinations* applies to transactions that meets the definition of a business combinations, which is defined as “A transaction or other event in which an acquirer obtains control of one or more businesses”. However, according to IFRS 3.2, it does not apply to a combination between entities or businesses under common control. A common control transaction is a business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory (IFRS 3:B1). The Parent Company and Saniona A/S were both controlled by the same owners before and after the transaction. Therefore, the transaction is a common control transaction under IFRS.

IFRS does not contain any guidance on accounting for common control transactions. In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall according to IAS 8 use its judgement in developing and applying an accounting policy that results in information that is relevant to the economic decision-making needs of users and reliable. In lack of guidance the management needs to select an accounting policy that reflects the substance of the transaction. If the substance is a business combination the guidance in IFRS 3 could be used. If the substance is not a business combination but instead a group reorganization not actually changing control or having economic substance, the selected accounting policy should in the management’s opinion be based on the pre-acquisition values (no fair value adjustments and no new goodwill).

The Group contains after the transaction the same businesses as Saniona A/S before the transaction. Therefore, the Group is essentially a continuation of Saniona A/S, which means that the formation of the Group lack economic substance from an accounting perspective.

In conclusion, the Group is a continuation of Saniona A/S and the ultimate controlling parties are the same before as after the transaction. Therefore, it is the management’s opinion that the consolidated financial statements of the Group shall be restated regarding the periods prior to the transaction. That is to reflect the transaction as if it had occurred from the beginning of the earliest period presented in the financial statements, irrespectively of the actual date of the transaction.

The consolidated financial statements for the Group is under Swedish GAAP presented as if the group was created on January 30, 2014, with no comparative information presented for 2013. Under IFRS, the consolidated financial statements should be presented as if the Group was created at the transition date on January 1, 2013, which means that the Group’s consolidated financial statements for 2014 will comprise the full year of Saniona A/S including January 2014.

The essential effects of the transition to IFRS for the Group in 2014 is presented in the tables below. The transition to IFRS had no other effects on the presented financial statements.

Consolidated statement of comprehensive income – Group

(KSEK)	Swedish GAAP		IFRS
	2014-01-01 2014-01-29 1 month	2014-01-30 2014-12-31 11 months	2014-01-01 2014-12-31 12 months
Net sales	3,539	18,179	21,718
Total operating income	3,539	18,179	21,718
Raw materials and consumables	-114	-1,616	-1,729
Other external costs	-552	-14,469	-15,022
Personnel costs	-809	-11,656	-12,465
Depreciation and write-downs	-51	-710	-760
Total operating expenses	-1,526	-28,451	-29,977
Operating profit/loss	**2,013**	**-10,272**	**-8,258**
Other financial income	3	556	559
Other financial expenses	0	-39	-39
Total financial items	3	516	520
			0
Profit/loss after financial items	**2,017**	**-9,755**	**-7,739**
Tax on net profit	-494	2,325	1,831
Profit/loss for the period	**1,523**	**-7,431**	**-5,908**
Other comprehensive income for the period	38	-1	37
Total comprehensive income for the period	**1,561**	**-7,432**	**-5,871**

Consolidated statement of changes in equity - Group

(KSEK)	Swedish GAAP		IFRS
	2014-01-01 2014-01-29 1 month	2014-01-30 2014-12-31 11 months	2014-01-01 2014-12-31 12 months
Equity at the beginning of the period	-2,901	575	-2,901
New share issues	1,916	15,637	17,553
Profit/loss for the period	1,523	-7,431	-5,908
Currency translation	38	-1	37
Equity at the end of the period	**575**	**8,780**	**8,780**

Consolidated statement of cash flows - Group

(KSEK)	Swedish GAAP		IFRS
	2014-01-01 2014-01-29 1 month	2014-01-30 2014-12-31 11 months	2014-01-01 2014-12-31 12 months
Operating loss before financial items	2,013	-10,272	-8,258
Depreciation	51	710	760
Changes in working capital	6,843	-7,822	-980
Cash flow from operating activities	**8,907**	**-17,384**	**-8,478**
Interest income received	3	556	559
Interest expenses paid	0	-39	-39
Cash flow from operating activities	**8,416**	**-16,868**	**-7,958**
Investing activities			
Investment in tangible assets	16	-821	-805
Investment in other financial assets	10	-60	-51
Cash flow from investing activities	**25**	**-881**	**-856**
Financing activities			
New share issue	1,916	15,637	17,553
Cash flow from financing activities	**1,916**	**15,637**	**17,553**
Cash flow for the period	**10,357**	**-2,112**	**8,739**
Cash and cash equivalents at beginning of period	**914**	**11,309**	**914**
Translation differences	38	-103	-66
Cash and cash equivalents at end of period	**14,170**	**9,093**	**9,689**

Business terms - glossary

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

AN363
A small molecule which is designed to positively modulate (PAM) GABA α2 and GABA α3 ion channels, which are expressed in various central and peripheral neurons and are believed to be key mediator in the control of pain signaling and the control of anxiety.

AN346
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.

AN470
A small molecule which is designed to negatively modulate (NAM) GABA α5 channels. GABA α5 channels are expressed in various CNS tissue and are believed to be a key mediator in the control of cognitive processes. AN470 is a novel candidate for treatment of cognitive and psychiatric disorders such as schizophrenia.

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

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

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.

Cocaine addiction
The compulsive craving for use of cocaine despite adverse consequences.

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

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

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

EMA
European Medicines Agency

FDA
US Food and Drug Administration

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.

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

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

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

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

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

Financial glossary

Earnings per share
Profit/loss for the period divided by the average number of shares outstanding at the end of the period

EBIT
Earnings Before Interest and Taxes (Operating profit/loss)

Equity ratio
Shareholders' equity as a proportion of total assets

Diluted earnings per share
Profit/loss for the period divided by the average number of shares after dilution at the end of the period

Operating margin
EBIT as a proportion of revenue

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