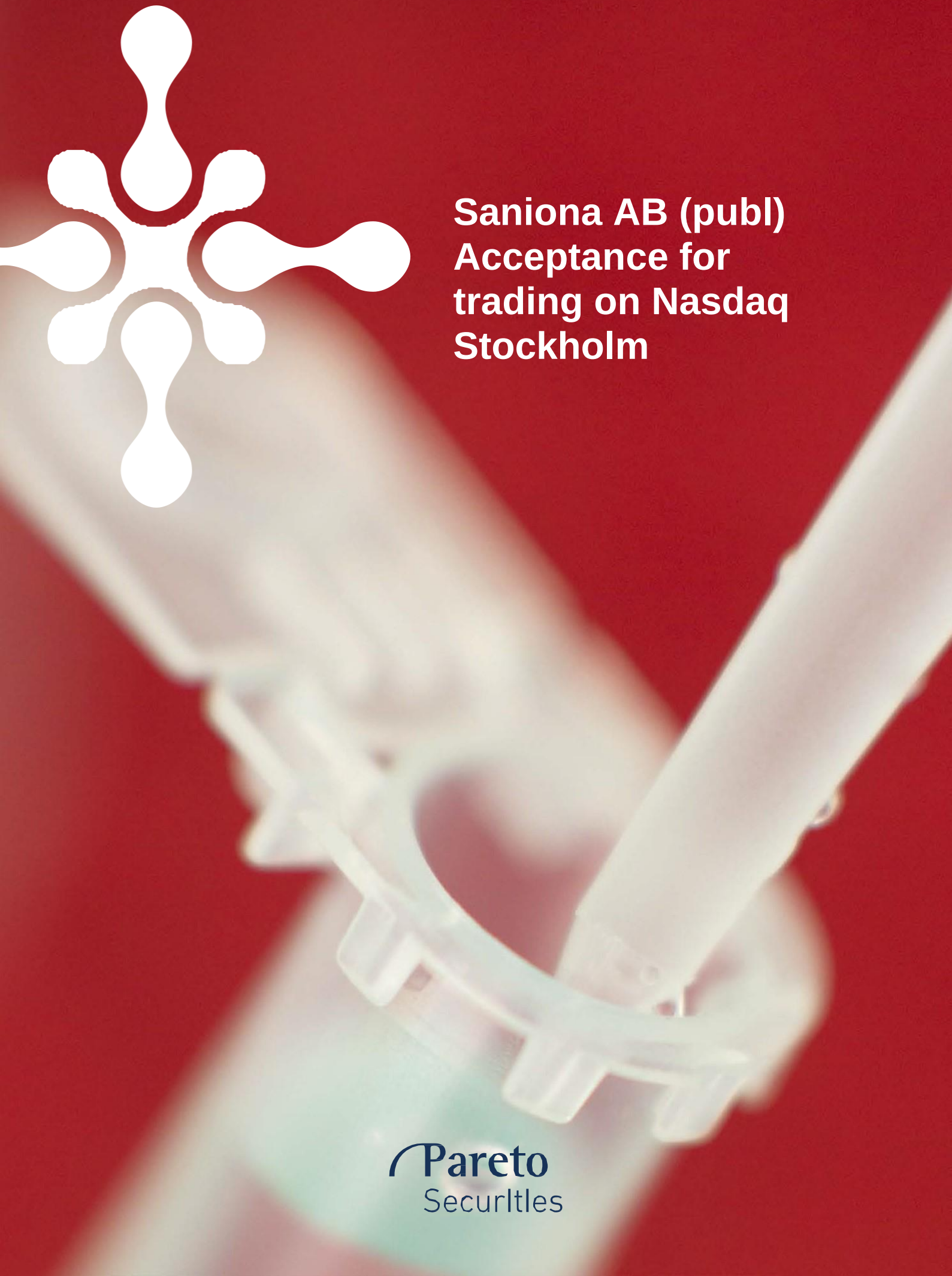
Saniona AB (publ) Acceptance for trading on Nasdaq Stockholm



Pareto Securities

Important information

This Prospectus (the "**Prospectus**") has been prepared in connection with an application for listing of shares in Saniona AB (publ) on Nasdaq Stockholm (the "Listing"). The use of "**Saniona**" or "**Company**", depending on context, refers to Saniona AB (publ), corporate ID no. 556692-5345, the group for which Saniona AB (publ) is the parent company, or a subsidiary of Saniona AB (publ). The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority in accordance with the provisions in Chapter 2, sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). Approval and registration does not mean that the Swedish Financial Supervisory Authority guarantees that the facts are correct or complete. The Prospectus and the offer according to the Prospectus are subject to Swedish law. Disputes arising from the Prospectus and related issues shall be settled exclusively by the Swedish courts, where Stockholm District Court shall be the first instance.

No action has been taken or will be taken by Saniona to allow an offer to the public in any jurisdiction other than Sweden. The Prospectus does not include any offer to acquire shares in Saniona. The Prospectus may not be made public, published or distributed in the United States, Canada, Japan, Australia, Hong Kong, Switzerland, Singapore, South Africa or New Zealand or any other country, where such action requires registration or measures other than those required under Swedish law. Anyone who may come into possession of this Prospectus has a duty to inform themselves of and comply with the specified restrictions and, in particular, not to publish or distribute the Prospectus in violation of applicable laws and regulations. Any action contrary to the specified restrictions may constitute a breach of applicable securities legislation.

An investment in securities is associated with risks. Refer to the "Risk factors" section. When investors make an investment decision, they must rely on their own assessment of Saniona, including the present circumstances and risks. Prior to an investment decision, potential investors should engage their own professional advisors and carefully evaluate and consider the investment decision. Investors should only rely on the information contained in the Prospectus, any additions to the Prospectus and other information published by the Company. Saniona is not responsible for information or statements provided by others, and such information or such statements shall not be deemed to have been approved by Saniona, and investors should not rely on such information.

Neither publication of the Prospectus nor any transactions carried out as a consequence of this, shall under any circumstances be considered to mean that the information contained in the Prospectus is correct and valid at any time other than on the date of publication of the Prospectus, or that there has been no change in Saniona's business activities after the specified date.

Prospective information and market information

The Prospectus contains certain prospective information that reflects Saniona's current view of future events, including financial and operational developments. Words such as "considered", "assessed", "expected", "can", "plans", "estimates", "calculated", "potential" and other expressions that imply indications or predictions of future developments or trends, and which are not based on historical facts, constitute prospective information. Prospective information is inherently associated with both known and unknown risks and uncertainty factors because it is dependent on future events and circumstances. Prospective information does not constitute a guarantee of future performance or development, and actual outcomes may differ significantly from what is stated in the prospective information. Factors that may result in a deviation of Saniona's future performance and development from what is stated in the prospective information include, but are not limited to, those described in the "Risk factors" section. All prospective information in the Prospectus is based exclusively on the prevailing circumstances at the time of issue, and Saniona is not obligated to publish updates or revisions of prospective information as a result of new information, new events or similar circumstances, other than as required under applicable legislation.

Certain information about market shares and other statements in the Prospectus, including regarding the sector in which the Company conducts business activities, and the Company's position vis-à-vis its competitors, is not based on published statistics or information from independent third parties and therefore lacks a source reference. Such information and such statements reflect the Company's best estimates based on information received from customers, authorities and other contacts within the industry in which the Company competes, and information that has been published by the Company's competitors. The Company believes that such information and such statements are useful for investors' understanding of the industry in which the Company operates and the Company's position within the industry. However, the Company does not have access to the facts and assumptions behind the figures, the market information and other information gathered from publicly available sources. Furthermore, the Company has not conducted any independent verifications of market information provided by third parties, the industry or general publications. Although the Company believes that its internal analyses are reliable, they have not been verified by any independent source, and the Company cannot guarantee their accuracy. The Company confirms that the information provided by third parties has been correctly reproduced and, as far as the Company knows and can ascertain through comparison with other information published by such third parties, no information has been omitted which could result in the reproduced information being incorrect or misleading.

Presentation of financial information

Certain financial information and other information presented in the Prospectus has been rounded off to make the information more readily available to the reader. Consequently, the numbers in some columns do not match the total specified.

Financial advisor

When preparing the Prospectus, the Company's financial advisor, Pareto Securities, has relied upon information provided by the Company, and as all the information contained in the Prospectus derives from Saniona, Pareto Securities disclaims all liability in relation to the Company's shareholders and concerning other direct or indirect financial consequences resulting from investment or other decisions based entirely or partly on information in the Prospectus. Pareto Securities represents the Company and no one else in connection with the listing. Pareto Securities is not liable to provide anyone other than the Company with the protection offered to its clients or to provide advice in connection with the listing or any other matter to which reference is made in the Prospectus.

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The listing in summary

Total number of shares:	21,762,520
First day of trading on Nasdaq Stockholm:	June 15, 2017
Commercial name:	SANION
ISIN code:	SE0005794617
New trading venue:	Nasdaq Stockholm
Previous trading venue:	Nasdaq First North Premier

Financial calendar

Interim report January 1 – June 30, 2017:	August 23, 2017
Interim report January 1 – September 30, 2017:	November 15, 2017
Year-end report 2017:	February 21, 2018

Definitions

The Prospectus:	Refers to this prospectus
DKK:	Danish kroner
The Listing:	Refers to the listing of the Company's shares on Nasdaq Stockholm
NeuroSearch:	Refers to NeuroSearch A/S
Saniona or the Company:	Depending on context, refers to Saniona AB (publ), corporate ID no. 556962-5345, the group for which Saniona AB (publ) is the parent company, or a subsidiary of Saniona AB (publ), corporate ID no. 556962-5345.
SEK:	Swedish kronor
USD:	US dollars

Summary

The summary consists of some information requirements set out in "Items". The items are numbered in sections A–E (A.1–E.7). This summary contains the Items required for a summary in a prospectus for the current type of issuer and securities. Since certain Items are not applicable to all types of prospectus, there may be gaps in the Item numbering. Although there may be a requirement for an Item to be included in the summary for the current type of prospectus, in some cases there is no relevant information to provide. In these cases, the item has been replaced with a brief description of the information requirement, together with the comment "not applicable".

Section A – Introduction and warnings

A.1	Warning	This summary should be considered as an introduction to the Prospectus. The investor should base any decision to invest in the securities offered on a consideration of the Prospectus as a whole. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and Civil liability rests solely upon those responsible for the summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information to aid investors in the consideration of whether to invest in the securities offered.
A.2	Financial intermediaries	Not applicable. Financial intermediaries are not entitled to use the Prospectus for subsequent resale or final placement of securities.

Section B – Issuer and any guarantor

B.1	Company and commercial name	The Company's name (also commercial name) is Saniona AB and its corporate ID number is 556962-5345.
B.2	Registered office and legal form of business	Saniona is a public limited liability company, established in Sweden with its registered office in Malmö municipality. The Company has been established under Swedish law, and its legal form of business is governed by the Swedish Companies Act (2005:551).
B.3	Activities and markets	Saniona is a research and development company working on the development of drugs for the treatment of diseases of the central nervous system, autoimmune diseases, metabolic diseases and pain relief. The Company has a comprehensive portfolio of drug candidates in the pre-clinical and clinical phases. The Company cooperates with Boehringer Ingelheim GmbH, Proximagen Ltd., Productos Medix SA de SV and Luc Therapeutics Inc. The Company's research focuses on ion channels, which is an established area for drug development. Ion channels are a class of proteins that allow and control the passage of charged ions across cell membranes and which are necessary for biological functions such as signal transmission from the nerves, functioning of the muscles and heartbeat. Saniona commercializes its research efforts through three different business models: • Through its own development of selected programs through the early phases of the drug development process, before licensing to pharmaceutical companies, which take over the continued development of Saniona's program and pay upfront and milestone payments, as well as royalties, to Saniona on product sales; • Through research and development cooperation at an early phase with pharmaceutical companies, which will fund research and development and pay upfront and milestone payments, as well as royalties, to Saniona on product sales; and • Through joint ventures or spin-outs, where Saniona's financial partners will receive part of the upside by funding the development of one of Saniona's programs, or alternatively through a spin-out funded through a separate listing on the stock exchange. These three business models create a good balance between risk management and revenue potential.
B.4a	Trends	For a considerable period ahead, Saniona will be dependent on large pharmaceutical companies' interest in purchasing, developing and commercializing Saniona's pipeline of pre-clinical and clinical drug candidates. The Board of Directors believes there is a well-developed market for licensing, sales and establishment of research and development cooperation between smaller,

research-intensive companies and large pharmaceutical companies.

There is a large demand for new and innovative products for pharmaceutical companies, which often have a limited number of products in their pipeline. Therefore, the market for licensing new, innovative drug projects and product programs is attractive. Within the area of ion channels, it significant that there are relatively few biotechnology companies which deliver research and development projects to major pharmaceutical companies. Overall, this creates interesting opportunities for Saniona.

B.5	Group structure	Saniona AB (publ) is the parent company in a group which, in addition to the parent company, consists of the wholly owned Danish subsidiary Saniona A/S (DK-34049610) and the Danish company Scandion Oncology A/S (DK-38613391), which is 51% owned by Saniona AB. The Group was formed in January 2014, when the parent company acquired 100% of the shares in Saniona A/S through a share issue. Scandion Oncology A/S was established in May 2017.
B.6	Ownership structure	As of May 31, 2017, Saniona had 5,061 shareholders registered in Euroclear. The Company's ten largest shareholders as at May 31, 2017 and subsequent changes known to the Company are shown in the table below.

		Share capital

		As far as the Board of Directors is aware, there are no shareholder agreements or other agreements for joint control of the Company which could lead to a change in control of the Company.
B.7	Selected historical financial information	The tables below present Saniona's selected financial information for the financial years ending on December 31, 2016, 2015 and 2014, and for the interim periods January 1 to March 31, 2017, and January 1 to March 31, 2016. The financial full-year information presented below has been taken from Saniona's consolidated financial statements on and for the financial years ending December 31, 2016, 2015 and 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements on and for the financial years ending December 31, 2016, 2015 and 2014 are included in their entirety in the "Historical financial information" section in the Prospectus and have been audited by the Company's auditor in accordance with FAR's Recommendation RevR 5. The financial interim information for the periods January 1 to March 31, 2017 and the comparative period derives from the Company's interim report for January 1 – March 31, 2017, which has been prepared in accordance with IAS 34, which can be found in the "Historical financial information" section in the Prospectus and has not been revised or generally reviewed by the Company's auditor. Apart from when expressly stated here, no financial information in this Prospectus has been audited or reviewed by the Company's auditor. This section should be read in conjunction with the "Historical financial information" and "Comments on the financial history" sections in the Prospectus.

Consolidated statement of comprehensive income – Group

KSEK	2017 Jan – Mar (IFRS) (Unaudited)	2016 Jan – Mar (IFRS) (Unaudited)	2016 Jan – Dec (IFRS) (Audited)	2015 Jan – Dec (IFRS) (Audited)	2014 Jan – Dec (IFRS) (Audited)
Income					
Net sales	7,539	15,853	74,921	13,630	21,718
Total operating income	**7,539**	**15,853**	**74,921**	**13,630**	**21,718**
Raw materials and consumables	-767	-499	-1,476	-2,050	-1,729
Other external costs	-9,098	-12,250	-51,098	-23,926	-15,022
Personnel costs	-5,130	-4,067	-17,805	-14,966	-12,465
Amortization/depreciation and impairment/write-downs	-116	-94	-384	-763	-760
Total operating expenses	**-15,111**	**-16,910**	**-70,764**	**-41,705**	**-29,977**
Operating profit/loss	**-7,572**	**-1,058**	**4,156**	**-28,075**	**-8,258**
Other financial income	–	3	991	–	559
Other financial expenses	-296	-546	-234	-1,183	-39
Total financial items	**-296**	**-543**	**757**	**-1,183**	**520**
Profit/loss after financial items	**-7,868**	**-1,601**	**4,913**	**-29,258**	**-7,739**
Tax on net profit	1,501	-844	-2,696	6,311	1,831
Profit/loss for the period	**-6,367**	**-2,445**	**2,217**	**-22,947**	**-5,908**
Other comprehensive income for the period	-3	-170	-715	314	37
Total comprehensive income for the period	**-6,370**	**-2,614**	**1,501**	**-22,633**	**-5,871**

In 2016, the Company distributed its holding in Initiator Pharma of KSEK 403. This has been reclassified from other comprehensive income to equity in the revised financial statements.

Consolidated statement of financial position – Group

KSEK	03/31/2017 (IFRS) (Unaudited)	03/31/2016 (IFRS) (Unaudited)	12/31/2016 (IFRS) (Audited)	12/31/2015 (IFRS) (Audited)	12/31/2014 (IFRS) (Audited)
ASSETS					
Fixtures, fittings, tools and equipment	1,105	680	1,184	753	1,273
Property, plant and equipment	1,105	680	1,184	753	1,273
Current tax receivables	1,507	222		–	–
Other non-current receivables	1,415	1,078	1,419	1,405	764
Deferred tax	100	144	100	142	51
Non-current financial assets	3,022	1,443	1,519	1,547	815
Non-current assets	**4,127**	**2,124**	**2,703**	**2,300**	**2,088**
Trade receivables	9,762	20	12,260	–	3
Current tax assets	–	6,182	–	6,109	1,893
Other receivables	1,509	2,393	1,880	1,983	1,205
Prepayments and accrued income	1,188	361	665	277	583
Current liabilities	**12,459**	**8,956**	**14,804**	**8,369**	**3,684**
Cash and cash equivalents	42,249	48,876	53,261	47,004	9,689
Current assets	**54,708**	**57,832**	**68,066**	**55,373**	**13,373**
TOTAL ASSETS	**58,835**	**59,956**	**70,769**	**57,673**	**15,461**

EQUITY AND LIABILITIES					
Share capital	1,042	1,042	1,042	1,042	694
Share premiums	83,323	83,323	83,323	83,323	16,978
Retained earnings	-29,629	-31,653	-31,896	-8,757	-2,952
Currency translation reserve	-437	112	-434	282	-32
Profit/loss for the period	-6,367	-2,445	2,217	-22,947	-5,908
Equity	**47,935**	**50,380**	**54,252**	**52,943**	**8,780**
Prepayments from customers	–	–	3,006	–	–
Trade payables	5,650	7,954	6,225	2,868	2,229
Current tax liabilities	1,595	0	1,600	–	–
Other payables	567	3	434	–	2,962
Accruals and deferred income	3,087	1,619	5,252	1,862	1,489
Current liabilities	**10,900**	**9,576**	**16,517**	**4,730**	**6,681**
Liabilities	**10,900**	**9,576**	**16,517**	**4,730**	**6,681**
TOTAL EQUITY AND LIABILITIES	**58,835**	**59,956**	**70,769**	**57,673**	**15,461**

Consolidated statement of cash flows – Group

KSEK	2017 Jan – Mar (IFRS) (Unaudited)	2016 Jan – Mar (IFRS) (Unaudited)	2016 Jan – Dec (IFRS) (Audited)	2015 Jan – Dec (IFRS) (Audited)	2014 Jan – Dec (IFRS) (Audited)
Operating profit/loss before financial items	-7,572	-1,058	4,156	-28,075	-8,258
Amortization/depreciation	116	94	384	763	760
Changes in working capital	-1770	3,415	2,656	-325	-980
Cash flow from operating activities	**-9,226**	**2,451**	**7,196**	**-27,637**	**-8,478**
Interest income received	–	3	991	–	559
Interest expenses paid	-296	-546	-234	-1,183	-39
Operating cash flow	**-9,522**	**1,908**	**7,953**	**-28,820**	**-7,958**
Investing activities					
Investment in property, plant and equipment	-37	-21	-816	-242	-805
Investment in other non-current financial assets	-1,503	104	–	-732	-51
Cash flow from investing activities	**-1,540**	**83**	**-816**	**-975**	**-856**
Financing activities					
Rights issue	–	–	–	66,693	17,553
Dividends paid	–	–	-403	–	–
Cash flow from financing activities	**–**	**–**	**-403**	**66,693**	**17,553**
Cash flow for the period	**-11,062**	**1,991**	**6,735**	**36,898**	**8,739**
Cash and cash equivalents at beginning of period	**53,261**	**47,004**	**47,004**	**9,689**	**914**
Translation differences	50	-118	-477	417	37
Cash and cash equivalents at end of period	**42,249**	**48,876**	**53,261**	**47,004**	**9,689**

Key figures

With the exception of "Net sales", "Earnings per share before dilution" and "Earnings per share after dilution", the key figures are not defined in accordance with IFRS, which means that they are not necessarily comparable to the corresponding key figures for similar companies. Key figures not defined in accordance with IFRS have been included to help investors obtain a true and fair view of the Company.

Key figures	2017 Q1 (Unaudited)	2016 Q1 (Unaudited)	2016 (Audited)	2015 (Audited)	2014 (Audited)
Net sales, KSEK	7,539	15,853	74,921	13,630	21,718
Operating profit/loss, KSEK	-7,572	-1,058	4,156	-28,075	-8,258
Operating margin, %	-100%	-7%	6%	-206%	-38%
Liquidity ratio	502%	604%	412%	1,171%	200%
Equity ratio, %	81%	84%	77%	92%	57%
Average number of employees	21.7	17.2	19.7	16.8	14.9
Share data					
Earnings per share before dilution, SEK	-0.31	-0.12	0.11	-1.29	-0.45
Earnings per share after dilution, SEK	-0.31	-0.12	0.11	-1.29	-0.45
Dividend per share, SEK	–	–	0.02	–	–
Equity per share, SEK	2.30	2.42	2.60	2.54	0.63
Cash flow per share, SEK	-0.53	0.10	0.32	1.77	0.63
Shares outstanding					
Number of shares	20,841,467	20,841,467	20,841,467	20,841,467	13,882,200
Warrants outstanding	64,000	64,000	64,000	64,000	–
Diluted shares outstanding	20,905,467	20,905,467	20,905,467	20,905,467	13,882,200

Key figure definitions

Key figure	Definition	Relevance
Operating profit/loss	Operating profit/loss before financial items and tax.	Operating profit/loss is used to measure the profit/loss generated by the operating activities.
Operating margin	Operating profit/loss before financial items divided by net sales	The operating margin shows the proportion of revenue that remains as profit before financial items and taxes, and has been included so that investors can obtain a picture 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	Equity divided by the Company's total assets.	The equity ratio shows the proportion of total assets that consist of equity, and gives investors an indication of the Company's financial stability and ability to survive in the long term.
Average number of employees	Average number of full-time employees for the period.	This key figure has been included to enable investors to get an idea of how the number of employees in the company has developed.
Dividend per share	Dividend divided by the number of outstanding shares at the end of the period.	Saniona has not paid any dividends during the relevant accounting periods.
Equity per share	Equity divided by the number of outstanding shares at the end of the period.	Equity per share has been included in order 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 the number of shares during 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.

Significant events regarding the Company's operating profit/loss and financial situation from January 1, 2014 through March 31, 2017

During the first quarter of 2017, net sales decreased by KSEK 8,314 compared with the corresponding period in 2016. The decrease is mainly due to the fact that during the comparative period in 2016, the Company received extensive upfront payments from Medix that were not received during this period. Income for the period consisted only of research funding under the agreements for Boehringer Ingelheim, Proximagen and Luc Therapeutics. Total comprehensive income for the period amounted to KSEK -6,367, compared with KSEK -2,445 for the same period in 2016. The decrease is mainly attributable to the decrease in revenues during the period.

For the full year 2016, net sales increased by KSEK 61,291 compared to 2015. Income for the period consisted mainly of upfront payments from Boehringer Ingelheim, Medix and Proximagen, which totaled KSEK 60,371 and explain the sharp increase. Total comprehensive income for the period amounted to KSEK 1,501, compared with KSEK -22,633 for the full year 2015. The strong improvement in revenues is mainly due to the high income during the period. Net sales in 2014 were slightly higher than for 2015 and amounted to KSEK 21,718, compared with KSEK 13,630. Income for 2014 consisted of a one-off payment from Pfizer and the fees under the framework for Pfizer and Ataxion. Total comprehensive income for the period amounted to KSEK -22,633, compared with KSEK 5,871 for the full year 2014, where the decrease is mainly due to increased costs associated with the development of the Company's internal program, AN363, and external costs linked to the IK program and Tesomet.

During the period 2014–2016, the Company received a total of approximately SEK 90 million through three different rights issues. In 2015, the Company carried out two rights issues which amounted to a combined total of SEK 73 million. In 2014, Saniona received SEK 17 million in conjunction with the Company's shares being listed on AktieTorget.

Significant changes since March 31, 2017

Since March 31, the Company has carried out a targeted rights issue of SEK 35 million. Otherwise, no significant changes have occurred with regard to Saniona's financial position or market position since March 31, 2017.

B.8	Selected proforma accounting	Not applicable. The Prospectus contains no proforma accounting.
B.9	Profit forecast	Not applicable. The Prospectus contains no profit forecast or estimation of expected profits.
B.10	Comments from the Company's auditor	Not applicable. No comments appear in the audit report regarding the historical financial information covered by the Prospectus.
B.11	Insufficient working capital	Not applicable; The Board of Directors considers the existing working capital to be sufficient for the Company's requirements over the next 12-month period.

Section C – Information about the securities offered

C.1	Stock classes	Shares admitted for trading comprise all of the Company's outstanding shares with ISIN code SE0005794617.
C.2	Currency	The shares are denominated in Swedish kronor (SEK).
C.3	Number of shares and face value	The number of outstanding shares in Saniona amounts to 21,762,520, each with a face value of SEK 0.05. All outstanding shares are fully paid. The Company's registered share capital amounts to SEK 1,088,126.
C.4	Rights attached to the shares	Each share entitles the holder to one vote at the Annual General Meeting. If the Company decides to issue new shares, warrants or convertibles for cash or through a set-off issue, the shareholders generally have preferential subscription rights in proportion to the number of shares they previously owned. All shares give equal rights to a share in the Company's profit and to any surplus upon liquidation. Decisions on dividends are taken by the Annual General Meeting and are paid through Euroclear Sweden AB. The right to dividends belongs to the person who is registered as the owner of the shares in the shareholder register kept by Euroclear Sweden AB on the date of settlement of the dividend, as determined by the Annual General Meeting.
C.5	Restrictions on the transferability of the shares	Not applicable; there are no restrictions on the right to freely transfer shares in Saniona.
C.6	Admission for trading on a regulated market	The shares have been traded since on Nasdaq First North Premier since May 19, 2016. First North Premier is an alternative marketplace and does not hold the same legal status as a regulated market. The Company has applied for the Company's shares to be admitted for trading on the regulated market Nasdaq Stockholm and on May 30, 2017 the Nasdaq Stockholm's company committee decided to admit the shares for trading. The scheduled last day of trading on Nasdaq First North Premier is June 14, 2017 and the scheduled first day of trading on Nasdaq Stockholm is June 15, 2017.
C.7	Dividend policy	Saniona has so far not paid any cash dividend. The Company is in an expansion phase and it is planned that any profits will be invested in the Company's expansion. The Board of Directors has therefore adopted a dividend policy, which states that it only plans to issue ordinary cash dividends when Saniona has commercialized its products and is receiving regular revenues. However, the dividend policy states that the Board may propose a cash dividend if Saniona receives extraordinary income as a result of a sale or a large one-time payment under a cooperation agreement, but only on condition that the Board believes that the Company has sufficient funding to take the first product to market despite the dividend. Finally, the dividend policy states that Saniona can issue a dividend in the form of shares in spin-outs.

Section D – Risks

D.1	Key risks to the Company and the industry	Saniona's business activities and market are subject to a number of risks that affect, or may affect, the Company's business, financial position and earnings. The following risk factors, which are described without any order of prioritization, are considered to be of importance to Saniona's future development. The key risks that could significantly and adversely affect Saniona's business, earnings and financial position, related to the Company's business activities and market are: • risks attributable to the Company being unable to acquire additional capital, retain or realize additional partnerships, or procure other co-financing, which could lead to a temporary suspension of development or force Saniona to conduct its activities at a slower rate than desired; • risks related to the fact that clinical trials are comprehensive, time-consuming and costly and are associated with a high degree of uncertainty that may lead to delays and increased costs; • risks related to Saniona being dependent on external parties in studies and drug development fulfilling their obligations and that Saniona may need to replace suppliers; • risks related to the failure of Saniona and its partners to obtain or maintain the necessary permits to carry out pre-clinical studies and clinical trials or to obtain and maintain market approval for the sale of products; • risks attributable to the fact that the Company's patent does not constitute adequate commercial protection, that Saniona may infringe or be accused of infringing the rights of third parties, which may incur costs and/or loss of or limitations to Saniona's rights; • risks attributable to Saniona being dependent on key personnel, that Saniona's activities may be delayed or terminated in the event of loss of key personnel or if Saniona is unable to recruit new people with relevant knowledge and expertise in the future; • risks related to Saniona being dependent on partners to finance its projects and that, for example, there is a risk that projects will be delayed or have to be terminated if any partner chooses to suspend cooperation with Saniona; • risks attributable to Saniona's entitlement to royalties for successfully developed and marketed products, which means that the Company is dependent on future commercialization to generate revenues; and • risks related to the fact that tax audits and valuations may result in Saniona being subject to additional taxes or being denied tax deductions, for example in relation to transactions between Group companies and other related parties (so-called internal pricing issues), restructuring, tax deficits, residency for tax purposes, incentive schemes and VAT and other indirect tax issues.
D.3	Key risks related to the securities	~~All investments in shares are associated with risks. Such risks can lead to a significant fall in the~~ price of the Company's shares and investors may lose all or part of their investment. The main risks associated with the Company's shares include: • risks related to the fact that the price of shares in the Company may be volatile and that the share price will develop negatively; • risks related to the sale of shares by major shareholders, as well as the general market anticipation that divestments will occur, may adversely affect the price of Saniona's shares, and that a possible new issue of shares may adversely affect the price of Saniona's shares and also lead to dilution of the shareholders' holdings; • risks related to the fact that the Company has a small number of major shareholders who, through their respective holdings in the Company, can exercise significant influence over the Company, including by influencing such matters that are the subject of voting at the Annual General Meeting; and • risks related to the Company's future cash flows not exceeding the Company's capital requirements or that the Annual General Meeting will not decide on future dividends.

Section E – Information about the offer

E.1	Issue amount and issue costs	Not applicable; no new shares or securities are issued by Saniona in connection with the preparation of the Prospectus and the Company will not receive any issue income. Costs attributable to the admission of the Company's shares for trading on Nasdaq Stockholm are estimated to amount to approximately SEK 4.5 million. Of these costs, approximately SEK 3 million has been charged during the 2016 financial year and the remaining SEK 1.5 million will be charged in the second quarter of 2017.
E.2a	Motive and use of proceeds from the issue	Not applicable; The company is offering no new securities.
E.3	Forms and conditions of the offer	Not applicable; The company is offering no new securities.
E.4	Interests that are important for the offer	Not applicable; The company is offering no new securities.
E.5	Lock-up agreement	Not applicable; as far as the Board of Directors is aware, there are no agreements on transfer restrictions for a certain period of time (so-called lock-up agreement).
E.6	Dilution effect	Not applicable; the Company is offering no new securities.
E.7	Costs imposed on investors	Not applicable; the issuer does not impose any costs on investors in connection with the Company's admission for trading of shares on Nasdaq Stockholm.

Risk factors

An investment in securities is associated with risk. Prior to any investment decision, it is important to carefully analyze the risk factors deemed to be of importance to the future development of the Company and the share. Significant risks that are of particular importance to Saniona are described below in no particular order. There are risks, both in terms of circumstances attributable to Saniona or the industry and those of a more general nature, as well as risks associated with the share and the listing. Certain risks are beyond the control of the Company. The list below does not claim to be complete and, for obvious reasons, not all risk factors can be predicted or described in detail, so a comprehensive evaluation must also include other information in the Prospectus, as well as a general assessment of the situation. The risks and uncertainties listed below may have a significant negative impact on Saniona's business, financial position and/or earnings. They may also reduce the value of Saniona's shares, which could result in shareholders in the Company losing all or part of their invested capital. Additional risks that are not currently known by Saniona may also have a similarly negative impact.

Company and industry-related risks

Brief business history

Saniona A/S was formed in 2011 and began operations in 2012. In January 2014, the parent company Saniona AB was formed, creating the current Group relationship. The Company's contact with customers, suppliers and partners is therefore relatively new. For this reason, these relationships can be difficult to evaluate and may therefore affect the future prospects of the Company. There is a risk that, for example, the Company's partners will terminate existing agreements, which could have a significant negative impact on Saniona's business, earnings and financial position.

Funding requirements and capital

Saniona's research and development work entails significant costs for the company. Saniona is therefore dependent on acquiring capital to fund its planned activities in the future. Any delays in clinical trials or product development, or prematurely discontinued collaborations with the Company's partners, may adversely affect cash flow. There is a risk that the Company may not be able to obtain additional capital, retain or achieve additional partnerships or procure other co-financing. This may cause development to be temporarily stopped or force Saniona to operate at a slower rate than desired, which may adversely affect the Company's business activities. If Saniona cannot acquire additional capital, realize additional partnerships or other co-financing, there is a risk that the Company will be unable to fund further studies and development of its business activities. The absence of funding can thus have a significant negative impact on Saniona's business, earnings and financial position.

Clinical trials

Saniona has three programs in the clinical research phase and six programs in the pre-clinical research phase. All of the programs require continued clinical trials to prove acceptable safety, risk and efficacy profiles before they can be launched in the market as finished products. If Saniona or its partners cannot obtain, or are unable to maintain, required permits for such pre-clinical studies and clinical trials, or if the studies fail to demonstrate the required efficacy or safety, it will not be possible to achieve commercialization.

Clinical trials are extensive, time consuming and costly, and are associated with high uncertainty and risks related to delays and results from the studies. Results from early pre-clinical studies and clinical trials are not always consistent with the results obtained in more extensive studies. In addition to this, the time and cost aspects may be hard to determine accurately in advance and may therefore result in delays and increased costs.

In order to conduct clinical trials, Saniona and its partners are dependent on participation from patients. In case such participation cannot be obtained on satisfactory conditions, this can delay or complicate completion of clinical trials.

The above risks related to pre-clinical studies and clinical trials might have a significant negative impact on Saniona's business, earnings and financial position.

Dependence on external parties for studies and drug development

Saniona's need for drug development is partly covered by internal competence, but the Company also works with external parties. Saniona has entered into an agreement with the Indian service provider Syngene International Limited regarding chemical synthesis and with Profil Institut für Stoffwechselforschung GmbH regarding clinical trials. The Company also has less comprehensive agreements with other companies related to studies including drug absorption and efficacy in specific disease models. If present or future external parties do not fulfill their undertakings or the quality requirements requested by Saniona, or choose to terminate their cooperation with the Company, this might have a significant negative impact on Saniona's business, earnings and financial position. Engagement of new external suppliers, or change of existing suppliers, can also be costlier and/or take longer than the Company estimates, which might have a significant negative impact on Saniona's business, earnings and financial position.

Legislation and regulatory approvals

In order to conduct pre-clinical studies and clinical trials and/or to market and sell pharmaceutical products, registration must take place with and permits must be obtained from the relevant authority in the respective market, such as the FDA in the US and EMA in EU. Obtaining necessary permits is time consuming and costly,

which may increase costs, delay or obstruct the development of the Company's programs, for example if the Company or its partners are not considered to fulfill applicable requirements for clinical trials or pharmaceutical production, or if authorities make different assessments in relation to the interpretation of study data to those of Saniona and its partners. Future changes in applicable legislation may also result in delays and increased costs. If Saniona and its partners do not obtain the necessary regulatory approvals for one or more product candidates, this will impact the prospects for commercialization, which might have a significant negative impact on Saniona's business, earnings and financial position.

Saniona and its partners will be obliged to meet certain regulatory requirements also after a product has been approved for marketing, including requirements for supervision of the marketing of the products and safety reporting. In addition, Saniona and its partners will be obliged to comply with rules on pharmaceutical production including rules for testing, quality control and documentation of the Company's products. Production facilities must be approved via inspection by the authorities and will be subject to regular inspections by the authorities, which may lead to remarks and new production requirements. If Saniona or its partners, including external manufacturers, do not meet the applicable regulatory requirements, the Company may be subject to fines, recalls or seizure of products, withdrawal of regulatory approvals or permits, other operational restrictions and criminal sanctions, which may have a significant negative impact on Saniona's business, earnings and financial position.

Product liability and insurance

As Saniona conducts research and development of drugs, risks of product liability arise. Saniona may be held liable for side effects, illness, death or other injuries to patients in connection with clinical trials, even if clinical trials are carried out by an external party. If Saniona were to be held responsible for incidents in a clinical study, there is the risk that the Company's insurance cover is not sufficient to cover any future legal claims, which might negatively affect Saniona both in terms of reputation and financially. Claims related to product liability might have a significant negative impact on Saniona's business, earnings and financial position.

Key individuals and employees

Saniona's key individuals and employees are highly skilled and have extensive experience within the Company's area of business. In accordance with practice in the Danish labor market, the notice period for several senior executives and key employees, with the exception of the CEO and CFO, for the employee to terminate the employment is only one month. Several key individuals can therefore terminate their employment with only one month's notice, which means that Saniona may need to replace key individuals at short notice. If one or more key individuals or employees terminate their employment with the Company or if the Company fails to recruit new people with relevant skills and expertise this may delay or obstruct development of the Company's programs, which might have a significant negative impact on Saniona's business, earnings and financial position.

Patents and other intellectual property rights

Patents and other intellectual property rights are key assets in Saniona's business and the Company's potential future success is dependent on the Company being able to obtain and maintain necessary patent protection for individual projects, technology and production methods. Even if Saniona obtains patent protection there is a risk that an approved patent will not provide satisfactory commercial protection in the future, for example if competitors develop products or technologies that lead to Saniona's intellectual property rights being circumvented or replaced. If Saniona is forced to defend future patent rights against a competitor, this might involve considerable costs for the Company.

Furthermore, in the industry in which Saniona operates, there is always the risk that the Company may, or may be alleged to, infringe patents held by third parties. Patents held by other parties may also limit the ability of one or more of the Company's future partners to freely use the product or production method concerned. The risk associated with patent protection implies that the outcome of such disputes is difficult to predict. Negative outcomes of disputes relating to intellectual property rights may lead to a loss of protection, a prohibition on continuing to use the right or an obligation to pay damages. In addition, the costs of a dispute, even in case of a favorable outcome for Saniona, may be substantial. The above risks might have a significant negative impact on Saniona's business, earnings and financial position.

Protection of trade secrets and know-how

Saniona is dependent on trade secrets and know-how which cannot be protected by registration in the same way as other intellectual property rights. Saniona uses confidentiality agreements to protect trade secrets and know-how but it is not possible to provide complete protection against unauthorized disclosure of information, which entails risks that competitors might obtain and benefit from the Company's trade secrets and know-how developed by Saniona, which could be detrimental to the Company. Such disclosure of information might have a significant negative impact on Saniona's business, earnings and financial position.

Competitors

Saniona operates in a competitive industry characterized by rapid technological development. The Company's competitors may be major multinational companies as well as minor research companies active within the field of ion channels. These competitors may have greater resources than Saniona and its partners in areas such as research and development, contacts with approval authorities, marketing and product launching. There is therefore a risk that competitors may achieve commercialization of products earlier than Saniona and its partners.

Competitors may also develop and market products that are more efficient, safer and more affordable than Saniona's potential products. Such competing products can limit Saniona's ability to generate revenue, which might have a significant negative impact on the Company's business, earnings and financial position.

Partners

Saniona has chosen to enter into partnerships for certain projects in an early phase to reduce the ongoing capital need through financing via collaborations. The Company's partners include Boehringer Ingelheim International GmbH, Proximagen Limited, Productos Medix S.A. de S.V. and Luc Therapeutics Inc. A substantial part of Saniona's activities has been financed through partners, and these partners are therefore crucial to conducting certain projects. If any of the Company's partners choose to terminate their cooperation with Saniona, there is a risk that projects could be delayed or cannot be continued. Saniona may not have the financial resources necessary to continue the project on its own or may fail to enter into new collaborations with new partners for the continuation of the project. In addition, a change of partner might also lead to increased costs which may further complicate the continuation of the project. Terminated or delayed collaboration projects might have a significant negative impact on the Company's business, earnings and financial position.

Dependency on future commercialization

Among other things, Saniona is entitled to royalties for successfully developed and marketed products and milestone payments within the framework of several cooperation projects. The Company is therefore largely dependent on future commercialization to generate revenues. Even if marketing approval is obtained, there is a risk that the sales will not correspond to expectations and that commercial success will not be achieved. The potential revenues depend on several factors such as product characteristics, competing products, distribution opportunities, marketing, price and availability. Absence of commercial success might have a significant negative impact on Saniona's business, earnings and financial position.

Currency exposure

Saniona is headquartered in Sweden and reports its earnings and financial position in SEK, but has entered into agreements with several international partners, which means that revenues are received in currencies other than SEK. Currency flows in connection with purchases, and sales of goods and services in currencies other than SEK give rise to a so-called transaction exposure. If the Company's actions to cope with the effects of exchange rate movements do not prove effective enough, it could have a significant negative impact on Saniona's business, earnings and financial position.

Tax-related risks

Saniona's tax considerations are based on interpretations of current tax legislation, tax agreements and other tax provisions, as well as demands from relevant tax authorities. There is a risk that tax audits and valuations may result in Saniona being subject to additional taxes or being denied tax deductions, for example in relation to transactions between Group companies and other related parties (so-called internal pricing issues), restructuring, tax deficits, tax residence, incentive schemes and VAT and other indirect tax issues. In the event that Saniona's interpretation or application of tax laws, tax agreements or other tax provisions is incorrect, if one or more authorities are able to impose tax on Saniona, or if applicable tax laws, tax agreements, regulations or interpretations from the authorities or any related administrative practices are changed, including with retroactive effect, the Company's previous and current tax position may be subject to review. If the tax authorities succeed in such a reassessment, this may result in an increased tax expense, including fees and interest expenses, which could have a significant negative impact on Saniona's business, earnings and financial position.

Legislation, tax treaties and other tax rules have historically been subject to recurring changes and future changes may have a significant impact on Saniona's tax burden and thus have a significant negative impact on Saniona's business, earnings and financial position.

Saniona AB has accumulated tax losses that were estimated at SEK 17 million on December 31, 2016. The accumulated losses may reduce the Company's future taxable profits, thus reducing the corporation tax that would otherwise be payable on future profits. Tax losses and their utilization are subject to extensive restrictions. Saniona AB's ability to utilize the accumulated losses in the future, either in part or in full, is determined by future ownership changes and may also be affected by changes in applicable tax legislation. If the loss carryforward cannot be used to reduce tax on future profits, this means that the company's tax costs will increase, which may have a significant negative impact on Saniona's business, earnings and financial position.

Risks related to shares

Fluctuations in the price of Saniona shares

Potential investors must be aware that an investment in shares in the Company is associated with a high level of risk and that the share price of the Company can develop in an unfavorable direction. The price of the Company's shares is affected, among other things, by the Company's business activities, operating profit/loss, prospects, analysts' and investors' expectations, as well as perceptions on the stock market.

Furthermore, the share price is dependent on several factors on which Saniona has no, or only limited, influence. Such factors may include the general economic climate, market interest rates, capital flows, political uncertainty or market behavior, as well as other risk factors described in this Prospectus. The securities market may also occasionally display significant price and volume fluctuations that are not necessarily related to the Company's business or future prospects. Even if the Company's business is developing positively, an investor could make a capital loss when disposing of shares.

Furthermore, it is uncertain whether an active trade will develop in the Company's shares. Limited liquidity can lead to fluctuations in share prices and may negatively affect investors.

Owners with significant influence

The Company has a few major shareholders. Through their respective holdings in the Company, they have the possibility to exert a significant influence over the Company and may affect, among other things, matters that are the subject of voting at the Annual General Meeting. A shareholder concentration may be detrimental to other shareholders, if their interests are different to those of the Company's main shareholders.

Future sales of major shareholdings or new issues

Significant sales of shares by major shareholders, as well as a general market expectation that sales may occur, can adversely affect the price of Saniona's shares. In addition, the Company may carry out new issues of shares and share-related instruments in order to raise capital in the future. All such issues can reduce the proportional ownership, voting rights and earnings per share for owners of shares in the Company. Furthermore, any new issues may have a negative impact on the market price of the shares.

Dividends paid

Saniona has not yet paid any cash dividend. The Company is in an expansion phase and the plan is to invest any profits in the Company's expansion. There is a risk that future cash flows will not exceed the Company's capital requirements or that the Annual General Meeting will not decide on future dividends.

Background and motive

Saniona is an expansive research and development company working on the development of drugs for the treatment of diseases of the central nervous system, autoimmune diseases, metabolic diseases and pain relief. The company was formed in 2011 and commenced operations in September 2012 when a number of projects were acquired from NeuroSearch A/S ("NeuroSearch"). Saniona took over 15 research and development projects that cover a total of more than 15,000 chemical substances, related patents and an associated generic chemical library with more than 100,000 other commercially available chemical substances. In addition, Saniona acquired personnel from NeuroSearch. In fall 2014, Saniona acquired another two clinical programs from NeuroSearch: tesofensine, which has shown a strong weight-reducing effect in phase 2 studies in obese patients, and NS2359, which has displayed promising properties for the treatment of cocaine dependency. In May 2016, Saniona acquired another two drug candidates, Ordopidine and Serodopidine from NeuroSearch.

Saniona has a broad project portfolio, with nine active programs in the pipeline. Three of these are funded internally and the remaining six are funded through grants, through cooperation with partners, or are being conducted in so-called joint ventures/spin-outs. Three of the programs are in the clinical phase and six of the programs are in the research phase.

The company has completed and reported top-line data for a phase 2a study for Tesomet for type 2 diabetes, and has initiated a further phase 2a study for Prader-Willi syndrome. In addition, the University of Pennsylvania's Treatment Research Center (TRC) has initiated a phase 2a clinical trial of Saniona's substance NS2359 for cocaine dependency. Saniona is working with Medix on the development of tesofensine and Tesomet for the treatment of obesity in Mexico and Argentina. In April, Medix received approval to initiate a phase 3 clinical trial of tesofensine for patients in Mexico who suffer from obesity. The company also has three ongoing internal projects in the research phase, within which one program is funded through grants from the Michael J. Fox Foundation. In addition, Saniona has three partnerships with Boehringer Ingelheim, Luc Therapeutics Inc. and Proximagen regarding specific research projects. The listing of Saniona's shares on Nasdaq First North Premier in May 2016 was an important step towards subsequent listing on Nasdaq Stockholm. Since Saniona took the step onto Nasdaq First North Premier, the Company has demonstrated good development, both financially and operationally, and is now well-equipped for the high demands imposed for a listing on a regulated market.

Saniona's Board of Directors believes that listing the Company's shares on Nasdaq Stockholm will improve the conditions for future value creation for the Company's shareholders, for example through increased institutional ownership, increased transparency and increased awareness of the Company and the share among analysts and the media, as well as an increased interest in Saniona and its business activities. The Board's overall assessment is that the listing on Nasdaq Stockholm represents a reinforced image of Saniona as a strong, long-term player.

The Board of Directors for Saniona AB (publ) is responsible for the information in this Prospectus, which has been prepared in connection with an application for admission for trading of the Company's shares on Nasdaq Stockholm. We hereby confirm that all reasonable precautions have been taken to ensure that, to the best of the Board's knowledge, the information in this Prospectus represents the actual circumstances and that no information has been omitted that could affect its content.

Malmö, June 9, 2017,
Saniona AB (publ),
Board of Directors

History in brief

Significant events in Saniona's history are shown below in chronological order.

2011

- Saniona A/S (formerly Saniona ApS and Aniona Aps) is formed.

2012

- The subsidiary Saniona A/S commences its operations in September in connection with the purchase of, among other things, drug projects and cooperation agreements from the listed company NeuroSearch. The cooperation agreements include Janssen Pharmaceutica NV ("Janssen").

2013

- In July 2013, Saniona signs a new agreement with Janssen.
- The Saniona Ataxia project is spun out into a new company, Ataxion, which is co-owned with Atlas Ventures.

2014

- In January 2014, Saniona AB, the parent company of the Group, is established.
- In February, Saniona enters into a partnership with Pfizer for research on drugs for neurological diseases.
- In March, Biogen and Atlas Venture conclude an agreement to invest up to USD 17 million in Ataxion.
- In March, Saniona carries out a rights issue in connection with its listing on AktieTorget. The company receives SEK 17 million.
- In July, Saniona initiates pre-clinical development of the drug candidate AN363 for the treatment of neuropathic pain.
- In October, the tesofensine clinical program for the treatment of obesity is acquired from NeuroSearch.

2015

- In February, Saniona carries out a rights issue. The rights issue provides SEK 24.3 million.
- In February, Saniona recovers the rights to the GABA-α5 program from its previous collaboration with Janssen.
- In June, Saniona grants the right to perform a phase 2 study of NS2359 for cocaine dependency to the University of Pennsylvania.
- In July, Saniona announces the launch of the listing process for Nasdaq Stockholm.
- In August, FDA approval is obtained for clinical trials of NS2359 for the treatment of cocaine dependency.
- In September, the cooperation with Pfizer is terminated. Saniona retains the rights to the research program.
- In September, Saniona announces that the Company will start a phase 2a study of Tesomet in the first half of 2016.
- In October, Saniona carries out a rights issue and the Company receives SEK 48.8 million.
- In December, Saniona announces that its partner, TRC, has decided to launch a phase 2 study of NS2359 for cocaine dependency.

2016

- In January, Saniona enters into a partnership with Proximagan to research drugs for neurological diseases.
- In February, Saniona enters into an agreement with Medix on tesofensine and Tesomet within the area of obesity in Mexico and Argentina.
- In February, the Michael J. Fox Foundation provides research funding of SEK 5.1 million for Saniona Parkinson projects.
- In February, Saniona obtains a patent in the United States on the combination of tesofensine and Metoprolol until 2033.
- In April, Saniona begins recruiting patients for participation in a phase 2a study of Tesomet for type 2 diabetes.
- In May, Saniona announces that the Company will launch expanded non-GLP pre-clinical studies on a back-up substance for AN363 and that in connection with this, the studies on the pharmaceutical substance AN363 will be paused.
- Saniona announces that it is participating in the company formation of Initiator Pharma A/S ("Initiator Pharma") and announces that the Company intends to distribute 60% of Initiator Pharma before the company obtains capital and is listed on AktieTorget.
- In May, Saniona acquires all rights, including patents and data, from the remaining product portfolio of NeuroSearch A/S, which consists of the compounds ACR325 and ACR343.
- Saniona's shares are admitted for trading on Nasdaq First North Premier on May 19.
- Saniona's partner TRC commences a phase 2a study of NS2359 for cocaine dependency.
- In July, Saniona receives three funding grants for research projects totaling SEK 5.3 million.
- In August, Saniona completes the recruitment of patients for participation in a phase 2a study of Tesomet for type 2 diabetes.
- In September, Saniona signs a cooperation agreement with Boehringer Ingelheim regarding schizophrenia. The collaboration aims to develop new and innovative treatment options for patients with schizophrenia. The agreement means that Saniona may receive up to approximately SEK 854 million in milestone payments, including an upfront payment of approximately SEK 47 million.
- In September, Anker Lundemose leaves the Board of Directors due to a potential conflict of interests concerning one of Saniona's research programs.
- In October, Saniona announces that the ongoing research and development work with Proximagen will be extended.
- In October, Saniona distributes all shares in Initiator Pharma A/S to its shareholders.
- In December, Saniona's partner Medix announces that it has applied for a phase 3 clinical trial for obesity.

2017

- In January, Saniona reports positive top-line data from a phase 2a study of Tesomet for Type 2 diabetes.
- In March, Saniona announces that the company's spin-out, Ataxion, is merging with Luc Therapeutics Inc.
- In April, Saniona announces the start of a phase 2a study of Tesomet for Prader-Willi Syndrome.
- In April, Saniona's partner, Medix, receives regulatory approval to initiate a phase 3 study of tesofensine for obesity.
- In April, Saniona receives a research milestone payment from the Michael J. Fox Foundation for Parkinson's Research.
- In May, Saniona announces that the Company has participated in the company formation of Scandion Oncology, and at the same time has spun out the clinical program related to the ion channel platform. Saniona AB owns 51% of Scandion Oncology.
- In May, Saniona carries out a rights issue for SEK 35 million.

Description of business activities

Saniona in brief

Saniona is a research and development company working on the development of drugs for the treatment of diseases of the central nervous system, autoimmune diseases, metabolic diseases and pain relief. The company has a comprehensive portfolio of drug candidates in the pre-clinical and clinical phases. Saniona has its office in Ballerup, Denmark, where the Company has a research facility of high international class. The company cooperates with Boehringer Ingelheim GmbH, Proximagen Ltd., Productos Medix SA de SV and Luc Therapeutics Inc.

The company's research focuses on ion channels, which is an established area for drug development. Ion channels are a class of proteins that allow and control the passage of charged ions across cell membranes and which are necessary for biological functions such as signal transmission from the nerves, functioning of the muscles and heartbeat. The function of the ion channels is to control the activity of, among other things, nerve cells and immune cells, thereby also affecting the functions of the brain and the immune system.

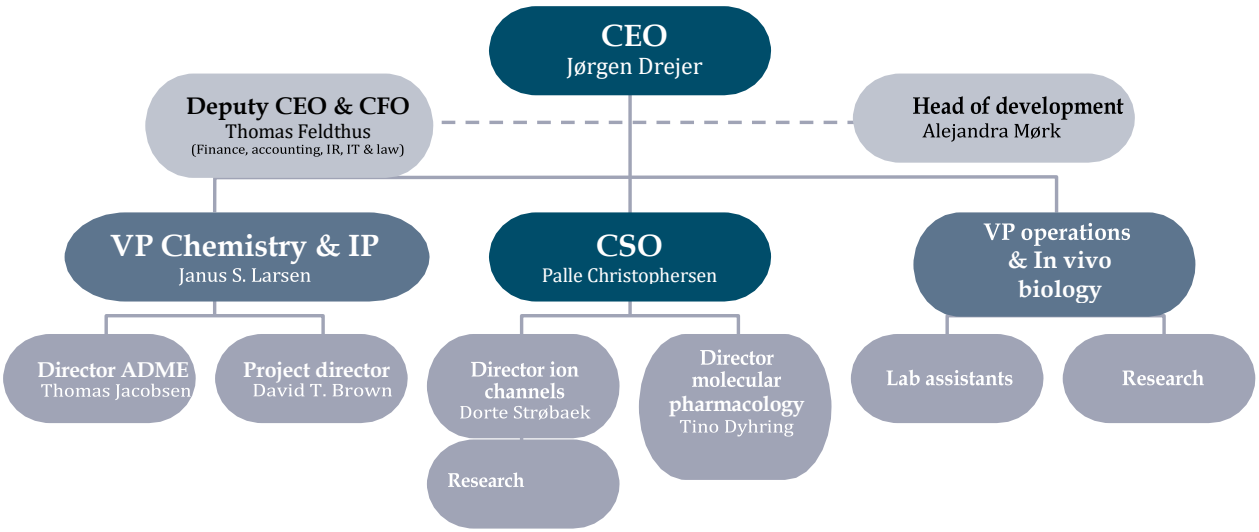
The operational subsidiary Saniona A/S was formed in 2011 and commenced operations in September 2012 when a comprehensive project portfolio and research platform was acquired from NeuroSearch. In connection with the acquisition, personnel were also taken over. Saniona's CEO, Jørgen Drejer, who was one of those behind the purchase, was a co-founder of NeuroSearch approximately 27 years ago, and subsequently worked as research director in the same company. The majority of Saniona's employees have worked together for up to 20 years. The Board of Directors believes that Saniona currently has one of the most knowledgeable teams in the world within Saniona's area of business. As of March 31, 2017, the company had 25 employees, of whom 20 are active in research and development. Saniona has also outsourced its chemical syntheses of new pharmaceutical substances to Syngene, which currently has about 20 chemists working on the Company's programs.

Saniona's business activities are based on a well-founded scientific basis and the company has extensive knowledge within drug development. The research team has more than 20 years of experience of ion channel programs. Over the years, a large network has been developed within the pharmaceutical industry and academic research on ion channel programs. In conjunction with the acquisition from NeuroSearch, Saniona obtained a broad project portfolio, patents, an extensive substance library and a complete research facility. Saniona currently has a research and development platform that allows it to investigate all types of drug candidates that target ion channels.

Organization

Saniona AB is the parent company of a group comprising the wholly owned subsidiary Saniona A/S (DK-34049610), in which all operations are conducted, and Scandion Oncology A/S (DK-38613391), which is 51% owned. Saniona is based in Ballerup, just west of Copenhagen, where the research facility is also located. The company had a total of 25 employees on March 31, 2017, of whom 20 work in Saniona's research and development activities. In addition to the Danish subsidiaries, Saniona AB holds 7.1% of the shares in Luc Therapeutics Inc., which is the newly formed company that was established after Luc Therapeutics merged with Saniona's spin-out Ataxion. Otherwise, Saniona has no further shareholdings in other companies.

Saniona's management team consists of CEO Jørgen Drejer, CFO Thomas Feldthus and CSO Palle Christophersen. The CEO manages the work in the day-to-day operations and is authorized to implement decisions adopted by the Board of Directors. The CFO manages business issues for the day-to-day operations in the areas of finance, funding, investor relations, law and IT. Saniona's business development operations are managed jointly by both the CEO and CFO. The company's CSO defines Saniona's research strategy and is authorized to conduct research projects. The CSO is also responsible for Saniona's scientific publications, and for maintaining and developing the Company's technical platform and scientific network.



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

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

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

Business model and strategy
Saniona has a broad portfolio of research and development projects ranging from early-phase projects to projects with completed clinical trials. The challenge for Saniona lies in the choice of which projects the Company will invest in, and at what stage collaborations with major pharmaceutical players should be sought. The choice of licensing time always entails a balance between revenue potential and risk minimization. Projects with completed clinical trials are usually more attractive to potential partners and allow licensing agreements with better terms and conditions. The greatest value is usually obtained if Saniona achieves a so-called clinical proof-of-concept in phase 2 trials. At the same time, clinical trials are costly and represent a significant risk, since the outcome is always associated with uncertainty. The motive for whether Saniona should conduct clinical trials on its own or seek partnerships in an early phase varies between projects, depending on the risk profile, the scope of the clinical trials and the commercial potential.

Saniona commercializes its research efforts through three different business models:

- Through its own development of selected programs throughout the early phases of the drug development process, before licensing to pharmaceutical companies that take over the continued development of Saniona's program and pay upfront and milestone payments, as well as royalties, to Saniona on product sales;
- Through research and development cooperation in the early phases with pharmaceutical companies that will fund research and development and pay upfront and milestone payments, as well as royalties, to Saniona on product sales; and
- Through joint ventures or spin-outs, where Saniona's financial partners will receive part of the upside by funding the development of one of Saniona's programs, or alternatively through a spin-out funded through a separate listing on the stock exchange.

Applying these three business models creates a good balance between risk management and revenue potential.

In-house development in the early phases
In selected projects, where Saniona considers that there is significant value and a manageable risk profile, the Company will continue to pursue development on its own. By conducting the initial clinical trials on its own, the projects can reach a stage, where the commercial value increases significantly, thus enabling a licensing agreement with a significantly greater economic value than those entered into during the pre-clinical phase. Saniona aims to run at least one project through phase 2 clinical trials in its own right, with a view to obtaining proof of concept, and subsequently licensing out the drug candidate to a major pharmaceutical company for further development. Saniona has recently completed and reported top-line data from a phase 2 clinical trial of Tesomet for diabetes and has initiated a phase 2 study for Prader-Willi syndrome. In addition, the Company, in collaboration with the University of Pennsylvania's Treatment Research Center (TRC), has initiated a phase 2a study of Saniona's substance NS2359 for the treatment of cocaine dependency.

In connection with a license agreement, compensation is received in the form of initial remuneration, so-called milestone payments when certain interim goals in the clinical development are achieved, as well as additional milestone payments upon market approval, and finally royalties on sales of the pharmaceutical product.

In a number of Saniona's own research projects, funding comes from research grants, such as from the Michael J. Fox Foundation. Since Saniona retains all rights for these projects, the research grants will help reduce the financial risk that a wide portfolio of internal projects may entail.

Collaboration with major pharmaceutical companies
Saniona has a broad project portfolio, which provides risk spreading and high intensity in research. In order to reduce the current capital requirement, the Company has chosen to also enter into partnerships for certain early projects. Early research collaboration usually involves a time-limited research collaboration, where the partner finances the project until it is ready for clinical trials. Compensation may consist of a combination of upfront payments, running cost compensation and milestone payments, when certain interim goals are achieved in the pre-clinical development process. In addition, there are additional milestone payments when the project is taken over by the partner and when it enters the clinical development stage. Finally, royalties are paid when the medicine is launched. However, the initial compensation and milestone payments are not of the same size as when contracts are concluded for clinical phase projects. The company currently has two partnerships for early-phase projects, where the partner finances the ongoing research. The company seeks to secure additional partnerships for early projects and has good expectations of being able to do this within the next year. The early partner projects mean, in addition to lower current capital requirements, that the Company can maintain a larger organization and thus achieve a critical mass in the research.

Joint ventures and spin-outs
An alternative to outsourcing early-phase projects is to enter into partnerships or joint ventures with another smaller biotech

company, or alternatively to spin out the project in a separate company that is financed by a venture capital company. An example of the latter is the collaboration with Luc Therapeutics (previously Ataxion), which was originally a spin-out from Saniona. Another variant is that Saniona spins out a project in a separate company, which then seeks capital through the stock market. An example of such a variant is Initiator Pharma, where Saniona handed over all of its holdings in Initiator Pharma to Saniona's shareholders and then listed it on AktieTorget.

In the event that a program is developed through spin-outs (such as Ataxion) or through joint ventures financed by venture capital, the majority of Saniona's revenue will be paid on completion of the program, for example, by selling the spin-out or program to a third-party.

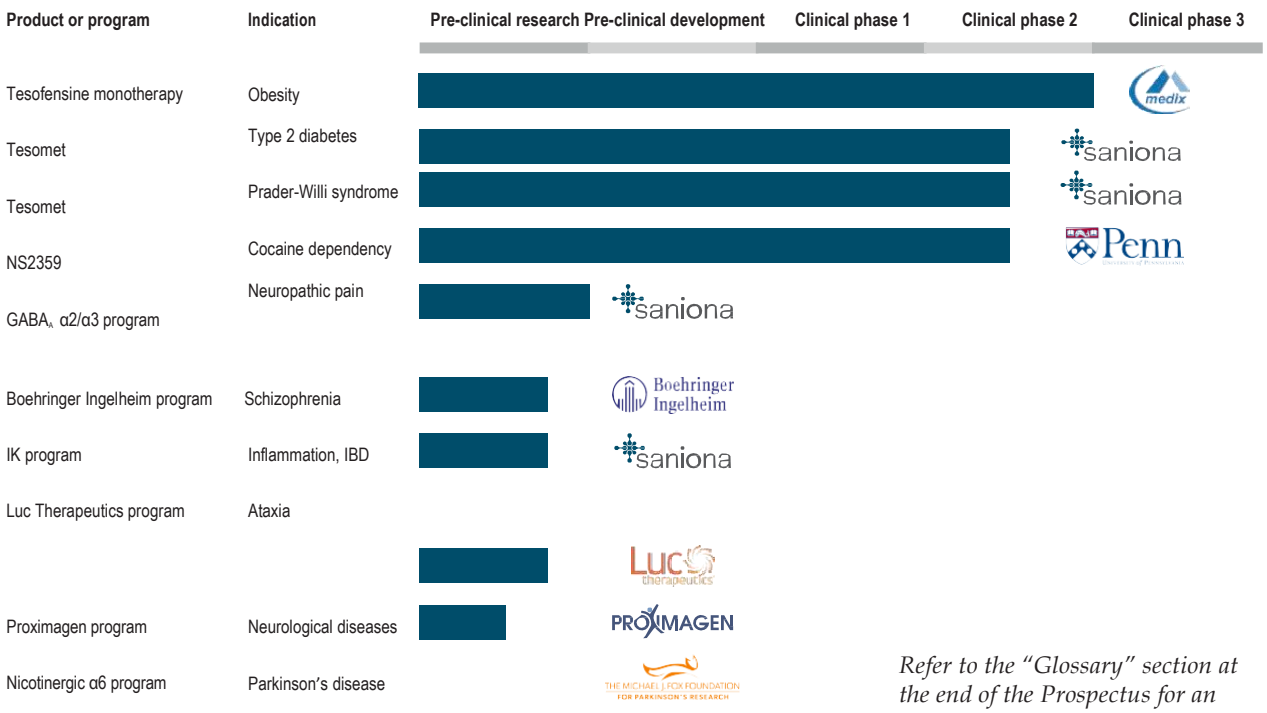
The income from large exits and from achieving milestones and royalties will be used for the continued evolution of Saniona or paid as a dividend to Saniona's shareholders. Refer to the "Dividend policy" section for further information.

Project portfolio

Saniona currently has nine active programs in the pipeline, three of which are funded internally and the remaining six are funded through grants, through cooperation with partners or are conducted in so-called joint ventures/spin-outs. Three of these programs are in the clinical phase and six of the programs are in the research phase. Clinical phase programs include tesofensine, which has demonstrated strong weight-reducing effects in phase 2 clinical trials in obese patients. The company's partner, Medix, has received approval from the Mexican supervisory authority, Cofepris, to initiate a phase 3 clinical trial of tesofensine in Mexican patients suffering from obesity. In addition, the Company announced in January 2017 that it had conducted and reported top-line data from a phase 2a clinical trial of Tesomet for type 2 diabetes and that it was initiating a further phase 2a study for Prader-Willi Syndrome in April 2017. Finally, NS2359, which is a promising drug candidate for treatment of cocaine dependency, is also included among the clinical phase programs. In June 2016, the University of Pennsylvania Treatment Research Center (TRC) launched a phase 2a clinical trial of NS2359 for the treatment of cocaine dependency.

Six of Saniona's active programs are currently research programs. The Company is developing three internal research programs. For Saniona's $GABA_A$ α2/α3-program (neuropathic pain), the Company has initiated extended non-GLP[5] pre-clinical studies on a back-up substance to AN363. Saniona has two other internal programs, one of which is focused
on the treatment of inflammatory bowel disease and the other on Parkinson's disease (funded through a research grant from the Michael J. Fox Foundation). In addition, Saniona has three active research programs funded by partners: Saniona's research program into schizophrenia, in collaboration with Boehringer Ingelheim, which is also part of and co-finances the program, an active research program into the treatment of ataxia in collaboration with Luc Therapeutics Inc., and a project for the treatment of neurological diseases financed by Proximagen.

The company's project portfolio can be seen below.[4]



Refer to the "Glossary" section at the end of the Prospectus for an

e x planation of the relevant phase.

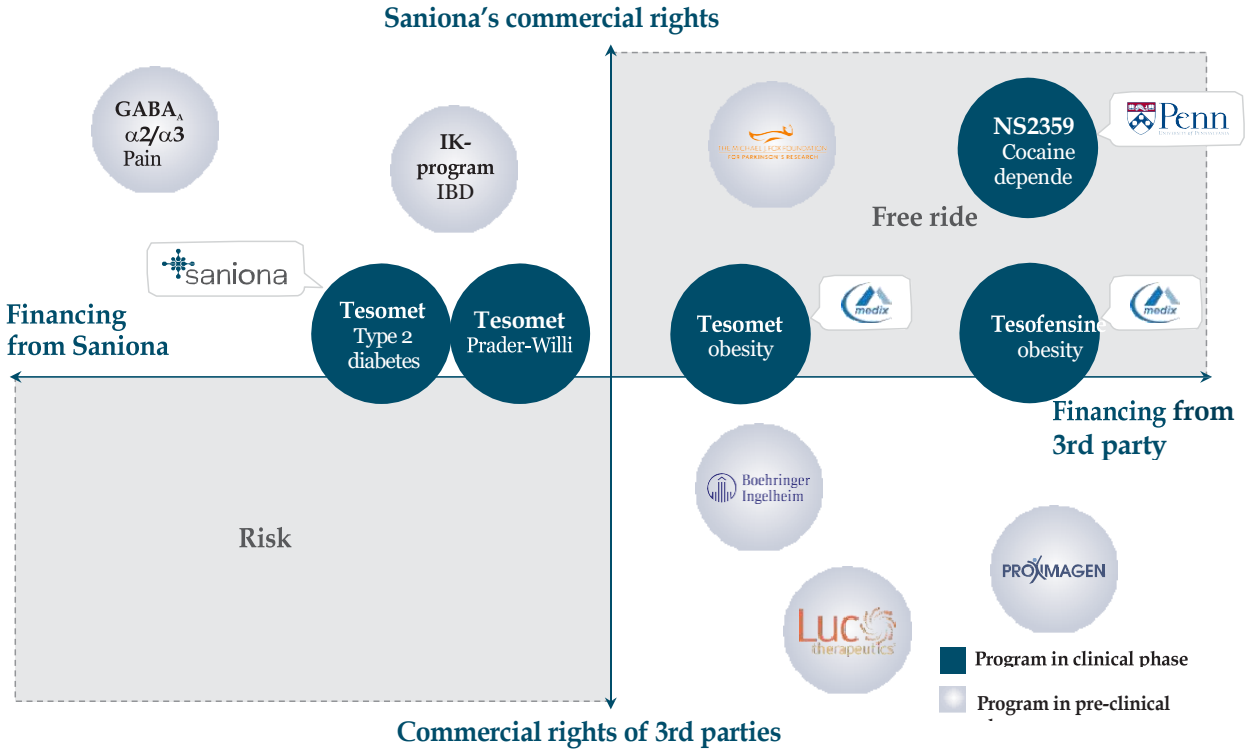
3 Good Laboratory Practice, a quality system that includes the organizational process and the prevailing conditions when non-clinical safety studies are planned, performed, monitored, recorded, filed and reported.
4 Prader-Willi syndrome is included in the Tesomet program and is therefore not counted as a separate program in other listings.

In addition to Saniona's current pipeline as set out above, the Company has a number of projects for pharmaceutical research and projects that have undergone the clinical phase (e.g. AN788 and AN761) and which are being positioned for partnerships or spin-outs.

The above-mentioned programs are financed as follows:

- In-house (3 projects): Tesomet, the $GABA_A$ α2/α3 program, IK program
- Grants (2 projects): Nic α6, NS2359
- In cooperation with partners (3 projects): Tesofensine monotherapy, the Boehringer Ingelheim program and the Proximagen program
- Through joint ventures/spin-outs (1 project): Luc Therapeutics program

The figure below illustrates the range of Saniona projects based on a financing and rights perspective. The box on the top left shows programs that Saniona is developing itself and where the Company has acquired commercial rights. The box on the top right contains projects, where Saniona has obtained all the rights, while other parties finance and develop the programs ("free ride"). The lower left part of the figure shows situations, where both rights and funding are shared between Saniona and a third party ("risk sharing"). In this part of the figure, Saniona provides financing in return for higher royalties. The last box, on the bottom right, shows programs where Saniona has entered into partnerships. Here, a third party finances future development in exchange for commercial rights and Saniona then receives milestone and royalty payments.



The X-axis shows how the projects are funded and the Y-axis shows who owns the commercial rights.

Saniona has two research programs funded internally ($GABA_A$ α2/α3 program, IK-program IBD) and where all commercial rights are retained. There are three partnerships financed by third parties, and from which Saniona receives milestone payments and royalties. In addition to these three, there is a research program and a clinical program in which Saniona receives all rights, even though they are funded by third parties (the Michael J. Fox, Dana and Groff Foundations). The Medix agreement with tesofensine and Tesomet is a cross-over transaction. Here, Medix is funding the development of the products for obesity and thus receives the rights, but for a relatively small geographical area. Saniona in turn receives royalties within this area, and also retains all rights in the rest of the world. Saniona is also developing Tesomet for T2D, which will benefit Medix in Mexico and Argentina and, in return, Saniona receives royalty payments. Saniona still retains all rights in the rest of the world.

Tesofensine monotherapy for obesity (Medix)

Saniona acquired tesofensine from NeuroSearch in October 2014. The project is owned by Saniona, but NeuroSearch is entitled to a share of future profits from the project. Tesofensine is a monoamine uptake inhibitor targeted at the treatment of obesity. Tesofensine has been evaluated in

phase 1 and 2 studies with research subjects

in order to investigate the treatment potential in connection with obesity, Alzheimer's and Parkinson's disease. Tesofensine displayed effective weight loss effects in phase 2 studies in obese patients. Tesofensine has been tested in more than 1,300 patients and the studies have shown that tesofensine has generally been well tolerated.

The Phase 2b clinical trial (TIPO-1), which was presented in the Lancet journal, showed weight loss levels over a six-month period that were of high clinical relevance and which had good conditions for competing with other methods. Patients lost an average of 12.8 kg on a 1 mg dose, 11.3 kg on a 0.5 mg dose and 6.7 kg on a 0.25 mg dose compared with a 2.2 kg loss in the placebo group. All participants were instructed to follow a diet with a 300-kcal deficit and to increase their physical activity gradually to 30–60 minutes of exercise per day. Of the patients receiving 0.5 mg daily, which is considered the relevant therapeutic dose, 87% of the patients (58% versus placebo) achieved more than 5% weight loss and 53% of the patients (46% versus placebo) achieved a weight loss of more than 10% after a six month follow up.

Interim results have also been reported from a 24-week, open-label extension study (TIPO-4), which is an extension of the TIPO-1 study in which 140 patients who completed the 24-week Phase 2b study (TIPO-1) were re-enrolled after an average of three months' break. All of them were then treated with 0.5 mg tesofensine once daily but up-titration to 1 mg once daily was allowed in the first 24 weeks of the extension study. The 24-week interim results for those who were previously treated with 0.5 mg tesofensine in TIPO-1 showed a total mean weight loss of between 13 kg and 14 kg over 48 weeks of treatment. Furthermore, TIPO-4 confirmed the TIPO-1 results since the patients who were previously treated with placebo lost an additional approximately 9 kg in the first 24 weeks of the TIPO-4 study.

Saniona is working with Medix on the development of tesofensine for the treatment of obesity in Mexico and Argentina. Medix has received approval from the Mexican supervisory authority, Cofepris, to initiate a phase 3 clinical trial of tesofensine in Mexican patients suffering from obesity. The phase 3 clinical trial comprises 372 patients and is conducted under the guidance of Medix at two clinics in Mexico. Medix expects to initiate the study after import and subsequent release of the pharmaceutical product. The trial is expected to be completed within two years of commencement. Medix covers all costs associated with the planned phase 3 study, approval and commercialization. Saniona is entitled to receive small regulatory milestone payments during the collaboration and to double-digit royalties on product sales, of which NeuroSearch will receive 20%.

Tesomet for type 2 diabetes (Saniona)

Tesomet is a fixed-dose combination of tesofensine and metoprolol. Tesofensine allows robust weight loss in obese patients. In addition to treatment of obesity, tesofensine also has the potential to reverse the progression of type 2 diabetes by reducing liver fat. In general, tesofensine has been well tolerated in human clinical trials. However, an increase in heart rate has been observed at relevant therapeutic doses of tesofensine.

In 2015, Saniona published new results of data mining from a previous phase 1 study demonstrating that metoprolol moderates the increase in heart rate caused by tesofensine. The result of data mining from the earlier phase 2 study for obesity (TIPO-1) also shows that tesofensine resulted in a significant reduction in glycemic parameters in a subset of obese patients with prediabetes who participated in the study.

By 2016, Saniona performed a phase 2a clinical trial of Tesomet in patients with type 2 diabetes. Top-line data from this clinical trial was presented in January 2017. The clinical trial achieved a positive outcome on the primary endpoint showing a statistically significant reduction in heart rate for patients treated with Tesomet compared to placebo (decrease of 4.2 bpm compared with 0.2 bpm). Furthermore, the key secondary and exploratory endpoints regarding body weight (3.5 kg compared to 0.3 kg) and waist circumference (2.29 cm compared to 0.03 cm) also showed statistically significant reductions compared to placebo. Glycemic secondary endpoints were not statistically significantly different from placebo in this rather short 12-week study.

The new data together with data from previous clinical trials of tesofensine supports the use of Tesomet as a safe and effective weight loss drug in patients with metabolic disorders such as diabetes and obesity. The statistically significant reduction in weight, as well as the numerical decrease in fat content in the liver achieved in the latest phase 2a study, means that Tesomet could potentially give a clinically relevant reduction of weight and glycemic parameters over a longer period, thus representing an interesting new potential treatment for weight loss in type 2 diabetes. The next step would be to initiate a six-month study in humans, which could potentially begin in 2018. Such a study would require Saniona to invest in the manufacture of combination preparations, complement the toxicology package and carry out a phase 1 study of the new preparation in 2017/18. The total cost of preparing the six-month study in humans is estimated at around SEK 16 million.

The substance patent for tesofensine has expired and metoprolol is generic. Saniona has patents and patent applications covering the combination of tesofensine and metoprolol, the use of tesofensine in diabetes and the use of combination products in and for obesity, diabetes and other obesity-related diseases, manufacturing patents and formulation patents that together provide patent protection until 2036 if patents are issued. Saniona has recently been granted a patent in the United States covering the combination and use of tesofensine and metoprolol. This patent for Tesomet in the United States expires in 2033.

Tesomet for Prader-Willi syndrome (Saniona)

Prader-Willi syndrome (PWS) is recognized as the most common genetic cause of life-threatening obesity. The disease results from a deletion or loss of function of a cluster of genes on chromosome 15, which leads to dysfunctional signaling in the brain's appetite/satiety center (hypothalamus). Patients suffer from a constant and insatiable appetite and many of those affected with PWS become morbidly obese with increased mortality as a result. Currently there is no cure for this disease.

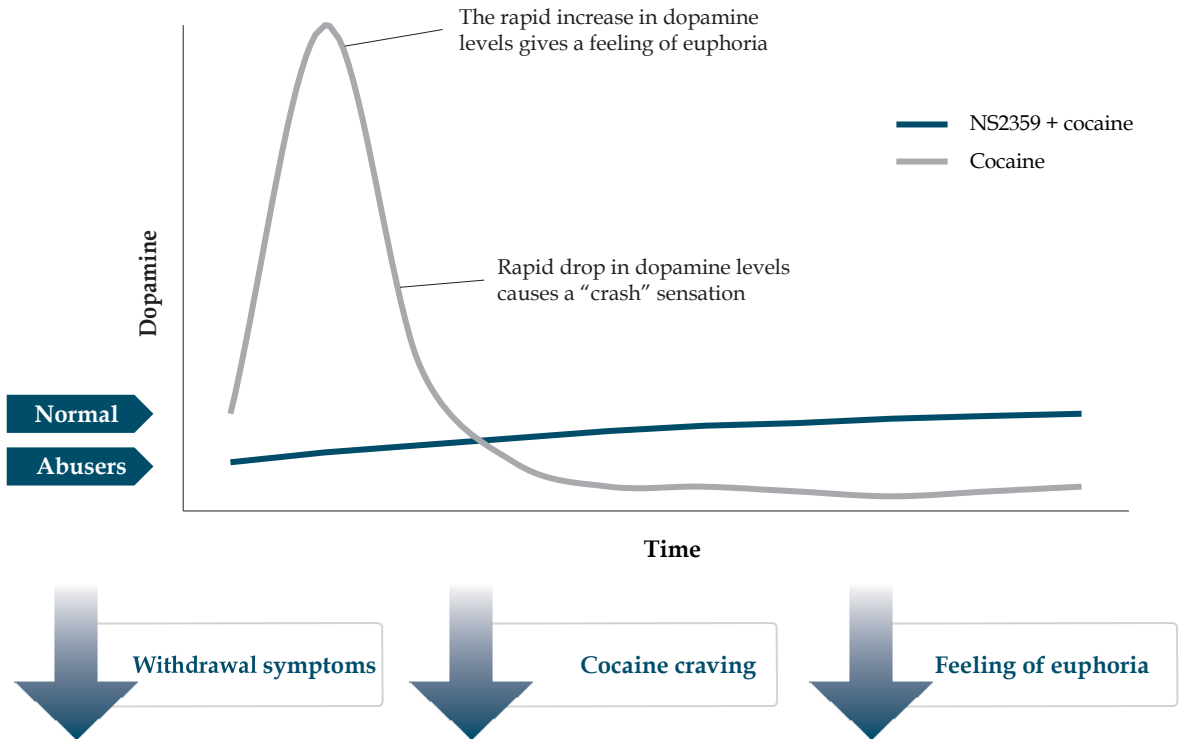
The study commenced in April 2017 and may include up to 30 patients, where the patients will receive either Tesomet or a matching placebo for a total of 12 weeks. The primary endpoint of the study is the change in body weight during treatment compared with placebo. The study is estimated to take about one year and could potentially pave the way for initiating a phase 3 study. PWS is a rare disease and Saniona plans to apply for orphan medicine status to both the EMA and FDA.

Tesomet is covered by several patent applications and issued patents, which together can provide patent protection until 2036.

NS2359 for cocaine dependency (TRC)

In connection with Saniona taking over tesofensine from NeuroSearch in fall 2014, the company also acquired the NS2359 project. NS2359 is a triple reuptake inhibitor that blocks the reuptake of dopamine, norepinephrine and serotonin in a similar manner to cocaine. NS2359 dissociates slowly from the 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 cravings and reduce cocaine-induced euphoria. In pre-clinical studies, NS2359 has been shown to reduce the reinforcing effects of cocaine and may have effects on cue-induced drug craving. In a NIDA sponsored phase 1 human laboratory interaction study, NS2359 reduced the rewarding valence of 20 or 40 mg of cocaine, and weakened the cardiovascular effects of IV cocaine. Thus, NS2359 does not show adverse interactions with cocaine. Furthermore, other human studies with NS2359 have shown that NS2359 has little or no abuse potential.

The graph below, which is for illustrative purposes only, shows how NS2359, in combination with cocaine, is expected to help normalize dopamine levels in cocaine abusers, thus suppressing the perceived highs and subsequent lows with withdrawal symptoms and cocaine craving.



Saniona is collaborating with TRC to develop NS2359 for the treatment of cocaine dependency. A clinical proof-of-concept trial of NS2359 for the treatment of cocaine dependency is currently underway with funding from the Dana Foundation and Groff Foundation. Saniona and TRC intend to apply for additional public funding to continue the development of NS2359 if the trial proves to be successful. Saniona retains the commercial rights to NS2359.

The company also has patents in the USA which comprise salts of NS2359 and which expire in 2028. In addition, the company expects to obtain data exclusivity, providing protection for five years in the USA and ten years in Europe after market approval.

The $GABA_A$ α2/α3 program for neuropathic pain (Saniona)

Saniona's new $GABA_A$ α2/α3-subunit selective candidates are for the treatment of neuropathic pain.[5] $GABA_A$ α2 and α3's subunit receptors are expressed by nerves in the spinal cord that regulate the pain signal to the brain. It is this control center which is malfunctioning in many patients with neuropathic pain. Saniona's $GABA_A$ α2/α3 compounds selectively work on receptors containing α2 and α3-proteins without efficacy on the main $GABA_A$ receptors in the brain, including the so-called α1 subunit, which is responsible for the sedative and hypnotic effects of unspecific $GABA_A$ compounds such as Valium. By specifically modulating $GABA_A$ α2 and α3 receptor subunits, Saniona's $GABA_A$ α2/α3 compounds are expected to rebuild or improve the body's own pain regulating system in the spinal cord without promoting unwanted side effects such as sedation. Pre-clinical studies of AN363, and several other compounds from the series, have confirmed efficacy in animal models of neuropathic pain without the sedative effect. Also, human studies of an analogue (AN721) to AN363 support a positive extension of this concept to humans.

Saniona's $GABA_A$ α2/α3 compounds have the potential to be a first choice as a drug for pain relief in patients suffering from non-treatable neuropathic pain conditions, either as stand-alone treatment or as independent treatment in existing, suboptimal therapies. Saniona has completed the pre-clinical toxicology
studies for Saniona's $GABA_A$ α2/α3 compound AN363. Saniona paused the development of AN363 because unexpected findings were made during the toxicology studies. The company plans to conduct extended, non-GLP, pre-clinical studies on a back-up substance to AN363 in order to potentially choose such a back-up substance as a development candidate within a year. However, this assumes the Company decides to invest a further SEK 2 million in the program.

Boehringer Ingelheim program for the treatment of schizophrenia (Boehringer Ingelheim)

Saniona's research and development collaboration with Boehringer Ingelheim focuses on research of new small molecule drugs that could be capable of restoring brain network activity in patients with schizophrenia. By combining Saniona's expertise in ion channels and related technology platforms with Boehringer Ingelheim's research and development activities, we have the potential to find and develop new treatment options for schizophrenia. The program is in a late pre-clinical research phase, which means that the parties are generating data in order to choose one of several candidates for clinical development.

IK program for the treatment of inflammatory bowel disease (IBD) (Saniona)

The IK project is based on substances, including AN346, that block an ion channel ("IK channel") that is crucial for activation of inflammatory processes. The IK program represents a potential new "first in class" anti-inflammatory treatment against IBD. In pre-clinical colitis models, this type of potent and selective IK channel blocker has demonstrated significant activity in different animal species. T-cell activity is regulated by modulation of IK channels that are up-regulated in activated T cells and generate the driving force during activation and proliferation of T-helper cells. Blocking IK channels is therefore a new potential therapeutic strategy for the treatment of peripheral autoimmune/inflammatory indications such as inflammatory bowel disease (IBD), rheumatoid arthritis, fibrosis and central neuro-inflammatory diseases such as multiple sclerosis (MS). The program is in a late pre-clinical research phase, which means that a development candidate can potentially be chosen within 12–18 months, assuming that the Company decides to invest a further SEK 5 million in the program.

Luc Therapeutics program – treatment of Ataxia The Luc Therapeutics program is derived from Ataxion, which is a spin-out from Saniona that was established in 2013 with the goal of developing one of Saniona's detection programs for the treatment of ataxia. The collaboration with Luc Therapeutics focuses on research into new small molecule drugs for the treatment of ataxia. Ataxia is a generic term for a group of rare genetic disorders termed hereditary ataxias. These diseases are characterized by dysfunction or degeneration of the cerebellum – the brain's motor coordination center. Patients with these conditions develop severe difficulties walking, speaking, and performing daily activities. Therefore, these debilitating set of conditions severely affect quality and duration of life. According to Luc Therapeutics, the ataxia program is the world's first targeted pan-ataxia treatment to this grossly neglected patient population. The program is in the pre-clinical research phase.

Proximagen program – Treatment of neurological disorders (Proximagen)

Saniona has entered into a drug discovery and development collaboration with Proximagen. The collaboration focuses on research of new small molecule drugs for neurological disorders, using Saniona's expertise in ion channels and related technology platforms. The program is in the pre-clinical research phase.

5 Neuropathic pain or nerve pain is a consequence of damage or nervous system disease and usually occurs as a result of other diseases.

Nicotinergic α6 program for the treatment of Parkinson's disease (Saniona)

The Nic α6 program consists of small molecules that specifically facilitate the functioning of α6 nicotine receptors that mediate dopamine signaling. Previous research has shown that modulators of α6 nicotine receptors can offer a new approach to protecting dopamine neurons from the neuro-degradation seen in Parkinson's disease.

The result of a focused screening campaign is that Saniona's research team has identified selective positive allosteric modulators (PAMs) of α6 nicotine receptors and, furthermore, has been able to demonstrate that these PAMs increase the affinity for acetylcholine. A selective α6 PAM could therefore be a new approach towards increasing dopaminergic signaling by specifically modulating the endogenous cholinergic function in substantia nigra, based on the limited expression pattern of α6 nicotinic acetylcholine receptors. Selective PAMs could potentially also lead to a decreased progression of Parkinson's disease through possible protective mechanisms associated with cholinergic stimulation. The identified PAMs could therefore potentially offer a new method of counteracting degeneration of dopaminergic neurons in Parkinson's patients, and could thus be used as a disease modifying therapy against Parkinson's disease in the optimal case.

Saniona has been awarded a grant from the Michael J. Fox Foundation for Parkinson's Research in order to demonstrate relevant facilitation of dopamine neurons and will perform a chemical optimization of its modulators for α6 nicotine receptors to identify substances that are suitable for detecting activity in relevant animal models. Once Saniona has found an optimal substance, the company will perform functional proof-of-principle studies and assess potential nerve-protecting effects. The program is in the pre-clinical research phase.

AN761 – treatment of cognitive disorders in schizophrenia and Alzheimer's disease

AN761 is a nicotinic α7 agonist to be developed against cognition deficits in schizophrenia and Alzheimer's disease. The AN761 has shown great effect in several different animal models for cognition and shows clear "target engagement". A strong back-up program supports AN761. The pre-clinical toxicity studies are complete, material is available for clinical trials and AN761 is ready for phase 1 study with a partner or as a spin-off investment opportunity.

AN788 – treatment of depression

AN788 is a clinical candidate profiled for the treatment of actual depression. AN788 has a unique dual (serotonin-dopamine) reuptake inhibition profile distinct from other monoamine reuptake inhibitors. AN788 has been administered to healthy volunteers in a single ascending dose (SAD) study and in a Positron-Emissions-Tomography (PET) study, demonstrating stable pharmacokinetics and binding to serotonin and dopamine transporters that support its potential as a second line treatment for treating residual symptoms in actual depression, such as fatigue, excessive sleepiness and lack of interest, with a rapid onset of action and reduced sexual and cardiovascular side effect profile. AN788 is ready for further phase 1 studies with a partner or as an investment opportunity for a spin-out.

Partners

Saniona currently has six partners. Two of these partnerships are funded by research grants. Below is a brief description of each partner and collaboration.

Luc Therapeutics – treatment of ataxia

Luc Therapeutics Inc. was founded in 2010 and is a privately owned biotechnology company based in Cambridge, Massachusetts, funded by Atlas Venture, Clal Biotechnology Industries and Slater Technology Fund. The company is translating new understandings of human neurobiology into differentiated drugs for serious psychiatric and neurological diseases.

In March 2017, Saniona announced that the Company's spin-out, Ataxion [6], had merged with Luc Therapeutics Inc., which formed a new company under the same name. The newly formed company will focus on precision medicine for neurological and psychiatric diseases and has three active development programs in its pipeline:

- A program within depression is being conducted in collaboration with Novartis since 2015;
- A pre-clinical program in ataxia, originating from Ataxion (originally a Saniona spin-out);
- A research program for the treatment of schizophrenia.

Saniona is involved in key discovery related activities under the program, which is being implemented in accordance with a research and development agreement between Luc Therapeutics Inc. and Saniona.

Saniona owns 7.1% of the merged company, Luc Therapeutics Inc., and retains rights to royalties on marketed products developed within the ataxia program.

Boehringer Ingelheim – collaboration agreement on schizophrenia

Boehringer Ingelheim is one of the world's 20 largest pharmaceutical companies and is primarily active in the field of respiratory diseases, metabolism, oncology and central nervous system disorders.

In August 2016, Boehringer Ingelheim and Saniona launched a research collaboration with the objective of identifying substances that can restore the brain's networking activity in patients with schizophrenia. The collaboration is in line with Boehringer Ingelheim's drug development strategy for neuropsychiatric diseases, which focuses on systematically examining dominant symptom domains and the underlying neurobiology of mental illnesses such as schizophrenia, Alzheimer's disease and depression.

6 Ataxion was established in 2013 by Atlas Venture Inc. and Saniona with the objective of developing one of Saniona's research programs for the treatment of ataxia. In March 2014, Ataxion secured Series A financing commitments from Atlas Venture and Biogen Inc. totaling up to USD 17 million.

In connection with the signing of the Saniona-Boehringer Ingelheim agreement, Saniona received an upfront payment of approximately SEK 47 million (EUR 5 million) and may receive milestone payments of up to approximately SEK 474 million (EUR 50 million) at selected research, developmental and regulatory milestones. In addition, Saniona is entitled to commercial milestone payments of up to approximately SEK 332 million (EUR 35 million) and differentiated royalties on net sales of any products commercialized by Boehringer Ingelheim as a result of the collaboration.

Saniona gives Boehringer Ingelheim exclusive global rights to research, develop, produce and commercialize medicines identified through the collaboration. In addition to upfront payment, milestone payments and royalties on net sales, Saniona will receive unpublished research funding during the joint research period.

Medix – tesofensine and Tesomet for obesity

Productos Medix S.A de S.V ("Medix") is a Mexican pharmaceutical company established in 1956. Medix's business activities are primarily focused on treatment of excess weight and obesity. Medix is the market leader for treatment of excess weight and obesity in Mexico, where it offers the most comprehensive product and service line. Medix's leading product for treatment of excess weight and obesity is among the top ten pharmaceutical products in Mexico overall. Medix has earned several recognitions for its social responsibility through its participation in philanthropic programs for the benefit of the Mexican population and for its educational efforts involving thousands of doctors in Mexico. Medix has subsidiaries in Argentina and a selection of other South American countries.

In February 2016, Saniona entered into a collaboration with Medix about the development and commercialization of tesofensine and Tesomet in Mexico and Argentina. Medix has exclusive rights to develop and commercialize tesofensine and Tesomet in the two countries and will finance and be responsible for the clinical development and regulatory applications. In April 2017, Medix received regulatory approval in Mexico to initiate a phase 3 study of tesofensine for obese patients in Mexico. Medix plans at a later point in time to initiate phase 2 and phase 3 studies of Tesomet, which is considered to have additional benefits for certain patients and may potentially expand the market for obesity and its comorbidities such as type 2 diabetes.

Saniona retains all rights to tesofensine and Tesomet including the exclusive rights to use the clinical data developed by Medix in the rest of the world.

Medix has paid Saniona an upfront payment of USD 1.25 million in 2016. Medix will pay Saniona regulatory milestone payments and double-digit royalties on product sales.

The Michael J. Fox Foundation for Parkinson's Research – Parkinson

The Michael J. Fox Foundation for Parkinson's Research is the world's largest non-profit financier of Parkinson's research and is dedicated to accelerating a cure for Parkinson's disease and improved therapies for those living with the condition today. The Foundation pursues its goals through an aggressively funded, highly targeted research program coupled with active global engagement of scientists, Parkinson's patients, business leaders, clinical trial participants, donors and volunteers. In addition to funding more than USD 525 million of research to date, the Foundation has fundamentally altered the trajectory of progress toward a cure. Operating at the hub of worldwide Parkinson's research, the Foundation forges ground-breaking collaborations with industry leaders, academic scientists and government research funders, increases the flow of participants into Parkinson's disease clinical trials with its online tool, Fox Trial Finder, promotes Parkinson's awareness through high-profile advocacy, events and outreach, and coordinates the grassroots involvement of thousands of Team Fox members around the world.

In February 2016, MJFF awarded Saniona a research grant of up to USD 590,700 (approximately SEK 5.1 million) to develop small-molecule modulators of nicotine receptors belonging to a subtype named $\alpha 6$ and evaluate the feasibility of using these compounds for the treatment of Parkinson's disease.

Saniona retains all rights to any potential products developed and commercialized from the program.

Treatment Research Center (TRC) at the University of Pennsylvania – cocaine dependency

The Treatment Research Center ("TRC") is a clinical outpatient treatment center that is part of the PENN/VA Center for the Studies of Addiction (CSA). TRC has a modern treatment facility with a fully certified clinical unit and a state of the art data management unit. Its investigators have been leaders in addiction-pharmacotherapy research for over 35 years and the center is staffed by highly experienced clinicians and research associates. TRC has an active recruitment process and network in place for cocaine dependency. The center screens about 250 cocaine dependent patients per year of which about 100 patients are selected for participation in the research. TRC offers a comprehensive biopsychosocial evaluation in relation to clinical programs comprising a physical exam and ECG, an outpatient medical detoxification stabilization unit, and daily individual and group therapy sessions that are made available to patients who are eligible for one of the treatment/research studies. Saniona and TRC's collaboration involves the development of NS2359 for the treatment of cocaine dependency.

In June 2015 Saniona granted TRC rights to perform a phase 2 clinical trial of its compound NS2359. TRC has applied for public funding to finance clinical development and has received a grant from the Dana and Groff Foundations. A clinical proof-of-concept trial of NS2359 for treatment of cocaine dependency is currently ongoing. Saniona provides the substance being tested and holds all commercial rights to NS2359.

Proximagen – Neurological disorders

Proximagen Ltd. ("Proximagen") and its predecessor companies have a long heritage in discovery and development of novel small molecule therapeutics, in particular in the areas of CNS, pain and inflammation. Proximagen has an integrated drug discovery facility based in Cambridge, UK and a focused US-based team providing drug development, project management and translational medicine expertise. Proximagen benefits from ownership by the Evenstad family, long-term investors in innovative small molecule therapeutics and drug discovery and development who have owned Proximagen since 2012, initially as a wholly owned subsidiary of Upsher-Smith Laboratories, Inc. In January 2016, Saniona and Proximagen entered into a collaboration for research and development of medicines for neurological disorders and in October of the same year, the agreement was extended. Proximagen has exclusive rights to develop, manufacture and commercialize medicines identified through the collaboration.

Under the terms of the agreement, Saniona has received advances and research funding during the research period. Furthermore, Saniona will receive milestone payments when research and development-related and regulatory milestones have been reached. The potential value of the milestone payments is up to USD 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.

Marketing

Over many years, Saniona's management and Board of Directors have built up a strong network of key decision makers, business developers and researchers in the international pharmaceutical industry, focusing on biotechnology and other operational and financial players in this industry. Saniona uses the network as its primary marketing channel to seek partnerships and buyers for its drug projects and drug candidates. Contact with these players takes place either directly or through international conferences. In order to spread information about Saniona's drug projects, Saniona's researchers participate in international scientific conferences, at which formal and informal meetings with pharmaceutical companies are arranged. Marketing also occurs by scientific publications disseminating relevant research findings regarding Saniona's drug projects. The company's website shall serve as a gathering point for, among other things, company information, projects, drug candidates and research results, and it is therefore an important marketing tool, in parallel with an enhanced presence in various social media.

Target group

The values in the form of current and future pharmaceutical programs in Saniona are intended to be completed as new significant drugs by major pharmaceutical companies and development consortia with sufficient financial strength, sufficient skills in clinical development, registration, marketing and sales. These major pharmaceutical companies and development consortia are therefore Saniona's primary target group at the present time.

Customers

Saniona already has significant agreements with Boehringer Ingelheim, Medix, Proximagen and Luc Therapeutics Inc. The Company intends to continue its efforts to attract additional partners for the development of drug candidates.

Competitors

Many of the major pharmaceutical companies, such as Pfizer, Astra Zeneca, Merck MSD, GlaxoSmithKline, Novartis, Roche, Bristol-Myers, Boehringer Ingelheim and Sanofi, have well-developed research projects on ion channels. However, Saniona regards these players more as potential partners than competitors. A few other smaller companies conduct research focused on ion channels, but for a number of Saniona's specific drug projects, the Company's management has not identified any active competitors.

Suppliers

Saniona currently has a small and specialized team that covers the Company's core areas of drug development. The Company's strategy is to maintain this team and supplement it with consultants and specialized CRO companies. Saniona currently has a cooperation agreement with the Indian company Syngene regarding synthetic chemistry and an agreement with the German company Profil for clinical development. The Company also has less comprehensive agreements with other companies related to studies including drug absorption and efficacy in specific disease models. None of these CRO agreements are business-critical to Saniona's business activities and could be exchanged for other CRO companies with similar access to services at a similar cost.

Patents

The patent families transferred to Saniona in September 2012 mainly include positive and negative modulators for $GABA_A$ receptors, modulators for potassium channels (K+), nicotine receptor agonists and positive allosteric modulators, as well as monoamine reuptake inhibitors (MRIs), which establish a high degree of patent protection around important chemical compounds and their equivalents. In October 2014, another two valuable patent families were obtained through the acquisition of tesofensine. Saniona has taken over additional patent applications and patents that the Company does not intend to maintain, due to the fact that they are not pertinent to the Company's current focus areas. Currently, Saniona's patent portfolio comprises 27 active patent families and a total of 118 individual patents and patent applications. The following is a summary of what the Company regards as the most important patent families and patent applications in the Company's most important regions.

Patents	Region	Status	Estimated expiry	Patent date	Priority date
Tesofensine (usage patent)	USA	Granted	11/19/2029	10/4/2016	9/4/2008
Tesofensine (usage patent)	USA	Granted	10/31/2026	6/19/2012	10/31/2005
TesoMet (combination)	USA	Granted	2/14/2033	12/15/2015	2/16/2012
TesoMet (combination)	EPO, AUS, CDN, JP, CHN, IND	Under consideration/publ.		16/2/2012	
Tesomet (formulation)	USA	Granted	3/02/2036	2/28/2017	3/3/2015
Tesomet (formulation)	PCT, AR	Under consideration			3/3/2015
NS2359 (salt patent)	USA	Granted	2/28/2028	9/11/2012	3/1/2007
IK modulator (substance)	EPO, USA	Granted	8/21/2028	1/12/2011	8/24/2007
IK modulator (substance)	EPO, CHN, JP	Under consideration	–	–	6/25/2012
IK modulator (substance)	USA	Granted	6/25/2033	1/31/2017	6/25/2012
GABA modulator (substance)	EPO, AUS, CDN, CHN, JP, MEX, IL	Under consideration	–	–	6/26/2012
GABA modulator (substance)	USA	Granted	6/25/2033	12/8/2015,	6/26/2012
		Granted	10/19/2033	10/25/2016	6/26/2012
GABA modulator (substance)	EPO, USA, MEX	Granted	3/22/2027	11/3/2010	3/24/2006
Nicotine modulators (substance)	EPO, USA, CHN, MEX, JP, IND	Granted	5/29/2027	4/7/2010	5/30/2006
AN788 (substance)	EPO, US, JP, IL	Granted	9/28/2025	1/5/2011	9/30/2004

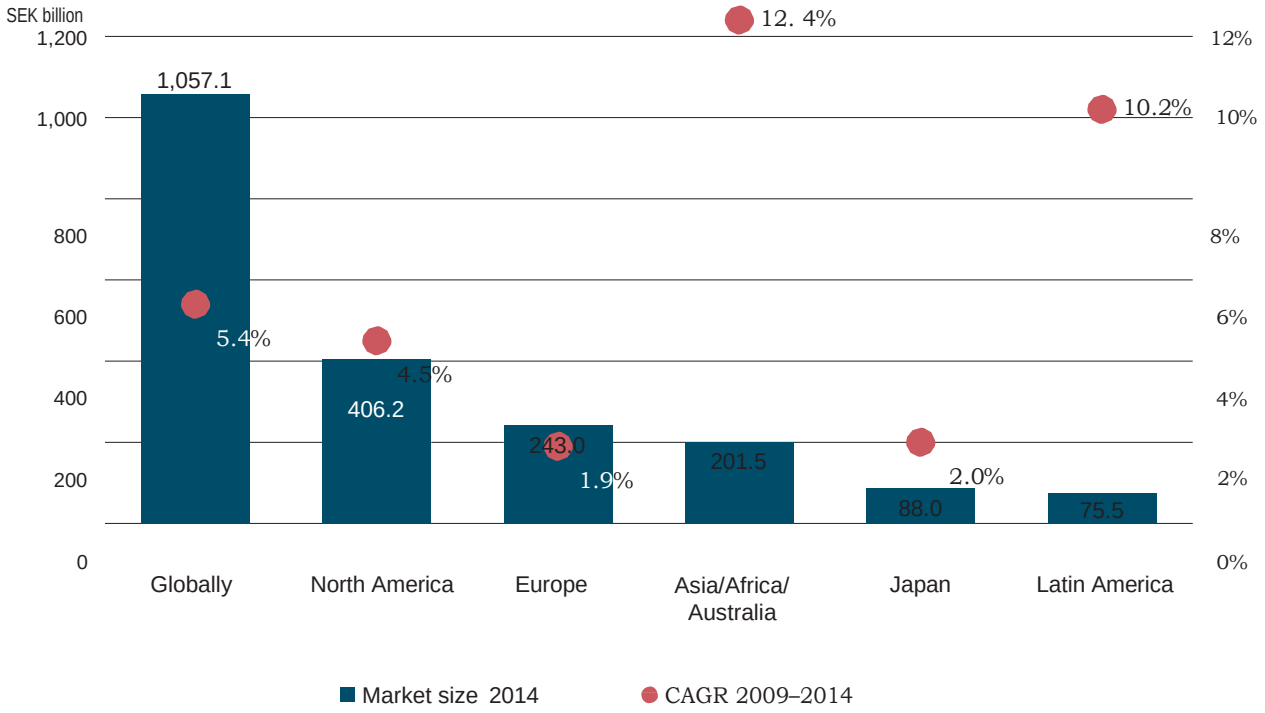
Market overview

The Prospectus includes information about the Company's markets. Unless otherwise stated, the information in the Market section is based on the Company's own evaluation of external sources, including the "Global Ion Channel Modulators Market" and "IMS Health Market Prognosis", as well as statistics from, among others, Datamonitor, Major markets and the Company's partner companies. The information has been reproduced correctly and, as far as the Company is aware and can verify by comparison with other information published by such sources, no information has been omitted in such a way as to render the information provided incorrect or misleading. Forecasts and other prospective information in the Prospectus does not constitute a guarantee of future results, and actual events and circumstances can differ materially from current expectations. Many factors can cause or contribute to such changes. Refer to the section "Risk factors" for further information.

Overview of the global pharmaceutical market

In 2014, pharmaceuticals were sold for a total of USD 1,057 billion worldwide, where North America and Europe were the largest markets. Growth in these regions has been relatively low and global growth has been driven primarily by the growth regions Latin America and Asia/Africa/Australia, which are also expected to be the regions that drive market growth. According to IMS, the global pharmaceutical market is expected to grow at an average annual growth rate of around 4.8% until 2019.

Market size per region[7]



7 IMS Health Market Prognosis, May 2015

Market segment

Saniona's research focuses on ion channels, which are established targets for drug development. Saniona's operational program addresses a number of specific market segments:

Product	Indication	Market estimate[8]
Tesomet	Type 2 diabetes	> USD 23 billion USD[9]
Tesomet	Prader-Willi syndrome	No information, rare disease
Tesofensine	Obesity	~ USD 250 million in Mexico[10]
NS2359	Cocaine dependency	> USD 1.8 billion in USA[11]
$GABA_A$ α2/α3 program	Neuropathic pain	> USD 7 billion USD[12]
Boehringer Ingelheim program	Schizophrenia	> USD 4.8 billion USD[13]
IK program	Inflammatory bowel disease (IBD)	> USD 5.9 billion USD[14]
Proximagen program	Neurological diseases	No information
Nicotinergic-α6-program	Parkinson's disease	> USD 3.2 billion USD[15]
Luc Therapeutics program	Ataxia	No information, rare disease

A brief description of the respective indication in which Saniona is active is given below:

Type 2 diabetes

Type 2 diabetes is a progressive chronic disease in most patients today. However, recently published research concludes that type 2 diabetes is reversible and that large patient groups can achieve long-term remission if they achieve a substantial weight loss through reduced food consumption. According to Datamonitor, the global pharmaceutical market for type 2 diabetes is expected to rise from USD 23 billion in 2014 to USD 43 billion in 2023, where weight loss products such as Tesomet are expected to drive growth.

Prader-Willi syndrome (PWS)

Prader-Willi syndrome (PWS) is recognized as the most common genetic cause of life-threatening obesity. The disease results from a deletion or loss of function of a cluster of genes on chromosome 15, which leads to dysfunctional signaling in the brain's appetite/satiety center (hypothalamus). Patients suffer from a constant, extreme, ravenous insatiable appetite which persists no matter how much the patients eat. As a result, many of those affected with PWS become morbidly obese with increased mortality. Currently there is no cure for this disease. Patients with PWS have a shortened life expectancy. Common causes of mortality in PWS include respiratory diseases, heart disease, infections, suffocation, stomach rupture and pulmonary embolism. If obesity is avoided and the complications are handled well, life expectancy for people with PWS is normal or near normal, and most individuals can live a healthy life.[16] PWS occurs in approximately one in 15,000 births.[17] Men and women are affected equally.

Obesity

Obesity is a condition where a person accumulates body fat to the extent that it has a negative effect on health and can result in a shorter life span. The global market for obesity treatment in 2015 amounted to around USD 3.9 billion, and according to the Institute of Health Metrics and Evaluation, about 2.1 billion people (nearly 30% of the world's population) are overweight or suffering from obesity.[18] According to Saniona's partner, Medix, the Mexican market for prescription medicines for the treatment of obesity is around USD 250 million.

Cocaine dependency

Cocaine dependency is a significant public health problem. In 2012, the National Survey on Drug Use and Health revealed that 1.1 million people in the USA were classified as dependent on or abusing cocaine. Cocaine abuse and dependency leads to significant morbidity and mortality. Other problems associated with cocaine use include increased rates of crime, violence, poverty, and family disruption. The standard treatment for cocaine dependency consists of individual and group psychotherapy and self-help groups. Although progress has been made in developing new psychosocial treatments

8 Unless otherwise stated, the market estimate relates to the global market for the drug candidate within the given indication.

9 The market for type 2 diabetes is estimated to be USD 23.3 billion in the seven major markets in 2014 and is expected to grow to USD 43 billion by 2023. Diabetes Type 2 Forecast, 7 major Markets, Datamonitor 2015

10 Estimates of drugs for obesity in Mexico by Medix, 2016

11 Estimates by Wade Berrettini, University of Pennsylvania

12 Kravit, A., Kuranz, S. M.P.H., Neuropathic Pain – 2015, Decision Resources. Refers to the seven markets in France, Italy, Japan, Spain, the UK, Germany and the USA.

13 Schizophrenia Forecast 7 major market, Datamonitor, 2014

14 Major markets 2014, Datamonitor

15 Visiongain, "Parkinson's Diseases: World Drug Industry and Market 2016–2026", 2016

16 Butler MG, Lee PDK, Whitman, BY. Management of Prader-Willi Syndrome. 3rd ed. New York, NY: Springer Verlag Inc.; 2006. 0387253971

17 https://www.fpwr.org/about-prader-willi-syndrome/ Foundation for Prader-Willi Research retrieved October 2016

18 Grand View Research, "Obesity treatment market size & forecast, by drugs, by surgery & devices and trend analysis to 2024", 2016

for cocaine dependency, psychotherapy alone does not provide sufficient benefit for many patients. Drop-out rates in outpatient treatment programs are very high. Even among patients who complete treatment, relapse is common. Thus, drugs have been sought to augment psychosocial treatment. Currently, there are no drugs approved for the treatment of cocaine dependency. According to Wade Berettini, a doctor at the University of Pennsylvania, the market value for an effective medicine for cocaine dependency can exceed USD 1.8 billion in the USA.

Neuropathic pain

Neuropathic pain is caused by a lesion or dysfunction of the central or peripheral nervous system following diseases such as diabetes, varicella zoster, cancer and HIV or mechanical lesion and trauma or the use of drugs such as chemotherapy and radiation treatment. Neuropathic pain is often chronic and irreversible. Well-known painkillers have no or little effect on neuropathic pain. Apart from narcotic analgesics (where tolerance development is a further complication), patients are typically treated with drugs developed for other indications including anti-epileptic drugs and antidepressants. According to Decision Resources, the market for neuropathic pain in 2014 exceeded USD 7 billion in France, Italy, Japan, Spain, the UK, Germany and the USA combined. It is estimated that about 40–60% of the treated patients do not respond to existing drugs and that the remaining patients in general achieve partial relief only.

Schizophrenia

Schizophrenia is a mental illness characterized by permanent defects in reality cognition and perception, so severe that it is classified as psychosis. According to the World Health Organization, mental illness combined with addiction problems is the leading cause of disability worldwide. In the EU, at least 164 million people (38%) suffer from mental illness. People who suffer from schizophrenia often have several problems with cognition[19], which severely affects their ability to live and function normally. One consequence of this is that many people with schizophrenia live in isolation, are unemployed and/or homeless.[20] The global market for pharmaceuticals to treat schizophrenia amounted to USD 4.8 billion in 2012 according to Datamonitor.

Inflammatory bowel disease (IBD)

Inflammatory bowel disease covers several states of chronic inflammation in all or part of the digestive system, usually the large and small intestine. These have a significant role in the digestion and absorption of nutrients and water and in finally disposing of the body's waste products. Inflammatory bowel disease includes ulcerative colitis and Crohn's disease. The global market for inflammatory bowel diseases is expected to amount to USD 9.3 billion by 2019 according to Visiongain.[21]

Parkinson's disease

Parkinson's disease is a chronic and progressive neurological disorder that is characterized by well-known motor symptoms including tremors, stiffness of limbs, slowness of movements, and difficulties with posture and balance. In addition to motor symptoms, many Parkinson's disease patients experience non-motor symptoms, including sleep disorders, sensory symptoms, depression and gastrointestinal symptoms. Parkinson's is the second most common neurological disorder and more than five million people worldwide live with this disease. The global medicine market for Parkinson's disease was around USD 3.2 billion in 2015 and is expected to grow to USD 3.5 billion by 2020.[22]

Ataxia

Ataxia is a group of neurological disorders characterized by reduced control and difficulty coordinating muscle movements. Ataxia may be of well-defined genetic origin (i.e. spinocerebellar or episodic ataxia) or sporadic adult onset ataxia. Ataxia is usually progressive and ends with severe physical disability and premature death. There are currently no medical treatment options for ataxia. Ataxia is unusual (5–10/100,000 births), which means that it is classified as an orphan medicine by supervisory authorities.

Trends and tendencies

For a considerable time ahead, Saniona will be dependent on the interest of the major pharmaceutical companies in buying, developing and commercializing Saniona's pipeline projects for pre-clinical and clinical drug candidates. The Board of Directors believes there is a well-developed market for licensing, sale and establishment of research and development between smaller, research-intensive companies and large pharmaceutical companies.

There is a major need for new and innovative products for pharmaceutical companies that often have a limited number of products in their pipeline. Therefore, the market for the licensing of new, innovative drug projects and product programs is attractive. It is important for the area of ion channels that there are relatively few biotechnology companies that deliver research and development projects to major pharmaceutical companies. Overall, this creates interesting opportunities for Saniona.

In addition to what is stated in the Prospectus, Saniona currently has no information on trends, uncertainties, potential receivables or other requirements, commitments or events that could have a significant impact on the Company's business prospects. In addition to what is stated in the Prospectus, Saniona currently has no information about any public, economic, fiscal, monetary or other policy measures that, directly or indirectly, could materially or significantly affect the Company's business activities.

19 Sheffield JM, et al. Common and specific cognitive deficits in schizophrenia: relationships to function. Cogn Affect Behav Neurosci. 2014;14:161–74.
20 Kooyman I, et al. Outcomes of public concern in schizophrenia. Br J Psychiatry. 2007;191 (Suppl.50):p29–p36.
21 Visiongain "Inflammatory Bowel disease (IBD) 2016–2026", 2016
22 Visiongain, "Parkinson's Diseases: World Drug Industry and Market 2016–2026", 2016

Selected financial information

This section presents Saniona's selected financial information for the financial years ending on December 31, 2016, 2015 and 2014, and for the interim periods January 1 to March 31, 2017, and January 1 to March 31, 2016. The financial full-year information presented in this section has been taken from Saniona's consolidated financial statements on and for the financial years ending December 31, 2016, 2015 and 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements on and for the financial year ended December 31, 2016, 2015 and 2014 are contained in the "Historical financial information" sections in the Prospectus and have been audited by the Company's auditor in accordance with FAR's recommendation RevR 5. The financial interim information for the periods January 1 to March 31, 2017 and the comparative period derives from the Company's interim report for January 1 – March 31, 2017, which has been prepared in accordance with IAS 34, which is contained in the "Historical financial information" section in the Prospectus and has not been revised or generally reviewed by the Company's auditor. Apart from where expressly stated here, no financial information in this Prospectus has been audited or reviewed by the Company's auditor. This section should be read in conjunction with the "Historical financial information" and "Comments on the financial history" sections in the Prospectus.

Consolidated statement of comprehensive income – Group

KSEK	2017 Jan – Mar (IFRS) (Unaudited)	2016 Jan – Mar (IFRS) (Unaudited)	2016 Jan – Dec (IFRS) (Audited)	2015 Jan – Dec (IFRS) (Audited)	2014 Jan – Dec (IFRS) (Audited)
Income					
Net sales	7,539	15,853	74,921	13,630	21,718
Total operating income	**7,539**	**15,853**	**74,921**	**13,630**	**21,718**
Raw materials and consumables	-767	-499	-1,476	-2,050	-1,729
Other external costs	-9,098	-12,250	-51,098	-23,926	-15,022
Personnel costs	-5,130	-4,067	-17,805	-14,966	-12,465
Amortization/depreciation and impairment/write-	-116	-94	-384	-763	-760
Total operating expenses	**-15,111**	**-16,910**	**-70,764**	**-41,705**	**-29,977**
Operating profit/loss	**-7,572**	**-1,058**	**4,156**	**-28,075**	**-8,258**
Other financial income	–	3	991	–	559
Other financial expenses	-296	-546	-234	-1,183	-39
Total financial items	**-296**	**-543**	**757**	**-1,183**	**520**
Profit/loss after financial items	**-7,868**	**-1,601**	**4,913**	**-29,258**	**-7,739**
Tax on net profit	1,501	-844	-2,696	6,311	1,831
Profit/loss for the period	**-6,367**	**-2,445**	**2,217**	**-22,947**	**-5,908**
Other comprehensive income for the period	-3	-170	-715	314	37
Total comprehensive income for the period	**-6,370**	**-2,614**	**1,501**	**-22,633**	**-5,871**

In 2016, the Company distributed its holding in Initiator Pharma of KSEK 403. This has been reclassified from other comprehensive income to equity in the revised financial statements.

Consolidated statement of financial position – Group

KSEK	03/31/2017 (IFRS) (Unaudited)	03/31/2016 (IFRS) (Unaudited)	12/31/2016 (IFRS) (Audited)	12/31/2015 (IFRS) (Audited)	12/31/2014 (IFRS) (Audited)
ASSETS					
Fixtures, fittings, tools and equipment	1,105	680	1,184	753	1,273
Property, plant and equipment	1,105	680	1,184	753	1,273
Current tax receivables	1,507	222	–	–	–
Other non-current receivables	1,415	1,078	1,419	1,405	764
Deferred tax	100	144	100	142	51
Non-current financial assets	3,022	1,443	1,519	1,547	815
Non-current assets	**4,127**	**2,124**	**2,703**	**2,300**	**2,088**
Trade receivables	9,762	20	12,260	–	3
Current tax assets	–	6,182	–	6,109	1,893
Other receivables	1,509	2,393	1,880	1,983	1,205
Prepayments and accrued income	1,188	361	665	277	583
Current liabilities	**12,459**	**8,956**	**14,804**	**8,369**	**3,684**
Cash and cash equivalents	42,249	48,876	53,261	47,004	9,689
Current assets	**54,708**	**57,832**	**68,066**	**55,373**	**13,373**
TOTAL ASSETS	**58,835**	**59,956**	**70,769**	**57,673**	**15,461**
EQUITY AND LIABILITIES					
Share capital	1,042	1,042	1,042	1,042	694
Share premiums	83,323	83,323	83,323	83,323	16,978
Retained earnings	-29,626	-31,653	-31,896	-8,757	-2,952
Currency translation reserve	-437	112	-434	282	-32
Profit/loss for the period	-6,367	-2,445	2,217	-22,947	-5,908
Equity	**47,935**	**50,380**	**54,252**	**52,943**	**8,780**
Prepayments from customers	–	–	3,006	–	–
Trade payables	5,650	7,954	6,225	2,868	2,229
Current tax liabilities	1,595	–	1,600	–	–
Other payables	567	3	434	–	2,962
Accruals and deferred income	3,087	1,619	5,252	1,862	1,489
Current liabilities	**10,900**	**9,576**	**16,517**	**4,730**	**6,681**
Liabilities	**10,900**	**9,576**	**16,517**	**4,730**	**6,681**
TOTAL EQUITY AND LIABILITIES	**58,835**	**59,956**	**70,769**	**57,673**	**15,461**

Consolidated statement of cash flows – Group

KSEK	2017 Jan – Mar (IFRS) (Unaudited)	2016 Jan – Mar (IFRS) (Unaudited)	2016 Jan – Dec (IFRS) (Audited)	2015 Jan – Dec (IFRS) (Audited)	2014 Jan – Dec (IFRS) (Audited)
Operating profit/loss before financial items	-7,572	-1,058	4,156	-28,075	-8,258
Amortization/depreciation	116	94	384	763	760
Changes in working capital	-1770	3,415	2,656	-325	-980
Cash flow from operating activities	**-9,226**	**2,451**	**7,196**	**-27,637**	**-8,478**
Interest income received	–	3	991	–	559
Interest expenses paid	-296	-546	-234	-1,183	-39
Operating cash flow	**-9,522**	**1,908**	**7,953**	**-28,820**	**-7,958**
Investing activities					
Investment in property, plant and equipment	-37	-21	-816	-242	-805
Investment in other non-current financial assets	-1,503	104	–	-732	-51
Cash flow from investing activities	**-1,540**	**83**	**-816**	**-975**	**-856**
Financing activities					
Rights issue	–	–	–	66,693	17,553
Dividends paid	–	–	-403	–	–
Cash flow from financing activities	**–**	**–**	**-403**	**66,693**	**17,553**
Cash flow for the period	**-11,062**	**1,991**	**6,735**	**36,898**	**8,739**
Cash and cash equivalents at beginning of period	**53,261**	**47,004**	**47,004**	**9,689**	**914**
Translation differences	50	-118	-477	417	37
Cash and cash equivalents at end of period	**42,249**	**48,876**	**53,261**	**47,004**	**9,689**

Key figures

With the exception of "Net sales", "Earnings per share before dilution" and "Earnings per share after dilution", the key figures are not defined in accordance with IFRS, which means that they are not necessarily comparable to the corresponding key figures for similar companies.

Key figures not defined in accordance with IFRS have been included to help investors obtain a true and fair view of the Company.

Key figures	2017 Q1 (Unaudited)	2016 Q1 (Unaudited)	2016 (Audited)	2015 (Audited)	2014 (Audited)
Net sales, KSEK	7,539	15,853	74,921	13,630	21,718
Operating profit/loss, KSEK	-7,572	-1,058	4,156	-28,075	-8,258
Operating margin, %	-100%	-7%	6%	-206%	-38%
Liquidity ratio	502%	604%	412%	1,171%	200%
Equity ratio, %	81%	84%	77%	92%	57%
Average number of employees	21.7	17.2	19.7	16.8	14.9
Share data					
Earnings per share before dilution, SEK	-0.31	-0.12	0.11	-1.29	-0.45
Earnings per share after dilution, SEK	-0.31	-0.12	0.11	-1.29	-0.45
Dividend per share, SEK	–	–	0.02	–	–
Equity per share, SEK	2.30	2.42	2.60	2.54	0.63
Cash flow per share, SEK	-0.53	0.10	0.32	1.77	0.63
Shares outstanding					
Number of shares	20,841,467	20,841,467	20,841,467	20,841,467	13,882,200
Warrants outstanding	64,000	64,000	64,000	64,000	–
Diluted shares outstanding	20,905,467	20,905,467	20,905,467	20,905,467	13,882,200

Derivation of certain alternative key figures

	2017 Jan – Mar	2016 Jan – Mar	2016 Jan – Dec	2015 Jan – Dec	2014 Jan – Dec
OPERATING MARGIN					
Operating profit/loss, KSEK	-7,572	-1,058	4,156	-28,075	-8,258
Net sales, KSEK	7,539	15,853	74,921	13,630	21,718
Operating margin, %	**-100%**	**-7%**	**6%**	**-206%**	**-38%**
LIQUIDITY RATIO					
Current assets, KSEK	54,708	57,832	68,066	55,373	13,373
Current liabilities, KSEK	10,900	9,576	16,517	4,730	6,681
Liquidity ratio	**502%**	**604%**	**412%**	**1,171%**	**200%**
EQUITY RATIO					
Equity, KSEK	47,935	50,380	54,252	52,943	8,780
Total equity and liabilities, KSEK	58,835	59,956	70,769	57,673	15,461
Equity ratio, %	**81%**	**84%**	**77%**	**92%**	**57%**
DIVIDEND PER SHARE					
Distributed dividend, KSEK	–	–	403[23]	–	–
Number of shares	20,841,467	20,841,467	20,841,467	20,841,467	13,882,200
Dividend per share, SEK	**–**	**–**	**0.02**	**–**	**–**
CASH FLOW PER SHARE					
Cash flow for the period, KSEK	-11,062	1,991	6,735	36,898	8,739
Number of shares	20,841,467	20,841,467	20,841,467	20,841,467	13,882,200
Cash flow per share, SEK	**-0.53**	**0.10**	**0.32**	**1.77**	**0.63**
EQUITY PER SHARE					
Equity, KSEK	47,935	50,380	54,252	52,943	8,780
Number of shares	20,841,467	20,841,467	20,841,467	20,841,467	13,882,200
Equity per share, SEK	**2.30**	**2.42**	**2.60**	**2.54**	**0.63**

23 At an extraordinary Annual General Meeting on October 13, 2016, it was decided to distribute all Saniona's shares in Initiator Pharma A/S to Saniona AB's shareholders as an extra dividend.

Definitions of key figures that are not calculated according to IFRS

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 before financial items divided by net sales.	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	Equity divided by the Company's total assets.	The equity ratio shows the proportion of the total assets that consist of equity, and provides an indication to investors of the Company's financial stability and ability to survive in the long term.
Average number of employees	Average number of full-time employees for the period.	This key figure has been included to allow investors to form an impression of how the number of employees at the Company has developed.
Dividend per share	Dividend divided by the number of outstanding shares at the end of the period.	Saniona has not paid any cash dividends during the relevant accounting periods.
Equity per share	Equity divided by the number of outstanding shares at the end of the period.	Equity per share has been included in order 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 in order to provide investors with information about the cash flow represented by one share during the period.

Comments on the financial developments

This section should be read in conjunction with the "Selected financial information" and "Historical financial information" sections.

Statement of income

Saniona is a research and development company. The Company currently conducts no sales activities, but net sales primarily consists of income from upfront payments, milestone payments, royalties and other revenue from research, development and license agreements.

Comparison between the periods January to March 2017 and January to March 2016

The Company's net sales decreased by KSEK 8,314 to KSEK 7,539 for the period January 1 to March 31, 2017, compared with KSEK 15,853 in the same period in 2016, corresponding to a decrease of approximately 52%. Revenues for the period 2017 consisted of research funding under the agreements with Boehringer Ingelheim, Proximagen and Luc Therapeutics, while the revenues for the comparative period in 2016 comprised upfront payments from Medix and Proximagen and research funding under the agreements with Ataxion (now Luc Therapeutics) and Proximagen.

Saniona's net sales are distributed according to the following geographical areas

KSEK	2017 Jan – Mar	2016 Jan – Mar
USA	1,860	1,761
Europe	5,679	3,415
Other countries	–	10,677
Total	**7,539**	**15,853**

Operating expenses decreased by KSEK 1,799 to KSEK -15,111 compared with KSEK -16,910 for the same period in 2016. The decrease is mainly attributable to reduced external costs, which are primarily related to research and development costs relating to Tesomet, then the $GABA_A$ $\alpha2/\alpha3$ program and the IK program. Net income from financial items amounted to KSEK -296, compared with KSEK -543 for the same period in 2016. Operating profit amounted to KSEK 7,572 compared with KSEK 1,058 in 2016, where the decrease is explained by the decrease in income. Total comprehensive income for the period amounted to KSEK -6,367, compared with KSEK -2,445 for the same period in 2016.

Comparison between the periods January to December 2016 and January to December 2015

The Company's net sales increased by KSEK 61,291 to KSEK 74,921 for the period January 1 to December 31, 2016, compared with KSEK 13,630 for the full year 2015, representing an increase of approximately 450%. The revenue in 2016 consisted mainly of upfront payments from Boehringer Ingelheim, Medix and Proximagen, totaling KSEK 60,371, which consisted of research funding under the agreements with Boehringer Ingelheim, Ataxion (now merged with Luc Therapeutics) and Proximagen. In 2015, the revenue mainly consisted of the services within the framework of the agreements with Ataxion (now merged with Luc Therapeutics) and Pfizer.

Saniona's net sales are distributed according to the following geographical areas

KSEK	2016	2015
USA	7,016	6,886
Europe	57,228	6,744
Other countries	10,677	–
Total	**74,921**	**13,630**

Operating expenses increased by KSEK 29,059 to KSEK -70,764, compared with KSEK -41,705 for the full year 2015. The increase was largely attributable to other external costs, which increased from KSEK -23,926 to KSEK -51,098. Other external costs consisted mainly of development costs in connection with the phase 2 study for Tesomet, followed by research costs associated with the IK program, the $GABA_A$ $\alpha2/\alpha3$ program and costs associated with admission to trading of the Company's shares on Nasdaq First North Premier. Net income from financial items amounted to KSEK 757, compared with KSEK -1,183 for the full year 2015. The increase was primarily attributable to increased financial income and reduced exchange rate losses compared with the previous year. Operating profit for the period amounted to KSEK 4,155, compared with KSEK -28,075 for the full year 2015. Total comprehensive income for the period amounted to KSEK 1,501, compared with SEK -22,663 for the full year 2015.

Comparison between the periods January to December 2015 and January to December 2014

The Company's net sales decreased by KSEK 8,088 to KSEK 13,630 for the period January 1 to December 31, 2015, compared with KSEK 21,718 for the full year 2014, representing a decrease of approximately 37%. Revenues in 2015 consisted primarily of services within the framework of the agreements with Pfizer and Ataxion. Revenue for 2014 consisted of a one-off payment from Pfizer and the fees for services under the framework agreements with Pfizer and Ataxion.

Saniona's net sales are distributed according to the following geographical areas

KSEK	2015	2014
USA	6,886	9,136
Europe	6,744	12,582
Other countries	–	–
Total	**13,630**	**21,718**

Operating expenses increased by KSEK 11,728 to KSEK -41,705, compared with KSEK -29,977 for the full year 2014. The increase was largely attributable to other external costs and personnel costs. The increase in external costs was mainly attributable to the pre-clinical development of the company's internal program, AN363, as well as external costs for the IK program and Tesomet. Net income from financial items amounted to KSEK -1,183, compared with KSEK 520 for the full year 2014. The decrease was primarily attributable to

attributable to the exchange rate loss of KSEK -1,137 in 2015. Operating profit amounted to KSEK -28,075, compared with KSEK -8,258 for the full year 2014. Total comprehensive income for the period amounted to KSEK -22,633, compared with KSEK 5,871 for the full year 2014.

Cash Flow

Comparison between the periods January to March 2017 and January to March 2016

Cash flow from operating activities for the period January 1 to March 31, 2017 amounted to KSEK -9,226, compared with KSEK 2,451 during the same period in 2016, and was primarily affected by the Company's operating profit/loss and a negative cash flow from changes in working capital. Cash flow used for investments in property, plant and equipment amounted to KSEK -37, compared with KSEK -21 in the same period in 2016. Cash flow from investments in other financial assets amounted to KSEK -1,503, compared with KSEK 104, where the difference is explained by long-term tax receivables. Cash flow from financing activities amounted to KSEK 0, which is unchanged compared to the same period in 2016. Total cash flow for the period January 1 to March 31, 2017 amounted to KSEK -11,062, compared with KSEK 1,991 for the same period in 2016, a decrease of KSEK -13,053. The decrease in cash flow was primarily attributable to operating profit/loss and a change in working capital.

Comparison between the periods January to December 2016 and January to December 2015

Cash flow from operating activities for the period January 1 to December 31, 2016 amounted to KSEK 7,953, compared with KSEK -28,820 in the same period in 2015 and was primarily affected by operating profit/loss. Cash flow used for investments amounted to KSEK -816, compared with KSEK -975 for 2015. Cash flow from financing activities amounted to KSEK -403, compared with KSEK 66,693 in 2015. The large difference is explained by the two rights issues carried out in 2015. The Group's cash flow for the full year 2016 was KSEK 6,735, compared with KSEK 36,898 for the corresponding period 2015.

Comparison between the periods January to December 2015 and January to December 2014

Cash flow from operating activities for the period January 1 to December 31, 2015 amounted to KSEK -28,820, compared with KSEK -7,958 in the same period in 2014 and is primarily affected by operating profit/loss. Cash flow used for investments amounted to KSEK -975, compared with KSEK -856 for 2014. Cash flow from financing activities amounted to KSEK 66,693, compared with KSEK 17,553 in 2014, which is mainly due to two rights issues, one in the first quarter for KSEK 24,294 and one for KSEK 48,842 during the fourth quarter. The Group's cash flow for the full year 2015 was KSEK 36,898, compared with KSEK 8,739 for the period 2014.

Financial position

Comparison between March 31, 2017 and March 31, 2016

Saniona's balance sheet total on March 31, 2017 amounted to KSEK 58,835, compared with KSEK 59,956 on March 31, 2016. Total non-current assets amounted to KSEK 4,127 on March 31, 2017, compared with KSEK 2,124 on March 31, 2016. The increase is mainly due to increased long-term tax receivables, which increased by KSEK 1,285 during the period. Total current assets decreased by KSEK 3,124, from KSEK 57,832 on March 31, 2016 to KSEK 54,708 on March 31, 2017. The decrease was mainly due to a decrease in the item cash and cash equivalents. Current liabilities amounted to KSEK 10,900 on March 31, 2017, compared with KSEK 9,576 on March 31, 2016. Equity decreased by KSEK 2,445, from KSEK 50,380 on March 31, 2016 to KSEK 47,935 on March 31, 2017. The decrease is mainly attributable to the profit/loss for the period.

Comparison between December 31, 2016 and December 31, 2015

Saniona's total assets on December 31, 2016 amounted to KSEK 70,769, compared with KSEK 57,673 on December 31, 2015. Total non-current assets amounted to KSEK 2,703 on December 31, 2016 compared with KSEK 2,300 on December 31, 2015. Total current assets increased by KSEK 12,693, from KSEK 55,373 on December 31, 2015 to KSEK 68,066 on December 31, 2016. The increase was mainly due to an increase in the items cash and cash equivalents and trade receivables.

Non-current liabilities amounted to KSEK 16,517 on December 31, 2016, compared with KSEK 4,730 on December 31, 2015. Equity increased by KSEK 1,309, from KSEK 52,943 on December 31, 2015, to KSEK 54,252 on December 31, 2016.

Comparison between December 31, 2015 and December 31, 2014

Saniona's total assets on December 31, 2015 amounted to KSEK 57,673, compared with KSEK 15,461 on December 31, 2014. Total non-current assets amounted to KSEK 2,300 on December 31, 2015 compared with KSEK 2,088 on December 31, 2014. Total current assets increased by KSEK 42,000, from KSEK 13,373 on December 31, 2014 to KSEK 55,373 on December 31, 2015. The increase was mainly due to an increase in the item cash and cash equivalents.

Current liabilities amounted to KSEK 4,730 on December 31, 2015, compared with KSEK 6,681 on December 31, 2014. Equity increased by KSEK 44,163, from KSEK 8,780 on December 31, 2014, to KSEK 52,943 on December 31, 2015. The net increase is mainly due to two rights issues, one in the first and one in the fourth quarter.

Equity, liabilities and other financial information

The tables in this section report Saniona's capitalization and indebtedness at Group level on March 31, 2017. Refer to the "Shares, share capital and ownership" section for information regarding e.g. Saniona's share capital and shares. The tables in this section should be read in conjunction with the "Comments on the financial information" and "Historical financial information" sections.

Equity and liabilities

Equity amounted to KSEK 47,935 on March 31, 2017, corresponding to an equity ratio of approximately 81%. The company has no revolving credit. The company's current liabilities amounted to KSEK 10,900. The company has no non-current liabilities. Cash and cash equivalents amounted to KSEK 42,249. The tables below provide information about Saniona's equity and indebtedness on March 31, 2017.

Equity and liabilities, KSEK 2017	March 31,
Current liabilities	
Guaranteed debt	–
Collateralized debt	–
Unsecured credit	10,900
Total current liabilities	**10,900**
Non-current liabilities	
Guaranteed debt	–
Collateralized debt	–
Unsecured credits	–
Total non-current liabilities	**–**
Equity	
Share capital	1,042
Other capital contributions	83,323
Retained earnings	-29,626
Currency translation reserve	-437
Profit/loss for the year	6,367
Total equity	**47,935**
Total equity and liabilities	**58,835**

	Net indebtedness, KSEK	March 31,
A	Cash	–
B	Cash and cash equivalents	42,249
C	Easily converted securities	–
D	**Total cash and cash equivalents A + B + C**	**42,249**
E	**Current receivables**	**12,459**
	Current liabilities	
F	Current bank debts	–
G	Current portion of non-current liabilities	–
H	Other current liabilities	10,900
I	**Total current liabilities F + G + H**	**10,900**
J	**Current net indebtedness I – E – D**	**-43,808**
	Non-current liabilities	
K	Current bank loans	–
L	Issued corporate bonds	–
M	Other non-current liabilities	–
N	**Total non-current interest-bearing liabilities K + L + M**	**–**
O	**Total net indebtedness J + N**	**-43,808**

Credits and collateral

As of March 31, 2017, the Company has no credit agreements and, consequently, no pledged collateral. The Company also has no indirect indebtedness, but has contingent liabilities in the form of guarantees, which amounted to KSEK 50 on March 31, 2017.

Statement of working capital requirements

The Board of Directors considers that the existing working capital is sufficient for the Company's current requirements over the next 12-month period. Sufficient working capital in this context means that the Company's ability to obtain access to cash and cash equivalents in order to fulfill its payment obligations for its operating activities and for the Company's ongoing programs as they fall due.

Of the Company's nine programs, six are funded through partners and grants, which means that the Company's payment obligations for these six programs are funded by external parties. The three other programs are funded internally by Saniona and currently include Tesomet, where Saniona is financing a phase 2 study for Prader-Willi Syndrome and the $GABA_A$ $\alpha2/\alpha3$ program and the IK program, where Saniona is financing pre-clinical research with the intention of selecting a clinical candidate. The Board of Directors believes that the total working capital requirement for the next 15-month period from April 1, 2017 to June 30, 2018, amounts to approximately KSEK 64 million, including the phase 2 study of Tesomet, extending the data package for Tesomet to enable a future six-month study, and certain pre-clinical research activities under the $GABA_A$ $\alpha2/\alpha3$ program and the IK program, with the intention of choosing a clinical candidate.

As of March 31, 2017, the Company's cash and cash equivalents amounted to approximately KSEK 42 million. Together with the targeted rights issue carried out on May 17, 2017 for KSEK 35 million, it is estimated that Saniona's cash and cash equivalents will cover the Company's working capital requirements for at least 12 months from June 30, 2017. In addition, the Company may receive financing in the form of cash flow from operating activities, such as income from new partnerships or milestone payments from existing partnerships.

The Company does not expect to achieve long-term profitability before 2020. Future requirements for working capital until the Company achieves a long-term positive cash flow is expected to be obtained through future rights issues. If the business does not develop according to plan or if the Company is unable to obtain sufficient funding in the future, there is a risk that the Company will be unable to make the desired investments in the future, which could delay some projects.

Investments

The Company's investments during the interim period January 1 to March 31, 2017 amounted to KSEK -1,540, with the majority attributable to investments in other financial assets. In 2016, the Company's investments amounted to -816 KSEK, of which the entire amount was attributable to investments in property, plant and equipment. In 2015, the Company's investments amounted to KSEK -975 and in 2014 to KSEK -856.

Investments KSEK	2017 Jan – Mar	2016 Jan – Dec	2015 Jan – Dec	2014 Jan – Dec
Investment in property, plant and equipment	-37	-816	-242	-805
Investment in other non-current financial assets	-1,503	–	-732	-51
Total investments:	**-1,540**	**-816**	**-975**	**-856**

Policy for research and development

Since research and development form an integral part of the Company's business activities, there is no separate reporting of this.

Ongoing investments and commitments on future investments

In addition to investments in research and development, the Company has no significant ongoing or planned investments for which the Board of Directors has already made clear commitments.

Significant events during the period January 1, 2014 to March 31, 2017

2017

- In January, Saniona reports positive top-line data from a phase 2a study of Tesomet for Type 2 diabetes.
- In March, Saniona announces the phase 2 study of Tesomet for Prader-Willi syndrome will commence in the second quarter of 2017.

2016

- In January, Saniona and Proximagen sign an agreement for research and development of new drugs for neurological disorders. Saniona is entitled to pre-commercial milestone payments of up to USD 30 million and differentiated royalties on product sales.
- In February, Saniona and Medix sign a development and commercialization agreement for tesofensine and Tesomet in Mexico and Argentina. Medix finances the clinical development and commercialization in the two countries. Saniona receives rights for tesofensine and Tesomet in the rest of the world, including clinical data developed by Medix. Saniona is entitled to an upfront payment of USD 1.25 million, regulatory milestone payments, and double-digit royalties on product sales.
- In April, Saniona initiates recruitment of patients for the phase 2a clinical trial of Tesomet for type 2 diabetes.
- In June, Saniona's partner, the University of Pennsylvania Treatment Research Center, initiates the recruitment of patients for a phase 2a study of Saniona's substance NS2359 for the treatment of cocaine dependency.
- In August, Saniona and Boehringer Ingelheim sign a cooperation agreement on schizophrenia. Saniona can receive up to EUR 90 million in milestone payments, which include an upfront payment of EUR 5 million upon signing the agreement. In addition, Saniona is entitled to royalties on the global net sales of any products commercialized as a result of the cooperation.

2015

- In February, Saniona and Janssen conclude their cooperation regarding the $GABA_A$ α 5 program because Janssen decides that the program is not in line with their current neuroscience portfolio. Saniona retains all rights to the program and decides to continue it internally in order to identify new potential partners.
- In September, Saniona and Pfizer finish their research collaboration on neurological diseases. Pfizer's decision came after a merger between their pain and neuroscience activities in the UK and USA. Saniona retains the right to continue the program, which has developed significantly over the past year and a half with Pfizer.

2014

- In February, Pfizer and Saniona launch a research and development collaboration in respect of Saniona's ion channel program.
- In October, it is announced that Saniona has acquired the tesofensine clinical program for the treatment of obesity and type 2 diabetes.

Events after March 31, 2017

Since March 31, 2017, the following significant events have occurred:

- Saniona commences a phase 2a study of Tesomet for Prader-Willi syndrome
- Saniona's partner Medix's application for a phase 3 study of tesofensine for obesity is approved by the Mexican supervisory authority Cofepris
- Saniona receives a milestone payment from the Michael J. Fox Foundation for Parkinson's Research of approximately SEK 1 million
- Saniona changes the name of the Upsher-Smith program to the Proximagen program
- Saniona participates in the company formation of Scandion Oncology and spins out the clinical programs and related ion channel platform
- Saniona carries out a rights issue for SEK 35 million
- Saniona's Annual General Meeting decides to introduce the employee share option plan 2017/2022

Other than the above events, no significant changes have occurred regarding the Company's financial position or market position since March 31, 2017.

Shares, share capital and ownership

Shares and share capital

The share capital of the Company amounted to SEK 1,088,126 when the Prospectus was issued and is distributed over 21,762,520 shares, each with a face value of SEK 0.05. The company has only one type of share. The company's Articles of Association stipulate that the share capital must amount to no less than SEK 500,000 and no more than SEK 2,000,000, and that the number of shares must amount to no less than 10,000,000 and no more than 40,000,000 shares.

The shares in Saniona have been issued in accordance with the provisions of the Swedish Companies Act (2005:551) and are denominated in SEK. Saniona is linked to the Euroclear account-based securities system, so no physical share certificates are issued. All rights belonging to the shares are held by the owner registered in the shareholder register kept by Euroclear. All shares are issued and fully paid and freely transferable. Each share entitles the holder to one (1) vote at Saniona's Annual General Meeting. Each voting shareholder has the right to vote at the Annual General Meeting for the full number of shares they own and represent. Shareholders normally have preferential rights to subscribe for new shares, subscription warrants and convertible debentures in accordance with the Swedish Companies Act, unless the Annual General Meeting or the Board of Directors decides, by virtue of an authorization adopted by the Annual General Meeting, to deviate from the shareholders' preferential rights. Each share gives an equal right to a share of the Company's assets and profits. In the event of a liquidation of the Company, shareholders are entitled to a share of any surplus in proportion to the number of shares held by the shareholder. There are no restrictions regarding the transferability of the shares. Saniona's shares are not subject to offers given as a result of a mandatory bid, redemption right or redemption obligation. There have been no public takeover bids regarding Saniona's shares during the current or previous financial year.

Share-capital development

Since the formation of the Company, its share capital has changed according to the table below.

Year	Event	Change in number of shares	Total number of shares	Change in share capital (SEK)	Total share capital (SEK)	Face value (SEK)
2014	New	10,482,200	10,482,200	524,110.00	524,110.00	0.05
2014	Rights issue	3,400,000	13,882,200	170,000.00	694,110.00	0.05
2015	Rights issue	3,470,550	17,352,750	173,527.50	867,637.50	0.05
2015	Rights issue	3,488,717	20,841,467	174,435.35	1,042,073.35	0.05
2017	Rights issue	921,053	21,762,520	46,052.65	1,088,126.00	0.05

Authorization

The Annual General Meeting of May 23, 2017 decided, in accordance with the Board of Director's proposal, to authorize the Board of Directors, on one or more occasions until the next Annual General Meeting, with or without deviation from the shareholders' preferential rights, to decide on new issues of shares, issue of convertibles and/or issue of subscription warrants. Issues may be made with or without a stipulation of subscription in kind, offsetting or other terms. Insofar as the authorization is exercised for issues with deviation from the shareholders' preferential rights, the number of shares that may be issued (or be due when converting convertibles or exercising subscription warrants) amount to a total maximum number corresponding to 30% of the total number of shares in the Company on the date of the Annual General Meeting, and the issue price shall be market-based (subject to market-based issue discount, if applicable). The purpose of the authorization is to acquire working capital allowing the implementation and financing of corporate acquisitions and to allow issues to industrial partners within the framework of collaborations and alliances.

Dividend policy

Saniona has not yet paid any cash dividend. The company is in an expansion phase and plans to invest any profits in the Company's expansion. The Board of Directors has therefore adopted a dividend policy indicating that it plans to distribute ordinary cash dividends only when Saniona has commercialized its products and is receiving regular revenues. However, the dividend policy states that the Board of Directors may propose a cash dividend if Saniona receives extraordinary income as a result of a sale or a large one-time payment under a cooperation agreement, but only on condition that the Board believes that the Company has sufficient funding to take the first product to market despite the dividend. Finally, the dividend policy states that Saniona can issue a dividend in the form of shares in spin-outs.

Any dividend will be decided by the Annual General Meeting based on a proposal from the Board of Directors. The right to a dividend belongs to owners who are registered in the shareholder register kept by Euroclear on the settlement date decided by the Annual General Meeting. All of the company's shares entitle the holder to dividends. If shareholders cannot be contacted through Euroclear, the claim on the Company regarding the dividend amount will remain and is limited only by the limitation rules. After expiry of the period of limitation, the dividend payment will accrue to the Company. Neither the Swedish Companies Act nor Saniona's Articles of Association contain any restrictions regarding the right of shareholders outside Sweden to receive dividends. Apart from any restrictions imposed by the banks or clearing systems in the jurisdictions concerned, payment to such shareholders will occur in the same way as to shareholders resident in Sweden. Shareholders who have limited tax liability in

Sweden, however, are usually subject to Swedish coupon tax, see section “Certain tax issues in Sweden”.

Ownership

Shareholders as of May 31, 2017

Largest shareholders as of May 31, 2017	Number of shares	Share capital and votes
Nykredit Bank[24]	2,344,711	10.8%
Thomas Feldthus	1,870,000	8.6%
Svenska Handelsbanken, Copenhagen[25]	1,427,618	6.6%
Avanza Pension Insurance Company	1,214,188	5.6%
Palle Christophersen	820,000	3.8%
Claus Bræstrup	735,700	3.4%
Nordnet Pensionsförsäkring AB	664,996	3.1%
BNY Mellon SA/NY, W8IMY	452,619	2.1%
SIX SIS AG, W8IMY	435,637	2.0%
Janus Schreiber Larsen	400,000	1.8%
10 largest owners	**10,365,469**	**47.6%**
Other shareholders	11,397,051	52.4%
Total	**21,762,520**	**100.0%**

24 Includes CEO Jørgen Drejer's holding of 2,344,711 shares

25 Includes Board member Leif Andersson's holding of 1,003,437 shares

Lock-up agreement

As far as the Board is aware, there are no transfer restrictions for a certain period of time (so-called lock-up agreement).

Trading in Saniona shares

Saniona's shares have been admitted for trading on Nasdaq First North Premier since May 19, 2016. First North Premier is an alternative marketplace and does not hold the same legal status as a regulated market. The share has ISIN code SE0005794617 and the short name SANION. The latest closing price on June 8, 2017 was SEK 41.40, corresponding to a market capitalization of approximately SEK 900 million. The company has applied for the Company's shares to be admitted for trading on the regulated market Nasdaq Stockholm and on May 30, 2017 the Nasdaq Stockholm's company committee decided to admit the shares for trading. The scheduled last day of trading on Nasdaq First North Premier is June 14, 2017 and the scheduled first day of trading on Nasdaq Stockholm is June 15, 2017.

Share-based incentive schemes

Employee option plan 2015/2019

On May 20, 2015, the Annual General Meeting decided to establish an employee option plan for certain employees and key consultants in the Saniona Group in Denmark. The employee share option plan includes a maximum of 64,000 employee share options. Each employee option entitles the holder to acquire a new share in the Company at a redemption price of SEK 20.72, corresponding to 100% of the average closing price of the Company's share on AktieTorget during ten trading days after the Annual General Meeting in 2015. The employee options are earned gradually over a period of 48 months. With certain exceptions linked to Danish labor law, the participant must be employed in the Saniona Group on each earning date. The exemptions linked to Danish labor law mean that the requirement for employment as a condition of earning is not maintained if the employment ceases because Saniona terminates the employment relationship without the employee violating the terms of employment, if the employment ceases due to the employee terminating the employment because Saniona materially breaches the terms of employment, or if the employment relationship ceases because the employee retires or is affected by disability. Earned employee options may be exercised for 30 days from the day following the publication of the Company's quarterly reports, or for full years, the year-end report. The first time is after publication of the quarterly report for the first quarter of 2018 and the last time is after publication of the quarterly report for the third quarter of 2019. If the Company does not issue a quarterly report or year-end report after the end of any calendar quarter, assigned and earned employee share options can instead be exercised during the last month of the following calendar quarter, beginning in June 2018 and for the last time in December 2019. In order to enable the Company to deliver shares in accordance with the employee share option plan, the Annual General Meeting also resolved on a targeted issue of no more than 64,000 subscription warrants to a subsidiary in the Saniona Group, and decided to approve the transfer of subscription warrants to participants in the employee share option plan without any payment in connection with the utilization of employee stock options. Upon full exercise of all subscription warrants issued under the program, dilution for the shareholders will amount to approximately 0.3%, based on the number of shares in the Company on the date of this Prospectus. The options are subject to customary conversion conditions in connection with issue etc.

Employee share option plan 2017/2022

The Annual General Meeting of May 23, 2017 decided to establish a further employee share option plan for certain employees and key consultants in the Saniona Group in Denmark. The employee share option plan includes a maximum of 38,750 employee share options. Each employee share option entitles the holder to acquire a new share in the Company at a redemption price

amounting to SEK 41.13, corresponding to 100% of the average closing price of the Company's share on First North Premier during ten trading days after the 2017 Annual General Meeting. The employee options are earned gradually over a period of 48 months. With certain exceptions linked to Danish labor law, the participant must be employed in the Saniona Group on each earning date. Exceptions linked to Danish labor law mean that the requirement for employment as a condition for earning is not maintained if the employment ceases because Saniona terminates the employment relationship without the employee violating the terms of employment, if the employment ceases due to the employee terminating the employment because Saniona materially breaches the terms of employment, or if the employment relationship ceases because the employee retires or is affected by disability. Earned employee options may be exercised for 30 days from the day following the publication of the Company's quarterly reports, or for full years, the year-end report. The first time is after publication of the quarterly report for the first quarter of 2021 and the last time is after publication of the quarterly report for the third quarter of 2022. If the Company does not issue a quarterly report or year-end report after the end of any calendar quarter, assigned and earned employee share options can instead be exercised during the last month of the following calendar quarter, beginning in June 2021 and for the last time in December 2022. In order to enable the Company to deliver shares in accordance with the employee share option plan, the Annual General Meeting also resolved on a targeted issue of no more than 38,750 subscription warrants to a subsidiary in the Saniona Group and decided to approve that the subscription warrants would be transferred to participants in the employee share option plan without any payment in connection with the use of employee stock options. Upon full exercise of all subscription warrants issued under the program, dilution for the shareholders will amount to approximately 0.2%, based on the number of shares in the Company on the date of this Prospectus. The options are subject to customary conversion conditions in connection with issues etc.

The Board of Directors, senior management and auditors

According to Saniona's Articles of Association, the Board of Directors shall consist of between three and eight members with no more than two deputies. At present, the Board consists of four members. The current Board of Directors has been appointed for the period until the end of the 2018 Annual General Meeting.

Claus Bræstrup

Chairman of the Board

Born 1945. Chairman of the Board since 2014 (Chairman of Saniona A/S since 2012). Co-founder of Saniona A/S and Saniona AB.

Education and background:
University degree in biochemistry and medical doctorate from the University of Copenhagen. Former deputy director for Research and Development and CEO of H. Lundbeck A/S, listed on Nasdaq Copenhagen. Former professor of neuroscience at the University of Copenhagen. Author and co-author of more than 125 scientific articles.

Other current assignments:
Chairman of the Board for Saniona A/S, Board member of Bavarian Nordic A/S, Evotec AG and CEO of Kastan ApS.

Previous assignments (the last five years): Chairman of Probiodrug AG, CEO of Nordic Biotech General Partner II ApS and Board member of Santaris Pharma A/S[26], Ataxion Inc., Evolva Holding SA and Gyros AB.

Holdings in Saniona: 735,700 shares.
Independence: Independent in relation to both the Company and its management and to major shareholders.

Jørgen Drejer

Board member and CEO

Born 1955. Board member and CEO since 2014 (Board member and CEO of Saniona A/S since 2012). Co-founder of Saniona A/S and Saniona AB.

Education and background:
Doctorate in neurobiology from the University of Copenhagen. One of the co-founders of NeuroSearch A/S and worked for many years as the company's deputy CEO and research director. Serial entrepreneur, who has been involved in the founding of several biotechnology companies, including NsGene A/S, Sophion Bioscience and Atonomics A/S. Member of the Danish Academy of Technical Sciences and former member of the Board of the Danish Council for Independent Research. Author of more than 75 scientific articles.

Other current assignments:
Board member and CEO of Saniona A/S. Board member for Ellegaard Göttingen Minipigs ApS and Azign Bioscience A/S.

Previous assignments (the last five years): Chairman of the Board of Delta Reader A/S. Board member of DELTA Dansk Lys och Elektronik, Lys & Akustik, Atonomics A/S, NsGene A/S, Origio A/S, Poseidon Pharmaceuticals A/S, ZGene A/S and Aktieselskabet af 20. November 2003.

Holdings in Saniona: 2,344,711 shares
Independence: Not independent in relation to the Company and its management or to major shareholders.

26 Now under the name of Roche Innovation Center Copenhagen A/S since Santaris Pharma A/S was acquired by Roche in 2014.

Leif Andersson

Member of the Board

Born 1957. Board member since 2014 (Board member of Saniona A/S since 2014) and co-founder of Saniona AB.

Education and background:

Trained journalist and preschool teacher. Has worked with communication in various forms over the last 30 years. Successful entrepreneur who, among other things, was a co-founder of Sund Communication, one of Sweden's largest PR agencies, which was acquired in 2009 by the international Huntsworth Group, listed in London, and renamed Grayling. Many years of experience from work as a journalist, including for Dagens Industri and the Danish newspaper Børsen. Former business area manager for the management consultancy Booz, Allen & Hamilton, and former communications director and member of the management team at Framfab. Now active as investor and Board member for a number of smaller companies.

Other current assignments:

Chairman of the Board of Sensitivus Gauge ApS. Board member of Saniona A/S. CEO of Leif Andersson Consulting ApS.

Previous assignments (the last five years):

Chairman of the Board of KANMalmö AB. CEO of Sensitivus ApS.

Holdings in Saniona: 1,003,437 shares.
Independence: Independent in relation to both the Company and its management and to major shareholders.

Carl Johan Sundberg

Member of the Board

Born 1958. Board member since 2015.

Education and background:

Medical degree and doctorate from Karolinska Institutet. Professor of molecular and applied occupational physiology at Karolinska Institutet. Co-founder of and former Investment Manager for Karolinska Investment Fund, a EUR 60 million biomedical VC fund. Research Director at the Department of International Entrepreneurship, at the Karolinska Institutet, elected member of the Royal Swedish Academy of Engineering Sciences, member of the Medical Commission of the International Olympic Committee and chairman of Yrkesföreningar För Fysisk Aktivitet and the foundation Research!Sweden. Many years' experience of Board work within academia and industry.

Other current assignments:

Board member in Cobra Biologics Holding AB, Arne Ljungqvist Anti-doping Foundation AB and Medkay Konsulting AB.

Previous assignments (the last five years):

Board member of KI Management AB, KI Management Partners AB, Karolinska Development AB, Vårddirekt Sverige AB[27] and Hypercure Medical AB. Partner in Medkay Konsulting Handelsbolag.

Holdings in Saniona: –
Independence: Independent in relation to both the Company and its management and to major shareholders.

27 Now under the company Sköndals Krog AB after ownership change and change of business orientation.

Senior management

Jørgen Drejer
Board member and CEO
For more information, see the Board of Directors section.

Thomas Feldthus
CFO and deputy CEO
Born 1960. Employed as CFO since 2012 and deputy CEO since 2015. Co-founder of Saniona A/S and Saniona AB and former Board member.

Education and background:
Master of Science in Engineering from Denmark's Technical University and MBA from London Business School. Co-founder of and former CFO in the biotech firm Symphogen A/S. Former CFO in the pharmaceutical company WntResearch AB (publ). Has acquired more than EUR 200 million in venture capital and negotiated several comprehensive cooperation agreements with pharmaceutical companies, including upfront and milestone payments in the range of USD 50–300 million. Former Investment Manager at Novo A/S and Corporate Development Manager at Novo Nordisk A/S.

Other current assignments:
Chairman of the Board and CEO of Fertilizer Invest ApS.

Previous assignments (the last five years):
Board member of Saniona AB and Saniona A/S.

Holdings in Saniona: 1,870,000 shares.

Palle Christophersen
CSO
Born 1958. Employed since 2012. Co-founder of Saniona A/S and Saniona AB.

Education and background:
Masters Degree in Biology and a Doctorate in Physiology from the University of Copenhagen. Many years' experience from research work in electro-physiology and work as a project leader in NeuroSearch A/S. Has developed, among other things, the NeuroPatch system and discovered Endovion for sickle cell anemia. 2004–2011, employed as head of the in vitro pharmacology field and member of NeuroSearch's management team in 2006. Author of more than 60 scientific articles and is behind research leading to more than 60 patents.

Other current assignments:
No other assignments.

Previous assignments (the last five years):
No other assignments.

Holdings in Saniona: 820,000 shares.

Additional information about the Board and senior management

Over the past five years, none of the Company's Board members or senior management have (i) been convicted in fraud-related cases, (ii) been deputies in companies declared insolvent, liquidated or taken under restructuring proceedings, (iii) been subject to accusations or sanctions by legally or regulatory authorized authorities (including approved professional associations) or (iv) disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management of or conduct the affairs of any issuer.

There are no family ties between any Board members or senior executives. No member of the Board or senior executives has any private interests that may conflict with Saniona's interests. As is evident above, however, several Board members and senior executives have financial interests in Saniona through shareholdings. None of the Board members or senior executives have agreements that entitle them to benefit after termination of the assignment, with the exception of normal severance pay for senior executives as described in the "Remuneration to the Board and senior executives" section. Saniona has no assigned or accrued amounts for pensions or similar benefits following the termination of service or assignments by Board members or senior executives.

All Board members and senior executives can be contacted via the Company's address: Balltorpvej 154, DK2750 Ballerup, Denmark.

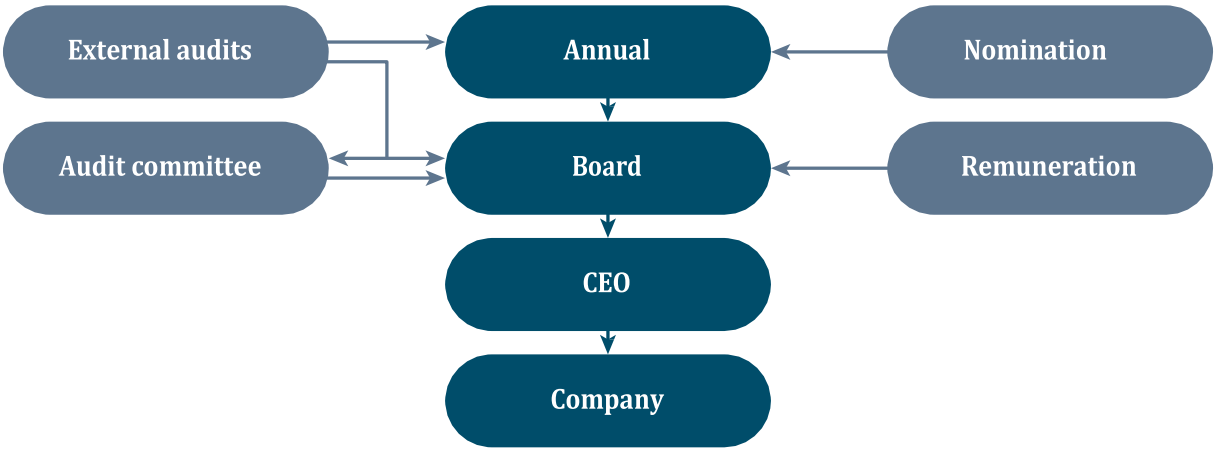
Auditors

Deloitte AB has been Saniona's auditor since its formation in 2014. Bengt Wahlström was the chief auditor until the Annual General Meeting in 2015 and was subsequently replaced by Elna Lembrér Åström. Both Bengt Wahlström and Elna Lembrér Åström are authorized public accountants and members of the FAR trade association for auditors and advisors. The chief auditor of the subsidiary Saniona A/S is Thomas Hermann, authorized public accountant at Deloitte DK. The auditor can be contacted via Deloitte AB, Box 143, 113 79 Stockholm.

Corporate governance

Corporate governance within Saniona

Saniona is currently listed on First North Premier and complies with the applicable rules in the Swedish Companies Act, the rules and recommendations that follow from First North's Rulebook, the Swedish Corporate Governance Code (the "Code") and good practice in the stock market. Following its listing on Nasdaq Stockholm, instead of First North's regulatory framework, Saniona will follow the rules of Nasdaq Stockholm's regulatory framework for issuers. The Company does not need to comply with all the rules in the Code, as the Code itself allows for deviations from the rules, provided that any such deviations, and the chosen alternative solution are described and the reasons for this are explained in the Corporate Governance Report (all according to the so-called "follow or explain principle"). Saniona currently does not expect to report any deviations from the Code in the Corporate Governance Report. The figure below provides an overview of Saniona's corporate governance structure.



Annual General Meeting

The shareholders' right to decide on the Company's affairs is exercised by the highest decision-making body, the General Meeting (Annual General Meeting or Extraordinary General Meeting). The meeting decides on e.g. changes to the Articles of Association, the election of the Board and auditors, adoption of the statement of income and balance sheet, discharge of liability for the Board of Directors and the CEO, allocation of profits or losses, principles for appointment of the nomination committee and guidelines for remuneration to senior executives.

Shareholders have the right to have a specified issue dealt with at the Annual General Meeting. Shareholders wishing to exercise this right must submit a written request to the Company's Board of Directors. Such a request shall normally be submitted to the Board no later than seven weeks before the Annual General Meeting.

The Annual General Meeting must be held in Malmö. Notice of an Annual General Meeting and notice of an Extraordinary General Meeting in which amendments to the Articles of Association are dealt with, must be issued no earlier than six weeks and no later than four weeks prior to the meeting. Notice of other Extraordinary General Meetings must be given no earlier than six weeks and no later than three weeks prior to the general meeting. Notice of a meeting shall be published in the Swedish Post- and Inrikes Tidningar and by making the notice available on the Company's website. The fact that notice has been issued shall also be announced in Svenska Dagbladet.

In order to participate in an Annual General Meeting, shareholders must be recorded in the shareholder register kept by Euroclear Sweden AB five business days prior to the meeting, and must also announce themselves to the Company no later than on the date specified in the notice. This day must not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve, and must not occur earlier than the fifth weekday prior to the Annual General Meeting.

Nomination committee

According to the Code, the Company must have a nomination committee, whose duties shall include preparing and establishing proposals for election of Board members, Chairman of the Board, Chairman of the Meeting and auditors. The nomination committee shall also propose fees for the Board members and auditors. At the Annual General Meeting on May 23, 2017, it was decided to adopt instruction and rules of procedure for the nomination committee, according to which the nomination committee shall consist of three members, representing the two largest shareholders on the last day of September, together with the Chairman of the Board. The largest shareholders are the shareholders registered with Euroclear Sweden AB at the end of September. If either of the two largest owners refrain from appointing an owner representative or if such an owner representative resigns or dies before the assignment is completed without the shareholder who appointed the

member appointing a new member, the Chairman of the Board shall invite the next owner (i.e. the third largest owner) to appoint an owner representative within one week of receiving the request. The procedure shall continue until the nomination committee consists of three members.

In case of significant ownership changes that take place earlier than six weeks before the Annual General Meeting, a new owner representative shall be appointed. The Chairman of the Board shall then contact whoever of the two largest shareholders who does not have any owner's representative and invite them to appoint one. When such an owner representative is appointed, they shall be a member of the nomination committee and replace the former member of the nomination committee who no longer represents one of the two largest shareholders.

The nomination committee shall appoint the nomination committee's chairman from among its members. The Chairman of the Board or another Board member shall not be the chairman of the nomination committee. The term of office for the appointed nomination committee shall run until a new nomination committee has been appointed.

Prior to the 2017 Annual General Meeting, the nomination committee consisted of Søren Skjærbæk (chairman), appointed by Jørgen Drejer, John Haurum, appointed by Thomas Feldthus and the Chairman of the Board, Claus Braestrup.

The Board of Directors

After the Annual General Meeting, the Board of Directors is the Company's highest decision-making body. The Board is responsible for the Company's organization and management of the Company's affairs, for example by setting goals and strategies, ensuring procedures and systems for monitoring the established goals, continuously assessing the Company's financial situation and evaluating the operational management. Furthermore, it is the responsibility of the Board to ensure that accurate information is provided to the Company's stakeholders, that the Company complies with laws and regulations and that the Company develops and implements internal policies and ethical guidelines. The Board also appoints the Company's CEO and determines the CEO's salary and other remuneration based on the guidelines adopted by the Annual General Meeting.

The Board of Directors is elected annually at the Annual General Meeting for the period until the next Annual General Meeting. According to the Code, the majority of the Board members elected by the Annual General Meeting shall be independent in relation to the Company and the company management. In determining whether a member is independent or not, an overall assessment shall be made of all the circumstances that may raise questions regarding the independence of the Board member in relation to the Company or the company management. According to the Code, at least two of the Board members who are independent in relation to the Company and the company management, shall also be independent in relation to major shareholders. Major shareholders means shareholders who directly or indirectly control 10% or more of all shares and votes in the Company. In order to determine a member's independence, the extent of the Board member's direct and indirect relations with the major owner shall be considered in the assessment. A Board member who is employed by or who is a Board member of a major owner is not considered to be independent.

The Board members and the Board's assessment regarding the independence of the Board members in relation to both the Company/company management and to the major shareholders, are presented under the "Board of Directors, senior management and auditors" section. The Board considers that the Company meets the requirements in the Code for independence.

The Chairman of the Board is responsible for leading the work of the Board and ensuring that the Board's work is conducted efficiently and that the Board fulfils its duties. Through contacts with the CEO, the Chairman shall monitor developments in the Company and ensure that the Board members, through the CEO, receive the information necessary to monitor the Company's position, financial planning and development. The Chairman shall also consult with the CEO on strategic issues and ensure that the Board's decisions are implemented effectively.

The Chairman of the Board is responsible for contact with the owners in regard to ownership matters and to convey comments from the owners to the Board.

The Board follows written rules of procedure that are reviewed annually and are laid down at the inaugural Board meeting. The rules of procedure regulate, among other things, the Board's working methods, duties, decision-making arrangements within the Company, the Board's meeting arrangements, the Chairman's duties and the division of duties between the Board and the CEO. Instructions for financial reporting and instructions to the CEO are also determined in connection with the inaugural Board meeting.

The Board's work is also carried out on the basis of an annual agenda that satisfies the Board's requirements for information. In addition to the Board meetings, the Chairman of the Board and the CEO have an ongoing dialogue regarding the management of the Company.

The Board meets according to a pre-determined annual plan and shall hold at least six regular Board meetings between each Annual General Meeting. In addition to these meetings, additional meetings can be arranged to deal with issues that cannot be referred to any of the regular meetings.

Board Committees

The Board of Directors of the Company has established two committees, the audit committee and the remuneration committee. The Board has adopted rules of procedure for both committees.

Audit Committee

The audit committee's tasks are mainly to monitor the Company's financial position, monitor the effectiveness of the Company's internal controls, internal auditing and risk management, to keep itself informed of the audit of the annual accounts and the consolidated financial statements, and to review and monitor the auditor's impartiality and independence. The audit committee shall also assist the nomination committee with proposals for a decision on the election and remuneration of the auditor. The audit committee consists of Claus Bræstrup (Chairman), Carl Johan Sundberg and Leif Andersson.

Remuneration Committee

The remuneration committee's tasks are mainly dealing with issues regarding remuneration and other terms of employment for the CEO and senior management. The remuneration committee shall also monitor and evaluate ongoing programs and schemes completed during the year for variable remuneration for the Company management, and monitor and evaluate the implementation of the guidelines

for remuneration to senior management decided on by the Annual General Meeting. The remuneration committee consists of Claus Bræstrup (Chairman) and Leif Andersson.

CEO and other senior management

The CEO is appointed by the Board of Directors. The role of the CEO is subordinate to the Board and their main task is to take care of the Company's ongoing management and day-to-day operations in the Company. The Board's rules of procedure and instructions for the CEO set out the issues that the Board of Directors of the Company shall decide upon and which decisions fall within the CEO's area of responsibility. The CEO is also responsible for producing reports and the necessary basis for decisions before Board meetings and is the rapporteur for the material at Board meetings. In addition to the CEO, Saniona's senior management consists of the Company's CFO and CSO. Information about the senior management is available in the "Board of Directors, senior management and auditors" section.

Remuneration to members of the Board and senior management

Remuneration to the Board is paid according to a decision of the Annual General Meeting. At the Annual General Meeting on May 23, 2017, it was resolved that Board fees of SEK 110,000 should be paid to each Board member who is not a co-founder of Saniona AB. This means that Board member fees will only be paid to Carl Johan Sundberg. No separate fee is paid for committee work.

The Annual General Meeting of May 23, 2017 decided on guidelines for remuneration to senior management, essentially with the following content. Remuneration shall be paid on terms that enable senior management to be recruited and retained. Remuneration to senior management may consist of a basic salary and other customary benefits that may be considered reasonable in relation to market practice. The CEO and other senior management shall be offered a fixed salary based on the individual's duties, qualifications, position, responsibility, performance and other factors. The salary shall be determined per calendar year with a salary review on January 1 each year. Saniona shall not offer variable remuneration to the CEO or other senior management. Saniona shall not offer any separate pension benefits to the CEO or other senior management. However, some of the senior management's fixed salary is allocated to pension provisions. The size of such pension provisions may be decided by the individual member of the senior management. The notice period for termination by the Company shall not exceed six months' mutual notice period. For the CEO and CFO, however, an adjusted period of notice shall apply for an initial period of six months after a transaction in which a majority of the shares in Saniona or Saniona A/S are acquired by one or more persons. The adjustment shall mean that the notice period for termination by Saniona may be extended to twelve months immediately after the relevant change of ownership. The notice period shall then be shortened by one month for each month following the change of ownership until the notice period conforms with the ordinary notice period according to the employment contract. There shall be no severance pay apart from salary during the period of notice.

The Board shall be entitled to deviate from the guidelines if there are special reasons requiring this in an individual case.

Under the current employment contract for the CEO and CFO, a notice period of six months applies, regardless of which party issues the notice of termination. According to the employment contract, however, an adjusted period of notice shall apply for an initial period of six months after a transaction in which a majority of the shares in Saniona or Saniona A/S are acquired by one or more people. The adjustment means that the notice period for termination by Saniona is extended to twelve months immediately after the relevant change of ownership. The notice period is then shortened by one month for each month following the change in ownership, meaning that the notice period is again six months when six months have elapsed after the change in ownership.

According to the current employment contracts for the CSO, concluded in 2013, a notice period applies according to relevant labor law in Denmark, where the notice period is based on the length of employment. This means that the notice period for the CSO is currently four months in the case of termination by Saniona, and one month in case of termination by the CSO.

For the 2016 financial year, remuneration to the Board and senior management was paid as follows (amounts in KSEK):

KSEK	Directors' fees	Basic salary	Pension costs	Share -based payment	Social costs	Other personnel costs	Total
Claus Bræstrup, Chairman of the Board	–	–	–	–	–	–	–
Anker Lundermose[28], Board member	–	–	–	–	–	–	–
Leif Andersson, Board member	–	–	–	–	–	–	–
Carl Johan Sundberg, Board member	135	–	–	–	–	–	135
Total, Board fees	**135**	**–**	**–**	**–**	**–**	**–**	**135**
Jørgen Drejer, CEO and Board member	–	1,125	–	–	3	23	1,151
Thomas Feldthus, CFO	–	1,387	139	–	3	23	1,552
Palle Christophersen, CSO		1,037	–	–	3	23	1,063
Total, CEO, CFO and CSO	**–**	**3,549**	**139**	**–**	**9**	**69**	**3,766**

28 Board member until September 2016.

External audits

The Company's auditor is appointed by the Annual General Meeting for the period until the end of the next Annual General Meeting. The auditor reviews the annual report and financial statements, as well as the administration of the Board and the CEO. After each financial year, the auditor shall submit an audit report to the Annual General Meeting. Every year, the company's auditor reports their observations concerning the audit and their assessment of the Company's internal controls to the Board of Directors.

At the Annual General Meeting held on May 23, 2017, Deloitte AB was re-elected as the Company's auditor with authorized public accountant Elna Lembrér Åström. The Annual General Meeting also decided that fees to the auditor should be paid according to the usual norms and approved accounts. Auditors' fees for the 2016 financial year amounted in total to KSEK 1,730.

Information about the auditor is available in the "Board of Directors, senior management and auditors" section.

Internal controls

The Board is ultimately responsible for the internal controls within Saniona. This responsibility is governed by the Swedish Companies Act, the Swedish Annual Accounts Act and the Code, and the Board of Directors is responsible for ensuring that Saniona has adequate and formalized procedures to ensure compliance with established principles for financial reporting. Internal control procedures have been designed to ensure reliable and accurate reporting according to IFRS, applicable laws and regulations, as well as other requirements imposed on companies listed on Nasdaq Stockholm. Saniona has decided to adopt the so-called COSO regulatory framework[20] as the basis for its internal controls of financial reporting. The framework consists of the following components:

Auditing environment

The control environment forms the basis for Saniona's internal controls and the control environment includes a specific organizational structure, decision making processes, and authority and responsibilities that are documented and communicated through control documents. The control documents mainly include:

- rules of procedure for the Board and instructions for the CEO;
- Saniona's business model, vision, strategies, goals, business plan and core values;
- Saniona's code of conduct;
- organizational structure and job descriptions; and
- administrative processes, guidelines and instructions, such as attestation instructions, risk policy, financial policy, financial reporting instructions and financial manual.

The Board has adopted comprehensive documents such as the rules of procedure for the Board, instructions for the CEO, instructions for financial reporting, financial policy and a financial manual.

The CEO is responsible for day-to-day administration. In accordance with the instructions for the CEO, the CEO shall keep the Board continuously informed of how the Company's business is developing, its earnings and financial position, as well as on other circumstances that may be expected to be of importance to Saniona and its shareholders. The CEO is also responsible for preparing reports and compiling information from the management before Board meetings and for presenting such material at Board meetings.

The CFO is responsible for ensuring the performance and compliance of internal controls and for continuous efforts to strengthen the internal control with respect to financial reporting. The CFO's tasks and responsibilities in this regard are extensively regulated in Saniona's financial policy, financial reporting guide and financial manuals.

The Board has also established an audit committee, which is responsible for ensuring that the internal controls for financial reporting and reporting to the Board is effective. The audit committee conducts annual reviews and evaluations of Saniona's internal controls.

Risk assessment

The CEO is responsible for conducting an overall risk assessment at least once a year to evaluate risk exposure within Saniona regarding financial reporting and to identify potential problem areas. The risk assessment includes identification of risks that may arise if the basic reporting procedures are not followed. A review shall also be conducted to ensure that Saniona has an infrastructure that allows effective and appropriate control and evaluation of the Company's financial position and significant financial, legal and operational risks.

An operational risk assessment is also conducted on an annual basis to identify and analyze events and risks that could adversely affect Saniona's ability to achieve its goals.

Control activities

In order to ensure that operations are conducted efficiently and that the financial reporting provides a fair and accurate picture on each reporting day, control activities are carried out at all levels of the organization. The control activities include manuals, processes and policies that ensure that decisions and instructions are implemented.

The purpose of the control activities is to prevent and detect errors and deviations regarding Saniona's financial reporting and to propose subsequent remedial actions if any deviations occur. The activities include analytical follow-up and comparison of financial results and entries, reconciliation of accounts, and follow-up, approval and reporting of transactions and partnerships, agreements, policies and procedures, authorization and certification instructions, and accounting and valuation principles.

29 Committee of Sponsoring Organizations of the Threadway Commission.

The CFO is responsible for maintaining the internal controls and ensuring that the internal control is developed if necessary. The CFO monitors operations through various control activities, such as forecasts, budgets, analyses of income and balance sheets and reconciliation, as well as through trend analyses and business intelligence. The result is reported to the audit committee and/or the Board.

Saniona's Finance Director is responsible for accounting and reporting transactions and for ensuring that transactions are carried out in accordance with established rules for certification and authorization. Furthermore, a series of additional control activities are carried out to detect and correct errors and deviations. The result is reported to the CFO on a monthly basis.

Information and communication

Saniona has information and communication channels in order to ensure reporting and feedback from operations to the Board and the management in the format that management documents, such as internal policies, guidelines and instructions related to financial reporting, are made available on the company's shared servers and are presented to relevant employees.

In addition to written information, news, risk control and results from audits are communicated and disseminated at physical meetings. Meetings are held within Saniona's senior management as well as with all of Saniona's employees. The Board receives quarterly updates regarding Saniona's financial position and development.

The process for Saniona's external sharing of information has been documented in Saniona's information policy and aims to ensure that the market has relevant, reliable and accurate information regarding Saniona's development and financial position. The information policy includes a description of roles and tasks related to, as well as procedures for, disclosure of information.

All financial reports and press releases issued are sent to the Board of Directors and all employees in connection with publication.

Monitoring

The Board of Directors, primarily through the audit committee, decides on the forms of monitoring activities relating to internal controls. The CFO is responsible for ensuring that internal controls are maintained in accordance with the decision of the Board and the audit committee.

The Board receives regular updates regarding the Company's financial position and results relating to the budget, and on the development of projects in relation to the relevant project budgets. The CEO and CFO present a written report regarding the follow-up of Saniona's ongoing projects and product candidates at each regular Board meeting or when reporting is otherwise required.

The audit committee is responsible for monitoring the internal controls and Saniona's auditor reports on their observations and evaluation of the internal audit to the audit committee.

Articles of Association

Adopted January 30, 2014

1. Company
The name of the Company is Saniona AB. The Company is a public company (publ).

2. Registered office
The Board of Directors has its registered office in Malmö.

3. Business Activities
The objective of the Company's business activities shall be to develop drugs and to pursue other such related business activities and to own and manage shares.

4. Share capital and number of shares
The share capital shall not be less than SEK 500,000 and not more than SEK 2,000,000. The number of shares shall not be less than 10,000,000
and not more than 40,000,000 shares.

5. Board of Directors
The Board of Directors shall consist of no fewer than three and no more than eight members with no more than two deputies.

6. Auditors
The Company shall have one or two auditors with no more than two deputy auditors or a registered public accounting firm.

7. Notice of General Meeting
Notice of a General Meeting shall be announced in the Swedish Post -och Inrikes Tidningar and on the company's website. At the time of issuing the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet.

8. Registration for Meetings
Shareholders entered in the shareholder register as prescribed in Chapter 7, Section 28 (3) of the Swedish Companies Act and who have announced themselves to the company by the date specified in the notice, including the number of assistants, are entitled to attend the meeting. This day may not be a Sunday, public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and shall not occur earlier than on the fifth weekday before the general meeting.

9. Opening of Meetings
The Chairman of the Board or the person appointed by the Board of Directors shall open the General Meeting and chair the proceedings until a Chairman is elected for the Meeting.

10. Annual General Meeting
An Annual General Meeting of the shareholders shall be held annually within six months after the end of the financial year.

The following matters shall be addressed in the course of the Annual General Meeting:

1. Election of a Chairman for the meeting;
2. Preparation and approval of the voting list;
3. Approval of the agenda of the Meeting;
4. Election of one or two people to verify the minutes;
5. Determination of whether the Meeting has been appropriately convened;
6. Presentation of the Annual Report and the audit report and, where appropriate, the consolidated financial statements and the audit report for the Group;
7. Resolutions regarding
   a) the adoption of the statement of income and the balance sheet and, if applicable, the consolidated statement of income and the consolidated balance sheet,
   b) disposal of the company's profit or loss in accordance with the adopted balance sheet,
   c) discharge of the members of the Board of Directors and the Chief Executive Officer from liability;
8. Determination of remuneration to be paid to the members of the Board of Directors and the auditors;
9. Election of the members of the Board of Directors and registered public accounting firm or auditor;
10. Other matters to be addressed by the Meeting in accordance with the Swedish Companies Act or the Articles of Association.

11. Financial year
The Company's financial year shall be the calendar year.

12. Record day provision
The shareholder or nominee who is registered in the shareholder register and in a central securities depository register on the record day pursuant to Chapter 4 of the Swedish Financial Instruments Accounts Act (1998:1479) or any person who is registered in a central securities depository account pursuant to Chapter 4, Section 18 (1) 6-8 of this Act, shall be deemed to be authorized to exercise the rights set out in Chapter 4, Section 39 of the Swedish Companies Act (2005:551).

Legal questions and additional information

General company information

The Company's registered company and commercial name is Saniona AB. The Company's corporate identity number is 556962-5345 and the Board has its registered office in Malmö municipality. The Company is a public limited liability company, formed and registered in Sweden in accordance with Swedish law. The Company was formed on January 30, 2014 by the founders listed below and registered with the Swedish Companies Registration Office on February 19, 2014. In connection with the formation, the founders contributed all shares in Saniona A/S as capital contributed in kind to the Company. The company is a VPC-affiliated company and its shareholder register is kept by Euroclear. The company's legal form of business is governed by the Swedish Companies Act (2005:551).

The founders were Jørgen Drejer, Thomas Feldthus, Naheed Mirza, Palle Christophersen, Joachim Demnitz, Claus Bræstrup, Anker Lundemose, Janus S. Larsen, Philip K. Ahring, Pierandrea Muglia, Daniel B. Timmermann, Bo Skaaning Jensen, Jørgen Buus Lassen, Wexotec ApS, Karin Sandager Nielsen, Thomas Amos Jacobsen, Tino Dyhring, Charlotte Hougaard, Dorte Strøbæk, David Tristram Brown, Britt Ladefoged, Gitte Gammelby and Leif Andersson Consulting ApS. There are no family ties between any founder, Board member or senior management. No founder has any private interests that may conflict with Saniona's interests. As noted elsewhere in the Prospectus, however, several founders hold financial interests in Saniona through shareholdings.

Important agreements

In addition to the agreements described below, the Group has not entered into any agreement of major importance in the past two years, with the exception of agreements included in ongoing business activities. Other than the agreements listed below, and apart from agreements entered into as part of ongoing business activities, there are no other agreements within the Group which contain any right or obligation that is of significant importance to the Group on the Prospectus date.

Agreement with NeuroSearch A/S

In August 2012, Saniona A/S (formerly Aniona ApS) signed an agreement with NeuroSearch A/S regarding the purchase of drug projects (including intellectual property rights) and collaboration agreements (including a collaboration agreement with Janssen Pharmaceutical NV, which has now expired). In connection with the purchase, Saniona A/S also took over some personnel from NeuroSearch A/S. In connection with the transfer, Saniona A/S took over 15 drug projects that cover a total of more than 15,000 chemical substances, related patents and an associated generic chemical library with more than 100,000 other commercially available chemical substances. In fall 2014, Saniona acquired a further two clinical programs from NeuroSearch A/S through supplementary agreements.

In addition to taking over the obligations under an agreement with Janssen Pharmaceutical NV (which has now expired), the remuneration to NeuroSearch A/S consists of royalties for Saniona A/S' own sales of drugs ("Net Sales") and payment of a percentage of other net revenues ("Net Revenues") to NeuroSearch A/S attributable to specific clinical drug candidates and a smaller milestone payment (400,000 EUR) for the first pre-clinical product tested in humans. The payment to NeuroSearch A/S varies between different drug candidates, but the obligation is usually 3–7% of Net Sales for own sales and 20% of Net Revenues for other income.

In connection with the transfer, Saniona A/S received a loan totaling DKK 2,533,442 from NeuroSearch A/S. The loan was granted as part of the takeover of the commitments to Janssen Pharmaceutical NV. The terms of the loan indicated that the loan had no fixed maturity date and only needed to be repaid in the event Saniona A/S receives upfront and milestone payments or royalties in relation to the commercialization of the assets taken over from NeuroSearch A/S. The terms further stipulated that the loan would be automatically written off if events triggering repayment did not occur by December 31, 2015 and the loan was therefore fully written off on December 31, 2015. The impairment of the loan has been reported as a decrease in the external operating expenses in the fourth quarter of 2015.

Agreement concerning Luc Therapeutics Inc. (formerly Ataxion Inc.)

In July 2013, Saniona A/S entered into an agreement with Ataxion, Inc. whereby Saniona A/S acquired a shareholding in Ataxion, Inc. in exchange for Saniona A/S contributing the rights to the active substances included in the so-called Ataxia program. In March 2017, an agreement was concluded whereby Saniona approved the merger between Ataxion and Luc Therapeutics Inc. The activities previously conducted by Ataxion have been conducted by the company Luc Therapeutics Inc. since then. A previous option to acquire (Biogen) from the Ataxia program ended in connection with the merger. Luc Therapeutics has confirmed the takeover of current agreements. The collaboration with Luc Therapeutics focuses on research into new, small-molecule drugs for the treatment of ataxia. Ataxia is a general term for a group of rare genetic disorders termed hereditary ataxias. Current agreements still govern research and development, where Saniona A/S will perform certain development work related to the Ataxia program in return for remuneration. The research and development agreement now runs on a quarterly basis with automatic extensions if the agreement is not terminated. Saniona owns 7.1% of the merged company, Luc Therapeutics, and retains rights to royalties for potential products developed and commercialized through the Ataxia program. For a further description of the collaboration with Luc Therapeutics, refer to the "Luc Therapeutics program – treatment of Ataxia" and "Luc Therapeutics – treatment of ataxia" sections in the "Description of business activities" section.

Agreement with the University of Pennsylvania

In June 2015, Saniona A/S entered into a collaboration agreement with the University of Pennsylvania under which agreement the University of Pennsylvania, at its own expense, was given the right to conduct a phase II study on

cocaine dependency with NS2359. For a further description of the collaboration with the University of Pennsylvania, refer to the "NS2359 for cocaine dependency (TRC)" and "Treatment Research Center (TRC) at the University of Pennsylvania – cocaine dependency" sections in the "Description of business activities" section.

Agreement with Productos Medix SA de S.V

In February 2016, Saniona entered into a license and development agreement with Productos Medix SA de SV ("Medix"). The project, as well as Medix's operations in general, is mainly focused on the treatment of excess weight and obesity. The collaboration with Medix concerns the development and commercialization of tesofensine and Tesomet in Mexico and Argentina. Medix has exclusive rights to develop and commercialize tesofensine and Tesomet in the two countries and will finance and be responsible for the clinical development and the relevant regulatory applications.

Saniona retains all rights to tesofensine and Tesomet, as well as the rights to the result of the collaboration, including the exclusive rights to use the clinical data developed or produced by Medix in the rest of the world. Medix has paid Saniona an upfront payment of USD 1.25 million in 2016. Medix will make milestone payments to Saniona in relation to regulatory and commercial targets and double-digit royalties on product sales.

For a further description of the collaboration with Medix, refer to the "Tesofensine monotherapy for obesity (Medix)" and "Medix – tesofensine and Tesomet for obesity" sections in the "Description of business activities" section.

Agreement with Proximagen Laboratories Inc – Proximagen Limited

In January 2016, Saniona and Proximagen Ltd. ("Proximagen") entered into a collaboration for research and development of drugs for neurological diseases. Proximagen has a particular focus on developing treatments for people suffering from diseases of the central nervous system (CNS), such as convulsive disorders. Proximagen has assignments within early-phase research and development, with a special focus on the areas of CNS and pain. The cooperation briefly concerns the identification of certain well-defined small molecule substances with a potential for the development of drug candidates for one or more therapeutic indications.

The agreement gives Proximagen exclusive rights to develop, manufacture and commercialize drugs identified through the collaboration. Saniona will receive upfront payments and research grants during the research period. Saniona reported approximately USD 1.1 million in upfront payments and research grants in 2016. Furthermore, Saniona will receive milestone payments when certain research, development and regulatory milestones have been achieved. The potential value of the milestone payments is up to USD 30 million. In addition, Saniona will receive tiered royalties on net sales of any commercial products from Proximagen as a result of this collaboration. For a further description of the collaboration with Proximagen, refer to the "Proximagen program -–treatment of neurological diseases (Proximagen)" and "Proximagen – Neurological diseases" sections in the "Description of business activities" section.

Research funding from the Michael J. Fox Foundation for Parkinson's Research

In February 2016, the Michael J. Fox Foundation for Parkinson's Research ("MJFF"), awarded Saniona a research grant of up to USD 590,700 (approximately SEK 5.1 million) to develop a certain type of small molecule modulators of nicotine receptors and to evaluate the possibility of using these drug candidates for the treatment of Parkinson's disease. MJFF operates and finances offensive and targeted research programs coupled with an active global engagement of scientists, Parkinson's patients, business leaders, clinical trial participants, donors and volunteers. As part of the core of world-leading Parkinson's research, the foundation enables ground-breaking partnerships with industry leaders in the relevant research, among others.

Saniona retains all rights to all potential products that are developed and commercialized within the framework of the project, but taking this into account, the funding is conditional on Saniona, to a limited extent, publishing and making the results of research funded by MJFF available to the research community. For the same reason, Saniona may not seek other funding for the project without MJFF's consent. For a further description of the grant and MJFF, refer to the "The Michael J. Fox Foundation for Parkinson's Research – Parkinson" sections in the "Description of business activities" section.

Agreement with Boehringer Ingelheim International GmbH In August 2016, Saniona entered into a research and license agreement with Boehringer Ingelheim International GmbH ("Boehringer"). The aim of the joint research efforts is to identify substances that can restore the brain's network activity in patients with schizophrenia. Boehringer has exclusive rights to develop and commercialize drug products based on the collaboration and the licensed rights, and will finance and be responsible for the clinical development and the relevant regulatory applications.

Saniona received an upfront payment of approximately SEK 47 million (EUR 5 million) upon signing the agreement, and will receive milestone payments of up to approximately SEK 474 million (EUR 50 million) at selected research, development or regulatory milestones. In addition, Saniona is entitled to commercial milestone payments of up to approximately SEK 332 million (EUR 35 million) and differentiated royalties on net sales of any products commercialized by Boehringer as a result of the collaboration. For a further description of the collaboration with Boehringer, refer to the "Boehringer Ingelheim program for the treatment of schizophrenia (Boehringer Ingelheim)" and "Boehringer Ingelheim – collaboration agreement on schizophrenia" sections in the "Description of business activities" section.

Legal proceedings and arbitration proceedings

During the past twelve months, Saniona has not been a party to any legal proceedings or arbitration proceedings (including any as yet unsettled cases or cases that the Company is aware may arise) and which have recently had or could have a significant effect on the Company's financial position or profitability.

Insurance protection

The Board of Directors considers that the Company's current insurance cover is satisfactory in terms of the nature and extent of its business activities.

Transactions with related parties

Jørgen Drejer and Thomas Feldthus have previously, from September 12, 2013 to January 28, 2014, assisted with loans to Saniona of DKK 250,000 each (DKK 500,000 in total). No interest was paid on these loans. The loans were repaid and settled in January 2014. There have been no other transactions with related parties in the 2014–2016 financial years or during 2017, other than intergroup transactions between Saniona AB and Saniona A/S, as stated in Note 5, "Inter-company transactions" in the "Historical financial information" section. Otherwise, there are no agreements with related parties other than as stated in the "Remuneration to the Board and senior management" section in the "Corporate governance" section, which also provides information on salaries and other remuneration to the Board and senior management.

Documents available for review

During the entire period of validity of the Prospectus, copies of the following documents may be reviewed at Saniona's headquarters (Baltorpvej 154, DK-2750 Ballerup, Denmark) during regular business hours and (except Saniona's Memorandum of Association and Annual Reports for Saniona A/S) are also available on Saniona's website (www.saniona.com):

- Saniona's Memorandum of Association and Articles of Association;
- Annual reports for the 2014, 2015 and 2016 financial years (including audit reports) for Saniona AB (publ) and for Saniona A/S;
- Saniona's interim report for the period January 1 to March 31, 2017, which has been prepared in accordance with IAS 34 Interim Financial Reporting.

Advisors' interests

Pareto Securities AB is the financial advisor to Saniona in connection with the Listing. Pareto Securities receives a pre-agreed fee for services rendered in connection with the Listing and may also in future provide the Company and its affiliates with services in the context of day-to-day operations in connection with other matters. Otherwise, Pareto Securities AB has no financial or other relevant interests in the listing. The Company's legal advisor is Setterwalls Advokatbyrå AB. Setterwalls may also provide the Company and its affiliates with legal advice to the Company in the context of its day-to-day operations and in connection with other transactions.

Costs

Costs attributable to the admission of the Company's shares for trading on Nasdaq Stockholm are estimated to amount to approximately SEK 4.5 million. Of these costs, approximately SEK 3 million has been charged in the 2016 financial year and the remaining SEK 1.5 million will be charged in the second quarter of 2017.

Certain tax issues in Sweden

Below is a summary of certain tax rules for natural persons and limited liability companies with unlimited tax liability in Sweden, unless otherwise stated. The summary is based on current legislation and is only intended for general information. The summary does not cover securities held by trading companies or held as stock assets in business activities. Furthermore, the special rules for tax-free capital gains (including prohibition of deductions for capital losses) and dividends in the corporate sector that may apply when shareholders hold shares deemed to be business related. Nor do they include the special rules that may apply to holdings in companies that are or were previously so-called close corporations or shares acquired on the basis of so-called qualifying shares in limited companies. The summary also does not include shares held in an investment savings account, which are subject to special rules on standard taxation. Special tax rules apply to certain types of tax liabilities, such as for investment companies and insurance companies. The taxation of each individual shareholder depends on their particular situation. Each shareholder should therefore consult a tax advisor to obtain information about the particular consequences that may arise in the individual case, including the applicability and effect of foreign rules and tax treaties.

Unlimited tax liability in Sweden

Natural persons

Capital gains taxation

When listed shares are sold or otherwise disposed of, a taxable capital gain or a deductible capital loss may arise. Capital gains are taxed as capital income at a tax rate of 30%. A capital gain or loss is usually calculated as the difference between the compensation received, after deducting sales costs, and the cost basis. The cost basis for all shares of the same class and type is aggregated and calculated jointly by applying the average cost method. In the case of sales of market-listed shares, the cost basis may alternatively be determined according to the standard method at 20% of the sales consideration after deduction of sales expenses.

Capital losses on market-listed shares are fully deductible from taxable capital gains that arise during the same tax year on shares and on other market-listed rights to shares, in addition to shares in mutual funds or special funds that only contain Swedish debt instruments, so-called fixed income funds. Capital losses on shares or other rights to shares that cannot be offset in this way, may be deducted at a rate of 70% against other capital income.

In case of a net capital loss, such loss may be used for tax reduction on earned income tax as well as central government and municipal property taxes. Tax reduction is granted with 30% of the net capital loss up to SEK 100,000 and 21% of the remaining part. Such a deficit cannot be saved for later tax years.

Tax on dividends

For natural persons, dividends on market-listed shares are taxed as capital income at a tax rate of 30%. For individuals who are resident in Sweden for tax purposes, preliminary tax of 30% is normally withheld on any dividends received. The preliminary tax is withheld by Euroclear Sweden, or by the trustee in the case of nominee registered shares.

Limited liability companies

Tax on capital gains and dividends

For limited liability companies, all income including capital gains and dividends subject to tax, is taxed as business income, at a tax rate of 22 percent. Capital gains and losses are calculated in the same way as described above for natural persons.

Deductible capital losses on shares or other rights to shares may only be deducted from taxable capital gains on shares and other rights to shares. Such capital loss may also, if certain conditions are met, be offset against capital gains on shares or other rights to shares in companies within the same group, provided that there is an inter-company group right between the companies. A capital loss that cannot be utilized for a certain year may be saved and offset against taxable capital gains on shares and other rights to shares in subsequent tax years without any limitation in time.

Shareholders with limited tax liability in Sweden

Dividend tax

Shareholders subject to limited tax liability in Sweden are normally subject to dividend tax on any dividends received from a Swedish limited liability company. The tax rate is 30%, which is generally reduced, however, by tax treaties entered into by Sweden with other countries in order to avoid double taxation. Most of Sweden's tax treaties allow a reduction of Swedish tax to the treaty tax rate directly on the dividend, if the required information about the party entitled to the dividend is available. In Sweden, the deduction for dividend tax is normally applied by Euroclear Sweden or, in the case of nominee-registered shares, by the trustee. In cases where 30% dividend tax is withheld upon payment to a person entitled to be taxed at a lower tax rate, or too much dividend tax is withheld, a refund may be requested from the Swedish Tax Agency before the end of
the fifth calendar year after the dividend is paid.

Capital gains taxation

Shareholders with limited tax liability in Sweden, whose holdings are not attributable to a permanent establishment in Sweden, are not usually liable for capital gains tax in Sweden on disposal of shares. Shareholders may however be liable to pay tax in their country of residence. Under a special tax rule, however, natural persons who have limited liability to pay tax in Sweden may be subject to Swedish capital gains tax on the sale of shares if, at any time during the divestment year or one of the 10 preceding calendar years, have been resident in or a habitual visitor to Sweden. However, the applicability of this rule may be limited by tax treaties between Sweden and other countries.

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 in an attempt to explain the cause of the disease.

AN761
A small molecule designed to open (agonize) nicotine α7 channels. Nicotinergic α7 channels are expressed in various CNS tissues and are believed to be key mediators of cognitive processes. AN761 is a clinical candidate which may be a fast follow-up 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 phase 1 study and in a PET study, demonstrating orderly pharmacokinetics and attaining binding levels 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 serious 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 dependency
The compulsive desire to use cocaine, despite negative consequences.

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

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

EMA
European Medicines Agency.

FDA
US Food and Drug Administration.

$GABA_A$ α2/α3 program
A small molecule 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.

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.

MDD (Major Depressive Disorders)
Actual depression. 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.

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

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

Pre-clinical and clinical phases

- **Pre-clinical research:** refers to the activities of chemists, biologists and pharmacologists to develop and test new substances.
- **Pre-clinical development:** refers to the development that occurs until the pharmaceutical substance has been granted a license for testing on humans. Before a license is granted, extensive work has to be done to ensure that the substance is sufficiently safe and stable and to clarify how it behaves and leaves the body.
- **Phase I:** the first time the drug is tested in humans. This is usually conducted on a small group (5–9 people) of healthy, normal-weight volunteers who are always men. This is because women's reproductive ability is more sensitive, if it transpires that the substance is toxic. The phase I study examines the safety of the medicine, how the medicine is broken down and its effects. In the phase I study, the subjects are only given a small part of the amount given to experimental animals, since the effect on humans is completely unknown.
- **Phase II:** is performed on a larger group of patients suffering from a disease (20–3,000) to study how effective the medicine is for treating the disease. During phase II, dosage studies are usually also used to determine the dose at which the future medicine should be administered to patients. This dose is used later in the phase III studies. Some phase II studies are also divided into phase IIa and phase IIb, where the first is designed to determine an appropriate dose of the drug and the second is used to determine how effective the drug is.
- **Phase III:** is performed on a very large patient group (300–30,000) to definitively define how useful the medicine is for treating the disease in question. This patient group should, as far as possible, resemble the population in which the final medicine will be used, such as weight, age, gender, etc. A comparison is made with the current standard treatment or with placebo (sugar pills), if there is no standard treatment for the disease in question. Phase III can also be divided into two subgroups, phase IIIa and phase IIIb. In phase IIIa, the medicine has not reached the open market yet and during phase IIIb, the medicine is on the market, but is being tested for new areas of use.
- **Phase IV:** After the medicine has begun to be sold on the market, new unusual side effects will be detected. Phase IV can be seen as monitoring what is happening.

Proof-of-concept

Demonstrates that the preparation actually does what it is intended to do, i.e. interacts properly molecularly and thus can demonstrate that the symptoms decrease.

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.

Series A investments

The first investment round for a company project after the seed capital. Generally speaking, this is the first time that the Company's shares are offered to external investors.

Substance patents

Normally the most sought-after form of patent for pharmaceutical companies, given that it provides stronger protection than method and usage patents. Substance patents also provide protection for all potential indications for the medicine, not just the originally proven indication.

Type 2 diabetes

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