INTERIM REPORT FOR SANIONA AB (PUBL)
556962-5345
January - September 2017
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SANIONA PROGRESS TOWARDS ROYALTY INCOME

Financial highlights

Jan - Sep 2017 (Jan - Sep 2016)

- Net revenues were SEK 16.1 M (69.5 M)
- EBIT was SEK -40.6 M (19.2 M)
- Earnings per share were SEK -1.58 (0.70)
- Diluted earnings per share were SEK -1.58 (0.70)

Q3 2017 (Q3 2016)

- Net revenues were SEK 4.2 M (50.6 M)
- EBIT was SEK -15.1 M (33.7 M)
- Earnings per share were SEK -0.61 (1.32)
- Diluted earnings per share were SEK -0.61 (1.31)

Business highlights in Q3 2017

- Saniona buys out future payment obligation to NeuroSearch
- Saniona's partner, Cadent Therapeutics, nominates clinical candidate and initiates preclinical development in joint Ataxia program
- Saniona's partner, Medix, initiates Phase 3 study for tesofensine in obesity
- Saniona presents Tesomet Phase 2 data at the European Association for the Study of Diabetes congress 2017 in Lisbon, Portugal
- Saniona reports encouraging start for tesofensine Phase 3 study with the recruitment of 150 out the planned 372 patients in the study during the first six weeks

Significant events after the reporting period

- Saniona receives third and final milestone payment under the USD 590,700 (about SEK 5.2 million) grant from the Michael J. Fox Foundation for Parkinson's Research
- Saniona partner and spin-out company Cadent Therapeutics (former Luc Therapeutics) receives milestone from Novartis.
- Saniona decides to perform interim analysis of the Phase 2a study for Tesomet in adult patients with Prader-Willi syndrome.

Comments from the CEO

"In the third quarter 2017, Saniona made great strides towards achieving a stable royalty income from our partnership with Medix, who is running our Phase 3 study for tesofensine in obesity. We are at the same time diligently advancing our lead program, Tesomet, in both metabolic diseases and eating disorders," says Jørgen Drejer, CEO of Saniona.

For more information, please contact

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About Saniona

Saniona is a research and development company focused on drugs for diseases of the central nervous system, autoimmune diseases, metabolic diseases and treatment of pain. The company has a significant portfolio of potential drug candidates at preclinical and clinical stage. The research is focused on ion channels, which makes up a unique protein class that enables and controls the passage of charged ions across cell membranes. Saniona has ongoing collaboration agreements with Boehringer Ingelheim GmbH, Proximagen Ltd., Productos Medix, S.A de S.V and Cadent Therapeutics Inc. Saniona is based in Copenhagen, Denmark, where it has a research center of high international standard. Saniona is listed at Nasdaq Stockholm Small Cap and has about 5,300 shareholders. The company's share is traded under the ticker SANION. Read more at www.saniona.com.

Letter from the CEO

"I am proud of the significant progress the company has made since our inception in 2012 that has established Saniona as an innovator in the biotech industry. With our recent jump to the main market of Nasdaq Stockholm, which was a great achievement for us, we have garnered growing shareholder interest in Europe and the United States based on our robust pipeline and deep partnerships. We have continued to advance our clinical development pipeline to address large markets comprising common diseases and orphan diseases under a diversified business model and we look forward to fostering new relationships and expanding our opportunities.

At the beginning of the third quarter, we acquired NeuroSearch's remaining interest in the preclinical and clinical assets, which Saniona acquired from NeuroSearch during the period 2012-2016. We believe that the buyout of our payment obligation to NeuroSearch may prove to be valuable for our shareholders since it provides a significant increase in the upside to our pipeline including the most advanced programs such as tesofensine, Tesomet and NS2359.

Our revenues during the third quarter of 2017 was SEK 4.2 million and comprised research funding under the agreements with Boehringer Ingelheim and Proximagen. During the same period 2016, Saniona's revenues was SEK 50.6 million primarily due to the large upfront payment from Boehringer Ingelheim of SEK 47.5 million.

In the third quarter 2017, Saniona made great strides towards achieving a stable royalty income from our partnership with Medix, who is running our Phase 3 study for tesofensine in obesity. Initiated in August, the trial has already recruited a substantial part of the total number of patients needed. We expect to announce top line data during the first half of 2019, and assuming a positive data readout, this accelerated timeline provides us with the potential to generate double digit royalties on sales of tesofensine in Mexico and Argentina sooner than expected. Furthermore, it will provide us with valuable data to pursue potential approval in other selected countries where we have retained the rights.

We are also diligently advancing our lead program, Tesomet, based on our promising Phase 2 study in diabetics, which demonstrated that the fixed dose combination of tesofensine and metoprolol maintains the weight loss properties and the safe and well tolerated profile of tesofensine without an increase in heart rate. We have finalised our new combination tablet for Tesomet and are in the process of extending the animal safety documentation to allow for treatment of patients for one year or longer. Tesofensine monotherapy has already been well documented in patients for up to one year, and clinical data show high tolerability and effect with more than 1,300 patients treated.

Within the next two years, we will have the opportunity to initiate clinical studies in several metabolic diseases including obesity, diabetes and fatty liver/NASH. As these studies tend to be costly, we envision finding partners prior to initiating Phase 3 clinical trials. Tesomet is also potentially relevant for various eating disorders. Earlier in the year we initiated exploratory studies in the rare and still untreatable disease, Prader-Willi syndrome, and are in the process of performing an interim analysis of the first 9 patients, as recently announced. Binge eating is another eating disorder where Tesomet may find a role and we are currently developing plans for clinical studies to evaluate this opportunity. Studies in eating disorders are less costly than in metabolic diseases and we see opportunities for Saniona to develop these indications to higher value inflection points than for metabolic diseases.

I have great expectations for Tesomet and look forward to further developing it in both metabolic diseases and eating disorders.

As I have mentioned in the past, each of our programs require their own unique resources, expertise and attention, which is made possible through our partnerships and experienced teams. This model has been further reinforced this quarter by a final milestone payment from The Michael J. Fox Foundation to help us identify a new drug candidate for our Parkinson's program. In addition, the milestone payment achieved by our collaboration partner, Cadent Therapeutics, and their decision to advance a collaborative program drives additional value to our stake in the company as well as to Saniona. Our diverse business model, which brings together collaborators from around the world, provides us with significant opportunities to quickly bring new and innovative treatments to severely underserved populations."

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. Saniona is based in Copenhagen, Denmark, where it has a research center of high international standard.

Vision

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

Business idea

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

Overall objective

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

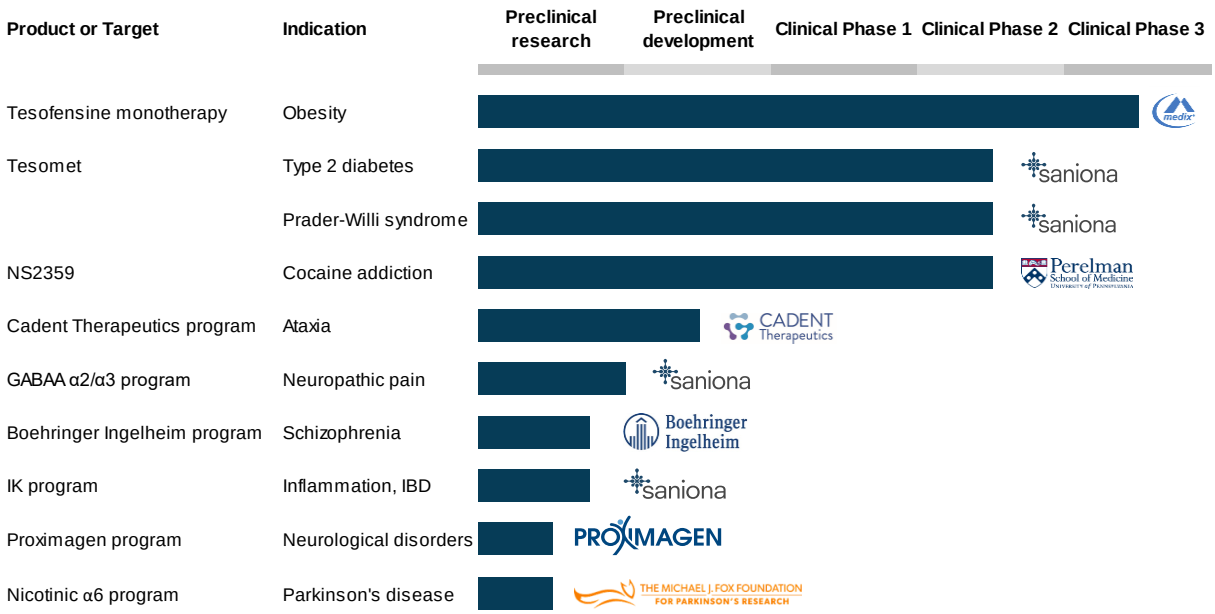
Business model

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

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

Project portfolio

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



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

Market

Saniona's ongoing programs address significant market segments:

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

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

There is a significant need for new and innovative products for the pharmaceutical companies, which often have a limited number of products in their pipelines. Therefore, the market for out-licensing of new, innovative pharmaceutical projects and product programs are considered attractive. Importantly, within the field of ion channels, there are relatively few biotech companies supplying major pharmaceutical companies with research and development projects. Combined, this is creating interesting 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 *Estimates of drugs for obesity in Mexico by Medix 2016*
3 *Estimates by TRC*
4 *Major markets 2012, Decision Resources*
5 *Schizophrenia Forecast 7 major market, Datamonitor, 2014*
6 *Major markets 2014, Datamonitor*
7 *The market for Parkinson's disease is estimated to be USD 2.8 billion in the 7 major markets in 2014, Datamonitor 2016*

Financial review

Financial key figures

		2017-07-01 2017-09-30	2016-07-01 2016-09-30	2017-01-01 2017-09-30	2016-01-01 2016-09-30	2016-01-01 2016-12-31
Net sales, KSEK		4,186	50,611	16,072	69,510	74,921
Total operating expenses, KSEK		-19,329	-16,866	-56,663	-50,325	-70,764
Operating profit/loss, KSEK	*	-15,143	33,744	-40,591	19,184	4,156
Operating margin, %	*	-362%	67%	-253%	28%	6%
Cash flow from operating activities		-16,813	27,427	-32,990	17,871	7,953
Cash flow per share, SEK	*	-1.12	1.43	-0.59	0.84	0.32
Earnings per share, SEK		-0.61	1.32	-1.58	0.70	0.11
Diluted earnings per share, SEK		-0.61	1.31	-1.58	0.70	0.11
Average shares outstanding		21,762,520	20,841,467	21,762,520	20,841,467	20,841,467
Diluted average shares outstanding		21,865,270	20,905,467	21,865,270	20,905,467	20,905,467
Average number of employees, #		23.7	19.4	23.4	19.2	19.7

		2017-09-30	2016-09-30	2016-12-31
Cash and cash equivalent, KSEK		40,869	63,695	53,261
Equity, KSEK		53,335	66,900	54,252
Total equity and liabilities, KSEK		65,542	82,913	70,769
Liquidity ratio, %	*	412%	502%	412%
Equity ratio, %	*	81%	81%	77%
Equity per share, SEK	*	2.45	3.21	2.60

* = Alternative performance measures

Definitions and relevance of alternative performance measures

Saniona presents certain financial measures in the interim report that are not defined according to IFRS, so called alternative performance measures. These have been noted with an "*" in the table above. The company considers that these measures provide valuable supplementary information for investors and company management as they enable an assessment of relevant trends of the company's performance. These financial measures should not be regarded as substitutes for measures defined per IFRS. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies. The definition and relevance of key figures not calculated according to IFRS are set-out in the table below.

Key figure	Definition	Relevance
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

	2017-07-01 2017-09-30	2016-07-01 2016-09-30	2017-01-01 2017-09-30	2016-01-01 2016-09-30	2016-01-01 2016-12-31
Operation profit/loss, KSEK	-15,143	33,744	-40,591	19,184	4,156
Net sales, KSEK	4,186	50,611	16,072	69,510	74,921
Operating margin, %	**-362%**	**67%**	**-253%**	**28%**	**6%**
Cash flow for the period, KSEK	-24,269	29,851	-12,733	17,428	6,735
Number of shares	21,762,520	20,841,467	21,762,520	20,841,467	20,841,467
Cash flow per share, SEK	**-1.12**	**1.43**	**-0.59**	**0.84**	**0.32**

	2017-09-30	2016-09-30	2016-12-31
Current assets, KSEK	50,324	80,442	68,066
Current liabilities, KSEK	12,207	16,013	16,517
Liquidity ratio, %	**412%**	**502%**	**412%**
Equity, KSEK	53,335	66,900	54,252
Total equity and liabilities, KSEK	65,542	82,913	70,769
Equity ratio, %	**81%**	**81%**	**77%**
Equity, KSEK	53,335	66,900	54,252
Number of shares	21,762,520	20,841,467	20,841,467
Equity per share, SEK	**2.45**	**3.21**	**2.60**

Revenues and result of the operation

Revenue
Total revenues during the third quarter of 2017 was SEK 4.2 million (50.6). In 2017 revenues comprised research funding under the agreements with Boehringer Ingelheim and Proximagen whereas in the third quarter of 2016 revenues comprised an upfront payment from Boehringer Ingelheim of SEK 47.5 million and research funding under the agreement with Proximagen and Cadent Therapeutics totalling SEK 3.1 million.

Saniona generated total revenues of SEK 16.1 million (69.5) for the first 9 month of 2017. In 2017 revenues comprised research funding under the agreement with Boehringer Ingelheim, Proximagen and Cadent Therapeutics. In 2016 revenues comprised upfront payments from Boehringer Ingelheim, Medix and Proximagen totalling SEK 60.4 million whereas the balance of SEK 9.1 million comprised primarily research funding under the agreements with Cadent Therapeutics and Proximagen.

Operating profit/loss
The operating loss for the third quarter was SEK 15.1 million (profit 33.7).

The company recognized operating expenses of SEK19.3 million (16.9) for the third quarter of 2017.

External expenses amounted to SEK 13.1 million (12.2). In the third quarter of 2017, external expenses comprised primarily research and development costs in relation to Tesomet followed research and development costs in relation to the IK program and the GABAA α2α3 program. In the third quarter of 2016, external expenses comprised primarily research and development costs in relation to Tesomet followed by costs in relation to the listings on Nasdaq and research and development costs in relation to the GABAA α2α3 program and the IK program. Personnel costs amounted to SEK 5.7 million (4.1). The increase is in personal costs is in part explained by the increase in the average employee employed.

The company recognized an operating loss of SEK 40.6 million (profit 19.2) for the first 9 months of 2017. The company recognized operating expenses of SEK 56.7 million (50.3) for the first 9 months of 2017. External expenses amounted to SEK 37.7 million (36.4) and personnel costs amounted to SEK 16.4 million (12.8). In 2017, external expenses comprised primarily research and development costs in relation to Tesomet followed by research and development costs in relation to the IK program and the GABAA α2α3 program and costs in relation to the listing on Nasdaq Stockholm Small Cap. In 2016, external expenses comprised primarily research and

development costs in relation to Tesomet followed by research and development costs in relation to the IK program and the GABAA α2α3 program.

Financial position
The equity ratio was 81 (81) % as of September 30, 2017, and equity was SEK 53.3 million (66.9). Cash and cash equivalents amounted to SEK 40.9 million (63.7) as of September 30, 2017. Total assets as of September 30, 2017, were SEK 65.5 million (82.9).

Cash flow
Operating cash flow for the third quarter of 2017 was an outflow of SEK 16.8 million (inflow of 27.4). Consolidated cash flow for the third quarter of 2017 was an outflow of SEK 24.3 million (inflow of 29.9).

Operating cash flow for the first 9 months of 2017 was an outflow of SEK 33.0 million (inflow of 17.9). Consolidated cash flow for the first 9 months of 2017 was an outflow of SEK 12.7 million (inflow of 17.4).

The operating cash flow in 2017 is explained by the operating loss during the period. The consolidated cash outflow in 2017 is explained by the private placement in the second quarter of 2017 and the operating loss during the period. The operating and consolidated inflows in 2016 are explained by the operating income during the period.

The share, share capital and ownership structure
At September 30, 2017, the number of shares outstanding amounted to 21,762,520 (20,841,467). The company established a warrant program on July 1, 2015, totalling 64,000 warrants, and on July 1, 2017, totalling 38,750 warrants. At September 30, 2017, the company had 5,258 (4,578) shareholders excluding holdings in life insurance and foreign custody account holders.

Personnel
As of September 30, 2017, the number of employees was 25 (22) of which 14 (12) are women. Of these employees, 3 (6) are part-time employees and 22 (16) are full-time employees, and a total of 20 (19) work in the company's research and development operations. 11 (11) of Saniona's employees hold PhDs, 3 (4) hold university degrees, 8 (7) have laboratory training and the remaining 3 (0) have other degrees.

Operational risks and uncertainties
All business operations involve risk. Managed risk-taking is necessary to maintain good profitability. Risk may be due to events in the external environment and may affect a certain industry or market. Risk may also be specific to a certain company. The main risks and uncertainties which Saniona is exposed to are related to drug development, the company's collaboration agreements, competition, technology development, patent, regulatory requirements, capital requirements and currencies.

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

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

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

Audit review
This Interim Report has been subject to review by the company's auditors in accordance with the Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

Financial calendar

Year-End Report 2017	February 21, 2018
Interim Report Q1	May 24, 2018
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, November 15, 2017
Saniona AB

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

Auditors' Review Report

Introduction

We have reviewed the interim report for Saniona AB (publ) for the period January 1 – September 30, 2017. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Malmö, November 15, 2017

Deloitte AB

Elna Lembrér Åström

Authorized Public Accountant

Condensed consolidated statement of comprehensive income – Group

KSEK	Note	2017-07-01 2017-09-30	2016-07-01 2016-09-30	2017-01-01 2017-09-30	2016-01-01 2016-09-30	2016-01-01 2016-12-31
	1-3					
Net sales	4	4,186	50,611	16,072	69,510	74,921
Total operating income		4,186	50,611	16,072	69,510	74,921
Raw materials and consumables		-389	-467	-2,191	-845	-1,476
Other external costs		-13,064	-12,195	-37,674	-36,423	-51,098
Personnel costs	5	-5,724	-4,106	-16,394	-12,785	-17,805
Depreciation and write-downs		-153	-98	-403	-272	-384
Total operating expenses		-19,329	-16,866	-56,663	-50,325	-70,764
Operating profit/loss		**-15,143**	**33,744**	**-40,591**	**19,184**	**4,156**
Other financial income		-0	1,318	-0	1,332	991
Other financial expenses		-789	-568	-940	-268	-234
Total financial items		-789	750	-940	1,063	757
Profit/loss after financial items		**-15,932**	**34,494**	**-41,531**	**20,248**	**4,913**
Tax on net profit	6	2,559	-7,086	7,099	-5,555	-2,696
Profit/loss for the period		**-13,373**	**27,408**	**-34,431**	**14,693**	**2,217**
Other comprehensive income						
Item that may be reclassified to profit and loss		-	-	-	-	-
Translation differences		261	-211	109	-893	-715
Total other comprehensive income net after tax		**261**	**-211**	**109**	**-893**	**-715**
Total comprehensive income		**-13,112**	**27,197**	**-34,323**	**13,799**	**1,501**
Earnings per share, SEK		-0.61	1.32	-1.58	0.70	0.11
Diluted earnings per share, SEK		-0.61	1.31	-1.58	0.70	0.11

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

Condensed consolidated statement of financial position – Group

KSEK	Note	2017-09-30	2016-09-30	2016-12-31
	1-3			
ASSETS				
Fixtures, fittings, tools and equipment		1,439	794	1,184
Tangible assets		1,439	794	1,184
Non-current tax assets	6	7,070	0	0
Investments in associates	9	331	403	0
Other long-term receivables		6,278	1,125	1,419
Deferred tax		100	150	100
Financial assets		13,778	1,677	1,519
Non-current assets		**15,218**	**2,471**	**2,703**
Trade receivables		3,092	7,990	12,260
Current tax assets	6	0	6,450	0
Other receivables		3,867	1,822	1,880
Prepayments and accrued income		2,496	484	665
Current receivables		9,456	16,746	14,804
Cash and cash equivalent		40,869	63,695	53,261
Current assets		**50,324**	**80,442**	**68,066**
Total assets		**65,542**	**82,913**	**70,769**
EQUITY AND LIABILITIES				
Share capital		1,088	1,042	1,042
Additional paid in capital		116,452	83,323	83,323
Retained earnings		-29,448	-31,547	-31,896
Currency translation reserve		-325	-612	-434
Profit/loss for the period		-34,431	14,693	2,217
Equity		**53,335**	**66,900**	**54,252**
Prepayments from customers		968	0	3,006
Trade payables		4,545	9,855	6,225
Current tax liabilities		1,598	4,473	1,600
Other payables		433	1	434
Accrued expenses and deferred income		4,662	1,685	5,252
Current liabilities		12,207	16,013	16,517
Total liabilities		**12,207**	**16,013**	**16,517**
Total equity and liabilities		**65,542**	**82,913**	**70,769**

Condensed consolidated statement of changes in equity – Group

	Number of shares	Share capital	Additional paid in capital	Translation reserves	Retained earnings	Share-holders' equity
January 1, 2016	**20,841,467**	**1,042**	**83,323**	**282**	**-31,704**	**52,943**
Comprehensive income						
Profit/loss for the year					14,693	14,693
Other comprehensive income:						0
Translation differences				-893		-893
Total comprehensive income				-893	14,693	13,799
Transactions with owners						
Share-based compensation expenses					157	157
Total transactions with owners	0	0	0	0	157	157
September 30, 2016	**20,841,467**	**1,042**	**83,323**	**-612**	**-16,854**	**66,900**
October 1, 2016	**20,841,467**	**1,042**	**83,323**	**-612**	**-16,854**	**66,900**
Comprehensive income						
Profit/loss for the year					-12,476	-12,476
Other comprehensive income:						0
Translation differences				178		178
Total comprehensive income				178	-12,476	-12,298
Transactions with owners						
Share-based compensation expenses					53	53
Dividends paid					-403	-403
Total transactions with owners	0	0	0	0	-349	-349
December 31, 2016	**20,841,467**	**1,042**	**83,323**	**-434**	**-29,680**	**54,252**
January 1, 2017	**20,841,467**	**1,042**	**83,323**	**-434**	**-29,680**	**54,252**
Comprehensive income						
Profit/loss for the year					-34,431	-34,431
Other comprehensive income:						0
Translation differences				109		109
Total comprehensive income				**109**	**-34,431**	**-34,323**
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					231	231
Total transactions with owners	**921,053**	**46**	**33,129**	**0**	**231**	**33,406**
September 30, 2017	**21,762,520**	**1,088**	**116,452**	**-325**	**-63,880**	**53,335**

Condensed consolidated statement of cash flows – Group

KSEK Note	2017-07-01 2017-09-30	2016-07-01 2016-09-30	2017-01-01 2017-09-30	2016-01-01 2016-09-30	2016-01-01 2016-12-31
Operating loss before financial items	-15,143	33,744	-40,591	19,184	4,156
Depreciation	153	98	403	272	384
Changes in working capital	-1,035	-7,166	8,138	-2,649	2,656
Cash flow from operating activities before financial items	**-16,024**	**26,677**	**-32,050**	**16,808**	**7,196**
Interest income received	0	1,318	0	1,332	991
Interest expenses paid	-789	-568	-940	-268	-234
Cash flow from operating activities	**-16,813**	**27,427**	**-32,990**	**17,871**	**7,953**
Investing activities					
Investment in tangible assets	-107	-177	-658	-313	-816
Investments in subsidiaries	0	-12	-331	-403	0
Investment in other financial assets	-7,349	2,612	-11,929	273	0
Cash flow from investing activities	**-7,456**	**2,424**	**-12,918**	**-443**	**-816**
Financing activities					
New share issue	0	0	33,175	0	0
Dividends paid	0	0	0	0	-403
Cash flow from financing activities	**0**	**0**	**33,175**	**0**	**-403**
Cash flow for the period	**-24,269**	**29,851**	**-12,733**	**17,428**	**6,735**
Cash and cash equivalents at beginning of period	**64,752**	**34,002**	**53,261**	**47,004**	**47,004**
Exchange rate adjustments	386	-157	340	-736	-477
Cash and cash equivalents at end of period	**40,869**	**63,695**	**40,869**	**63,695**	**53,261**

Statement of income – Parent Company

KSEK	Note	2017-07-01 2017-09-30	2016-07-01 2016-09-30	2017-01-01 2017-09-30	2016-01-01 2016-09-30	2016-01-01 2016-12-31
	1-3					
Net sales		0	0	0	0	0
Total operating income		0	0	0	0	0
Raw materials and consumables		-6	0	-16	0	-3
Other external costs		-994	-2,510	-5,689	-4,640	-6,758
Personnel costs		-313	-224	-927	-744	-1,033
Total operating expenses		-1,313	-2,734	-6,632	-5,384	-7,794
Operating profit/loss		-1,313	**-2,734**	**-6,632**	**-5,384**	**-7,794**
Other financial income		290	192	742	524	749
Other financial expenses		-111	-136	-208	-252	-298
Total financial items		179	57	533	272	450
Profit/loss after financial items		**-1,134**	**-2,678**	**-6,099**	**-5,111**	**-7,344**
Tax on net profit		0	0	0	0	0
Profit/loss		**-1,134**	**-2,678**	**-6,099**	**-5,111**	**-7,344**

Balance Sheet – Parent Company

KSEK	Note	2017-09-30	2016-09-30	2016-12-31
ASSETS				
Investment in subsidiaries (Saniona A/S)		11,832	11,832	11,832
Investment in other subsidiaries	9	331	403	0
Financial assets		12,162	12,234	11,832
Non-current assets		**12,162**	**12,234**	**11,832**
Receivables from group companies		68,741	44,826	45,076
Other receivables		278	554	437
Prepayments and accrued income		223	72	270
Current receivables		69,242	45,453	45,783
Cash and cash equivalent		18,641	18,809	15,355
Current assets		**87,882**	**64,262**	**61,138**
Total assets		**100,045**	**76,496**	**72,969**
EQUITY AND LIABILITIES				
Restricted equity				
Share capital		1,088	1,042	1,042
Unrestricted equity				
Additional paid in capital		114,941	81,812	81,812
Retained earnings		-10,318	-2,572	-2,975
Profit for the period		-6,099	-5,111	-7,344
Equity		**99,611**	**75,171**	**72,535**
Trade payables		0	1,324	0
Other payables		433	1	434
Current liabilities		433	1,325	434
Total liabilities		**433**	**1,325**	**434**
Total equity and liabilities		**100,045**	**76,496**	**72,969**

Notes

Note 1 General Information

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

Note 2 Significant accounting policies

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

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

The applied accounting principles are in accordance with those described in the Annual Report for 2016. More detailed information about the Group's and the Parent Company's accounting and valuation principles can be found in the Annual Report for 2016, which is available on www.saniona.com. New and amended standards and interpretations implemented as of January 1, 2017, has not had any significant impact on the Group's financial statements.

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

Note 3 Financial assets and liabilities

All financial asset and financial liabilities, except for the investment in 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 2016 and 2017.**

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 nine months of 2017 totalled SEK 231 (156) 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	Total
Share-based payment			
Outstanding at 1 January 2017	64,000	-	64,000
Granted during the period	-	38,750	38,750
Outstanding at 30 September 2017	**64,000**	**38,750**	**102,750**

If all issued warrants are exercised for subscription of new shares, the Parent Company's will issue a total of **102,750 new shares corresponding to a dilution of approximately 0.47%. The fair value of the options was determined to be SEK 13.13 per option for the 2015 program and SEK 29.48 per option for the 2017 using the Black-Scholes model. T**he data below has been used for the calculation.

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

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

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 2016.

Allotment of 38,750 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.

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 KSEK 7,099 (-5,555) during the first nine months of 2017. This amount has been recognized under non-current tax assets in accordance to the accounting policies described below.

Under the Danish R&D tax credit scheme (Skattekreditordningen), loss-making R&D entities can obtain a tax credit which is equal to the tax value of the incurred research and development expenses. The tax credit is payable in November in the following financial year. In 2016 and 2017, the R&D expense tax-base is capped to DKK 25 million equal to a tax credit of DKK 5.5 million at a tax rate of 22%. Research and development tax-credits under the Danish R&D tax credit scheme is recognized in the income statement to the extent that it relates to the research and development expenses for the period and Saniona expects to fulfil the requirement for tax credit for the year. The tax credit under the Danish R&D tax credit scheme is recognized in the balance sheet under current tax assets if payable within 12 months and under non-current tax assets if payable after 12 months. As of September 30, 2017, the Group had no current tax asset and KSEK 7,099 in non-current tax asset, which will be payable in November 2018. As of September 30, 2016, the Group had KSEK 6,450 in current tax asset, which was paid in November 2016, whereas it had no non-current tax assets.

Note 7 Pledged assets and contingent liabilities

The Group has provided a guarantee of KSEK 50 (50) to Euroclear. The Parent Company has provided a guarantee to the subsidiary Saniona A/S to ensure that Saniona A/S will be able to pay its creditors as the obligations fall due for the period until June 30, 2018. Saniona A/S had no external net debt as of September 30, 2017.

Note 8 Related parties

Related parties comprise the Group's Executive Management, Board of Directors and companies within the Group. Apart from intercompany transaction, there has been no transaction with related parties during 2016 and 2017.

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 TSEK 331 (51% of Scandion Oncology A/S) has been recorded in the Saniona AB's and the Groups balance sheet under Investment in Subsidiaries. As of September 30, 2017, Saniona AB owns 51% of Scandion Oncology A/S. The remaining 49% of the shares are owned by the three co-founders of Scandion Oncology A/S. As of September 30, 2017, the financial statements of Scandion Oncology A/S is assessed to be non-material for the Saniona Group. 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 September 30, 2017. The reason is that the purchase price of TSEKK 331 as well as the financial statements of Scandion Oncology, which currently is not operative, is considered as non-material for the financial statements and financial position of Saniona as of September 2017.

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.

Business terms - glossary

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

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

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

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

Atlas Venture
Atlas Venture Inc.

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

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

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

GABAA α2α3 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.

EMA
European Medicines Agency

FDA
US Food and Drug Administration

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

IND

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

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

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

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

Medix
Productos Medix, S.A de S.V.

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

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

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

Proximagen
Proximagen Ltd. is wholly-owned by the Evenstad family's holding company, ACOVA.

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

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

TRC
The University of Pennsylvania Treatment Research Center.

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

This information is such information as Saniona AB (publ) is obliged to make public pursuant to the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out on the front page above, at 08:00 CET on November 15, 2017.

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