New partnership, next step towards regulatory approval by Medix and progress on internal and partnered research programs

Three Months Ended June 30, 2023 (2022)	Six Months Ended June 30, 2023 (2022)
Revenue was SEK 3.9 M (3.0 M)	Revenue was SEK 6.0 M (9.6 M)
Operating profit/loss was SEK -21.8 M (-91.8 M)	Operating profit/loss was SEK -42.9 M (-225.0 M)
Net profit/loss was SEK -21.2 M (-88.6 M)	Net profit/loss was SEK -43.0 M (-221.9 M)
Basic earnings/loss per share was SEK -0.34 (-1.42)	Basic earnings/loss per share was SEK -0.69 (-3.56)
Diluted earnings/loss per share were SEK -0.34 (-1.42)	Diluted earnings/loss per share were SEK -0.69 (-3.56)

Business highlights in Q2 2023

- Pierandrea Muglia was at the Annual General Meeting May 25, 2023, elected as a new ordinary board member.

Significant events after the reporting period

- On July 17, Saniona announced a **new collaboration** agreement with AstronauTx in Alzheimer's disease.
- In August, Saniona announced a **change to the terms of the loan agreement with Formue Nord**. The parties agreed to reduce the loan value, through a repayment of 3 MSEK by Saniona and a conversion of 10 MSEK into shares at 8.50 SEK per share, and changed the maturity date to January 31, 2025.

Comments from the CEO

"We have established an additional partnership with the research collaboration with AstronauTx in Alzheimer's disease. Our objectives are unchanged, and we are working diligently with potential partners with the aim of reaching an additional partnership this year."

For more information, please contact

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Forward-looking statements

The report contains certain forward-looking information that reflects Saniona's current views of future events and financial and operational performance. Words such as "intends", "anticipates", "expects", "can", "plans", "estimates" and similar expressions regarding indications or forecasts of future developments or trends, and which are not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties because it is dependent on future events and circumstances. Forward-looking information is not a guarantee of future results or developments and actual results may differ materially from results referred to in forward-looking information. Forward-looking information in the report is only applicable on the date of issue of the report. Saniona does not commit to publishing updates or revision of any forward-looking statements as a result of new information, future events or similar circumstances other than those required by applicable legislation.

Letter from the CEO

During the quarter, business development has been our focus and we have made good progress with partnering negotiations on several of our pipeline programs. Our aim has been to establish at least two new partnerships this year. On July 17, after the end of the quarter, we announced a new research collaboration with AstronauTx in Alzheimer's disease. Saniona may receive up to SEK 1.9 billion ($177 million) in milestone payments as well as royalties on worldwide net sales of resulting products under the collaboration.

The objective of the collaboration is to identify new treatments for Alzheimer's disease and other neurodegenerative conditions by modulating a novel, undisclosed ion channel target. Saniona has built unique know-how and technology with the aim to modulate this drug target by potential new drug candidates.

A core component of the research collaboration will be the use of Saniona's proprietary platform, IonBase™, for the modulation of ion channels. Saniona will receive research funding during the research period. During the first year of the collaboration, Saniona expects to receive research funding of around SEK 15 million (€ 1.3 million).

Tesofensine opportunity in Mexico
Our Mexican partner Medix is positive about the potential approval of tesofensine in Mexico as a new treatment option for obesity. In February, the Mexican regulatory authority's technical committee on new molecules gave a favorable opinion on tesofensine for treatment of obesity. Medix has subsequently filed a formal application to the regulatory agency which potentially could lead to an approval of tesofensine in Mexico this year. An approval would represent a new source of income for Saniona, and we are entitled to royalties on product sales in Mexico.

We are highly encouraged by recent preclinical tesofensine data, publicly provided by an academic research group (Link: *Tesofensine, a novel antiobesity drug, silences GABAergic hypothalamic neurons | bioRxiv*). The data further validates tesofensine as a unique and effective weight loss drug. It was demonstrated that tesofensine induced significant more weight loss in obese rats compared to lean rats and blocked weight loss tolerance (weight rebound) which is a major issue in treatment of obesity.

According to Medix's estimates, the market for obesity in Mexico is growing at about 16% per year and is expected to reach about USD 190 million in 2023. Medix believes that tesofensine will be a powerful new and competitive product in this market since it is safe and well tolerated, can be taken as a tablet, and provides the same level of efficacy as some of best injectable GLP-1 analogs.

Pipeline progression - focusing on the Kv7 epilepsy program
Epilepsy is a chronic neurological disease that causes recurring seizures due to abnormal electrical activity in the brain. According to the World Health Organization, around 50 million people worldwide have epilepsy, making it one of the most common neurological diseases globally. With a CAGR of 5 percent, the total market for epilepsy medication is expected to reach USD 8.3 billion by 2028, according to Evaluate Pharma.

Our promising Kv7 epilepsy program is in the final stage before potential selection of a clinical candidate. Our efforts have resulted in several novel, potent and selective compounds with promising efficacy, tolerability, and physical-chemical properties. We believe that we are now very close to candidate selection within epilepsy.

During the first half year, we also made important advances in our ongoing research project in collaboration with Boehringer Ingelheim. We are identifying novel ion channel modulators to treat cognitive deficits in schizophrenia in our partnership with Boehringer Ingelheim. This innovative program passed an important drug discovery milestone in 2022 and we have now made significant progress towards moving into lead optimization, which would trigger the first financial milestone payment to Saniona. Saniona may receive up to SEK 0.9 billion (€76.5 million) in milestone payments as well as royalties on worldwide net sales of resulting products under the collaboration.

In August, we agreed with Formue Nord to reduce our loan with SEK 13 million to SEK 61 million through a repayment (SEK 3 million) and a conversion into shares (SEK 10 million). At the same time, the maturity date was extended to January 31, 2025. The reduction and the extension strengthen our negotiation position and provide more flexibility until income and proceeds from partnership agreements have started to kick in.

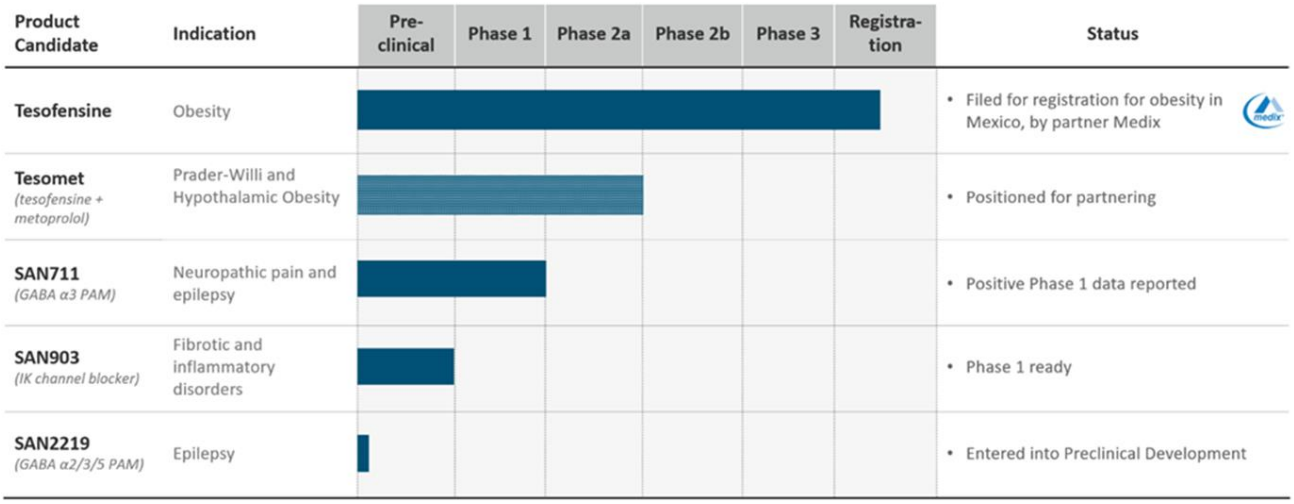
As stated above, our key focus is business development. Saniona has a long and successful history of finding and negotiating partnerships for our research and clinical-stage assets. I am very happy that we through the new research collaboration with AstronauTx in Alzheimer's disease got yet another validation of the value of our research platform as a basic for developing novel treatment opportunities for various neurological and psychiatric diseases. Business development is a time-consuming process, and we are working diligently with potential partners with the aim of reaching an additional partnership this year. I look forward to providing further updates on our work as we move through 2023.

Thomas Feldthus
CEO

About Saniona

Saniona is a clinical-stage biopharmaceutical company focused on the discovery and development of medicines modulating ion channels. Saniona's most advanced candidate, tesofensine, has progressed towards regulatory approval for obesity by Saniona's partner Medix. Saniona is advancing four product candidates including Tesomet™ and three ion channel modulators SAN711, SAN903 and SAN2219. Tesomet™ has progressed to mid-stage clinical trials for rare eating disorders. SAN711 has completed Phase 1 for neuropathic pain conditions. SAN903 is ready for Phase 1 for inflammatory and fibrotic disorders. SAN2219 is in preclinical development for epilepsy. Saniona has research and development partnerships with Boehringer Ingelheim GmbH, Productos Medix, S.A de S.V, AstronauTx Limited and Cephagenix ApS. Saniona is based in Copenhagen, and listed on Nasdaq Stockholm Small Cap (OMX: SANION). Read more at www.saniona.com.

Pipeline



TESOFENSINE

Saniona's partner Medix has completed a successful Phase 3 study and submitted a new drug application to the Mexican food and drug administration, COFEPRIS, for approval of tesofensine for the treatment of patients with obesity. In February 2023 COFEPRIS' technical committee expressed a favorable opinion on tesofensine for treatment of obesity. This non-binding technical opinion is issued as one of the steps in the process of reviewing new molecules. Medix holds an exclusive license to commercialize tesofensine in Mexico and Argentina, while Saniona is entitled to milestone payments and royalties on product sales. Saniona retains commercial rights in the rest of the world and rights to use any data generated from the Phase 3 trial.

TESOMET™

Tesomet is a novel, potentially first-in-class, once-daily oral investigational therapy for the treatment of hypothalamic obesity (HO) and Prader-Willi syndrome (PWS). The Company is actively exploring partnership options, including worldwide partnerships, that could generate immediate non-dilutive income and enable Tesomet to move forward. Saniona has in parallel explored an alternative development plan for Tesomet in hypothalamic obesity, which potentially could be financed by Saniona. This work requires further analysis and interactions with regulators and will not be finalized before additional financing has been secured.

Tesomet is a fixed-dose combination of two active ingredients: tesofensine and metoprolol. Tesofensine is a monoamine reuptake inhibitor that modulates brain activity by increasing the levels of three neurotransmitters – dopamine, serotonin and noradrenaline – which are each intimately involved in regulating appetite, food-seeking behavior and metabolism. Metoprolol is a cardio-selective β1 receptor blocker historically used to treat a number of cardiovascular conditions and which has been approved for use in the United States since 1978.

Following discussions with the FDA on the proposed regulatory path for Tesomet in HO and PWS, the FDA confirmed that Tesomet may be advanced via the 505(b)(2) pathway for the treatment of HO and PWS. The FDA has granted orphan drug designation to Tesomet for the treatment of HO and PWS, respectively.
Saniona sees significant value in Tesomet. Saniona believes that the initial Phase 2 data support further development of Tesomet in both indications. Financial analysts have estimated annual peak sales for Tesomet between USD 850M - 1B+ (SEK 8B – 9.5B) (Saniona does not endorse or validate sales estimates provided by third parties).

HYPOTHALAMIC OBESITY (HO)

HO is a rare neuroendocrine disorder most commonly caused by damage to the hypothalamus sustained during the removal of a craniopharyngioma (CP), a rare, non-cancerous central nervous system tumor. The number of patients with HO is estimated to be as high as 25,000 in the United States and 40,000 in Europe. Currently, there are no FDA-approved treatments for HO and there is no cure for this disorder.

Saniona has completed a Phase 2 clinical trial of Tesomet for the treatment of HO. This trial was a single-center, 24-week, randomized, double-blind, placebo-controlled trial with an optional 24-week Open Label Extension (OLE). A total of 21 adult patients, 13 of whom were randomized to Tesomet and eight to placebo, were included within the protocol-specified modified intent-to-treat analysis pertaining to the double-blind period. The primary endpoint of the study was to establish the overall safety and tolerability of Tesomet in patients with HO, which was achieved. Several secondary endpoints relating to efficacy were also achieved. Double-blind treatment with Tesomet for 24 weeks resulted in statistically significant placebo-adjusted weight loss of 6.28% ($p<0.0169$) and a mean reduction in waist circumference of 5.68 cm or 5.00%. In the 24-week OLE, Tesomet continued to demonstrate persistent improvements in body weight and waist circumference.

PRADER-WILLI SYNDROME (PWS)

PWS is a rare, genetic, complex, multisystem disorder that is the most common genetic cause of childhood obesity globally. The number of patients with PWS is estimated to be as high as 34,000 in the United States and 50,000 in Europe. The only FDA-approved treatment currently available for PWS is growth hormone therapy; however growth hormone therapy does not reduce the hyperphagia symptoms experienced by these patients.

Saniona has completed a Phase 2 clinical trial of Tesomet for the treatment of PWS. This trial was a two-center, randomized, double-blind, placebo-controlled trial. Nine adults and nine adolescents were treated daily with Tesomet or placebo for three months for the double-blind portion of the trial, with two open-label three-month extensions, referred to as OLE1 and OLE2, for adolescent patients. The primary endpoint was change in body weight; secondary objectives included hyperphagia, body composition, lipids and other metabolic parameters. The adult patients receiving Tesomet achieved a 5.4% reduction in body weight, which is notable in the small patient population, and a statistically significant 8.1 point reduction in hyperphagia as measured by the Hyperphagia Questionnaire for Clinical Trials (HQ-CT), a caregiver questionnaire that is the generally accepted standard for evaluating hyperphagia in patients with PWS. In adolescents, upon the dose increase of Tesomet from 0.125 mg to 0.25 mg during the OLE2 portion of the trial, Tesomet-treated patients experienced a decrease in body weight and a further reduction in hyperphagia as measured by the HQ-CT questionnaire.

SAN711

SAN711 is a novel first-in-class selective positive allosteric modulator (PAM) of GABAA a3 receptors positioned for the treatment of neuropathic pain and epilepsy. SAN711 has successfully completed a Phase 1 clinical trial in healthy volunteers, and the results from this trial open the path for continued clinical development of SAN711.

GABA is a neurotransmitter, or chemical messenger, that inhibits signals between nerve cells in the brain. It is believed that a dysfunction or reduction of GABA signaling in the spinal cord is associated with aberrant pain signaling to the brain and consequently perception of pain. SAN711 is specifically designed to enhance the effect of GABA, the brain's own inhibitory neurotransmitter, at a3 containing receptors in the spinal cord. This is believed to restore spinal inhibitory tone and prevent abnormal pain signaling to the brain.

GABAA is the target of the non-selective and highly effective medicines belonging to the chemical group referred to as "benzodiazepines". Unlike benzodiazepines, SAN711 does not have an impact on GABAA α1 and α5 subunits, thus being devoid of the sedation, motor instability, abuse liability, and memory impairing effects that limit the use and tolerability of benzodiazepines.

Preclinical assessments in in vitro and in vivo models, conducted in the labs of Saniona have confirmed that because SAN711 only activates α3 $GABA_A$ receptors, this selectivity may allow SAN711 to provide pain relief and other benefits in the central nervous system while avoiding the typical adverse effects associated with non-selective $GABA_A$ activation mentioned above.

Saniona has recently successfully completed a Phase 1 clinical trial. The study was a randomized, placebo-controlled Phase 1 clinical trial in 66 healthy male and female volunteers. The primary objective of the study was to determine the safety and tolerability of SAN711, which was evaluated through single ascending dose and multiple ascending dose phases of the study. The secondary objective was to measure binding to target receptors, which was assessed during a positron emission tomography (PET) evaluation phase of the study.

SAN711 was safe and well tolerated across all dosing cohorts, confirming the improved tolerability of the unique subtype selective profile. There were no dose-limiting adverse effects or serious adverse events, and all subjects completed the study. There were no safety laboratory concerns or cardiovascular concerns. Further, there were no abnormal neurological examinations and no evidence of emergent cognitive deficits as assessed by Mini Mental State Examinations. SAN711 had a favorable absorption and distribution profile and the maximum plasma levels of SAN711 resulted in more than 80% occupancy of target receptors. Importantly, the PET results confirmed that a pharmacologically active receptor occupancy may be achieved at well-tolerated doses of SAN711.

Consequently, SAN711 shows clear differentiation in its side effect profile compared to classical, non-selective $GABA_A$ modulators of the benzodiazepine type, which are dose limited by sedation. Importantly, Saniona has in this study demonstrated that it is possible to safely exceed human exposure levels of SAN711 beyond what is needed to show strong efficacy in the preclinical pain models. Further, the PET study results provide a clear guidance for the design of the Phase 2 studies with 0.8 mg/kg twice daily projected to be an effective and well tolerated dose. More information is available at www.clinicaltrials.gov.

The preclinical data package indicates substantial potential value for SAN711 in neuropathic pain and/or in various types of epilepsies including absence seizures and rare epileptic syndromes such as pediatric patients living with ESES (electrical status epilepticus during sleep). Saniona is currently developing clinical plans within rare- as well as more common therapeutic areas to be carried out either by Saniona alone or together with a partner.

SAN903

SAN903 has successfully completed preclinical development in 2022 and we intend to start the regulatory process for entering Phase 1 clinical trials in 2023 either by Saniona alone or together with a partner. The primary indication for SAN903 is inflammatory bowel diseases (IBD) and we see a potential of SAN903 as a medicine with independent actions on intestinal inflammation and fibrosis.

SAN903 is a novel, potential first-in-class medicine based on inhibition of the calcium-activated potassium ion channel, KCa3.1.

This ion channel is found on several types of immune cells, where it participates in the control of the cellular pathways that maintain pathogenic activation and inflammation in chronic diseases. The KCa3.1 channel is also expressed on fibroblasts, especially on myofibroblasts, where it supports the overproduction of connective tissue that can lead to fibrosis. Prevention of fibrotic complications is an aspect of the disease, which is poorly treated by current standard-of-care IBD medicines, and progressed fibrosis often requires surgical intervention to resolve potentially life-threatening gut obstructions. SAN903 dampens inflammation and fibrosis by preventing cell division and cell migration of activated immune cells and fibroblast and by impeding cytokine release and collagen secretion of the respective cell types.

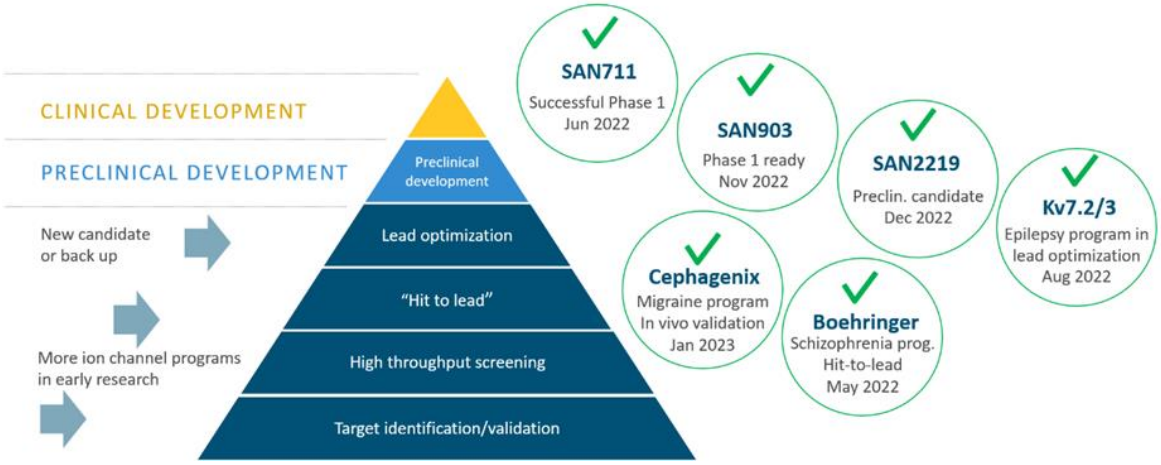
SAN2219

SAN2219 is a subtype selective activator of $GABA_A$ α2/α3/α5 receptors specifically designed to exert robust anti-seizure activity by dampening excessive neuronal activation. The program has been advanced to preclinical development and hence represents the first preclinical development candidate from Saniona´s $GABA_A$ α2/α3 activator program.

GABA is a neurotransmitter that inhibits signals between nerve cells in the brain. Most forms of epilepsy are caused by an over-excitability in specific neural circuits. By inhibiting the over-excitability in epilepsy, benzodiazepines have proven to be among the most effective treatment principles for control of seizure activity. Benzodiazepines are non-selective $GABA_A$ modulators that broadly activate $GABA_A$ receptors including the $GABA_A$ α1 receptor subtype. Benzodiazepines are often used as rescue medicine in acute epilepsy, and their long-term use is often hampered by the development of tolerance to seizure control, withdrawal symptoms, and adverse events, such as cognitive impairment and sedation.

R&D Ion Channel Pipeline

Saniona Drug Discovery Engine Generates Continual Pipeline



Our earlier stage discovery and development efforts are focused on the validated drug class of ion channels, which have been implicated in the pathophysiology of many disease settings and include many successful drugs such as Norvasc (amlodipine), Xylocaine (lidocaine) and Valium (diazepam). Our ion channel drug discovery engine combines in-house expertise in chemistry, precision biology, in vivo stability/distribution, target engagement, in vivo pharmacology, and artificial intelligence to accelerate the discovery of highly selective, subtype-specific, and state-dependent ion channel modulators.

The core of this engine is Saniona's proprietary IONBASE database, which contains structure-activity data for more than 130,000 compounds. Of these, more than 20,000 are our proprietary compounds, generated over 20 years and enriched for properties conferring optimal ion channel modulation.

As a result of our ion channel drug discovery engine, we have generated a robust pipeline of orally available, potent, highly selective and differentiated ion channel modulators, including SAN711, SAN903 and SAN2219. We anticipate that this robust discovery engine will continue to generate multiple new drug candidates to add to the Saniona pipeline.

PARTNERSHIPS AND SPINOUTS

Leveraging our expertise in the field of ion channel drug discovery, our proprietary focused compound library and robust database (IONBASE), we are continuously advancing our research programs to identify and advance additional selective ion channel clinical candidates in a range of therapeutic areas, including rare genetic and neurological disorders. Our industry-leading research has formed the basis of many successful spinouts, partnerships, and licensing agreements with pharmaceutical companies internationally, such as Boehringer Ingelheim, AstronauTx, Pfizer, Johnson & Johnson, Proximagen, Ataxion Therapeutics (later known as Cadent Therapeutics, acquired by Novartis AG), Cephagenix, Initiator Pharma, Scandion Oncology and Medix.

Financial review

Alternative Performance Measures

Saniona presents certain financial measures in the interim report that are not defined according to International Financial Reporting Standards (IFRS), so called alternative performance measures. These have been noted with an "*" in the tables below. The company believes that these measures provide valuable supplementary information for investors and company management as they enable an assessment of relevant trends of the company's performance. These financial measures should not be regarded as substitutes for measures defined per IFRS. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies.

The definition and relevance of key figures not calculated according to IFRS are listed in the table below.

Key figure	Definition	Relevance
Operating profit/loss	Profit/loss before financial items and tax.	The operating profit/loss is used to measure the profit/loss generated by the operating activities.
Operating margin	Operating profit/loss as a proportion of revenue.	The operating margin shows the proportion of revenue that remains as profit before financial items and taxes and has been included to allow investors to get an impression of the company's profitability.
Liquidity ratio	Current assets divided by current liabilities.	Liquidity ratio has been included to show the Company's short-term payment ability.
Equity ratio	Shareholders' equity as a proportion of total assets.	The equity ratio shows the proportion of total assets covered by equity and provides an indication of the company's financial stability and ability to survive in the long term.
Equity per share	Equity divided by the shares outstanding at the end of the period.	Equity per share has been included to provide investors with information about the equity reported in the balance sheet as represented by one share.
Cash flow per share	Cash flow for the period divided by the average shares outstanding for the period.	Cash flow per share has been included to provide investors with information about the cash flow represented by one share during the period.

Financial key figures

	2023-04-01 2023-06-30	2022-04-01 2022-06-30	2023-01-01 2023-06-30	2022-01-01 2022-06-30	2022-01-01 2022-12-31
Revenue, KSEK	3,853	2,964	6,015	9,589	15,283
Total operating expenses, KSEK	-25,672	-94,729	-48,947	-234,554	-241,002
Operating profit (loss), KSEK*	-21,819	-91,765	-42,932	-224,965	-225,719
Cash flow for the period, KSEK	-22,773	-133,503	-49,011	-233,388	-295,215
Average shares outstanding	62,385,677	62,385,677	62,385,677	62,385,677	62,385,677
Diluted average shares outstanding	62,385,677	62,385,677	62,385,677	62,385,677	62,385,677
Shares outstanding at the end of the period	62,385,677	62,385,677	62,385,677	62,385,677	62,385,677
Average number of employees	23	34	23	47	34
Operating margin*					
Operating profit (loss), KSEK	-21,819	-91,765	-42,932	-224,965	-225,719
Revenue, KSEK	3,853	2,964	6,015	9,589	15,283
Operating margin, %	**-566%**	**-3,096%**	**-714%**	**-2,346%**	**-1,477%**
Cash flow per share*					
Cash flow for the period, KSEK	-22,773	-133,503	-49,011	-223,388	-295,215
Shares outstanding at the end of the period	62,385,677	62,385,677	62,385,677	62,385,677	62,385,677
Cash flow per share, SEK	**-0.37**	**-2.14**	**-0.79**	**-3.58**	**-4.73**
Earnings per share					
Profit (loss) for the period, KSEK	-21,232	-88,568	-42,977	-221,925	-245,357
Shares outstanding at the end of the period	62,385,677	62,385,677	62,385,677	62,385,677	62,385,677
Earnings per share, SEK	**-0.34**	**-1.42**	**-0.69**	**-3.56**	**-3.93**
Diluted earnings per share, SEK	**-0.34**	**-1.42**	**-0.69**	**-3.56**	**-3.93**

	2023-06-30	2022-06-30	2022-12-31
Cash and cash equivalent, KSEK	69,409	173,143	111,707
Equity, KSEK	16,754	96,047	52,708
Total Equity and liabilities, KSEK	116,042	243,750	153,696
Equity per share*			
Equity, KSEK	16,754	96,047	52,708
Shares outstanding at the end of the period	62,385,677	62,385,677	62,385,677
Equity per share, SEK	**0.27**	**1.54**	**0.84**
Equity ratio*			
Equity, KSEK	16,754	96,047	52,708
Total assets, KSEK	116,042	243,750	153,696
Equity ratio, %	**14%**	**39%**	**34%**
Liquidity ratio*			
Current assets, KSEK	85,799	194,424	127,345
Current liabilities, KSEK	94,049	137,788	22,897
Liquidity ratio, %	**91%**	**141%**	**556%**

** = Alternative performance measures*

Results of Operations

Revenue

Three Months Ended June 30, 2022 and 2023

Revenue increased by SEK 0.9 million from SEK 3.0 million for the three months ended June 30, 2022, to SEK 3.9 million for the three months ended June 30, 2023.

Six Months Ended June 30, 2022 and 2023

Revenue decreased by SEK 3.6 million from SEK 9.6 million for the six months ended June 30, 2022, to SEK 6.0 million for the three months ended June 30, 2023.

Operating expenses

Three Months Ended June 30, 2022 and 2023

Operating expenses decreased by SEK 69.0 million from SEK 94.7 million for the three months ended June 30, 2022, to SEK 25.7 million for the three months ended June 30, 2023.

Within operating expenses, external expenses decreased by SEK 36.8 million from SEK 50.6 million for the three months ended June 30, 2022, to SEK 13.8 million for the three months ended June 30, 2023. The significant decrease in external operating expenses is due to close of the Phase 2b clinical trials of Tesomet for HO and PWS in March 2022, and completion of SAN711 Phase 1 for neuropathic pain conditions in June 2022.

The main components of our external expenses are external research and development expenses, which are primarily attributable to contract research organizations (CROs) and contract manufacturing organizations for our clinical trials. External research and development expenses for the three months ended June 30, 2023, comprised primarily of development costs of Tesomet (SEK 1.4 million), development costs of SAN711 (SEK 2.5 million) and pre-clinical development costs of the SAN903 program (SEK 0.4 million) and other research costs. For the three months ended June 30, 2022, external expenses comprised primarily of development costs of Tesomet (SEK 9.8 million) followed by development costs of SAN711 (SEK 17.1 million) and pre-clinical development costs of the SAN903 program (SEK 5.1 million) and other research costs.

Personnel costs include salaries, variable compensation, social security, and other employee benefits. Personnel costs decreased by SEK 32.2 million from SEK 41.0 million for the three months ended June 30, 2022, to SEK 8.8 million for the three months ended June 30, 2023. Non-cash share-based compensation expense is included in personnel costs and decreased by SEK 0.1 million from SEK 1.0 million for three months ended June 30, 2022, to SEK 0.9 million for the three months ended June 30, 2023. The significant decrease in personnel costs is due to closing of the U.S. operation in Q2-2022 and termination of the positions of all U.S. personnel, including the U.S. executive management team.

Six Months Ended June 30, 2022 and 2023

Operating expenses decreased by SEK 185.7 million from SEK 234.6 million for the six months ended June 30, 2022, to SEK 48.9 million for the six months ended June 30, 2023.

Within operating expenses, external expenses decreased by SEK 109.5 million from SEK 135.2 million for the six months ended June 30, 2022, to SEK 25.7 million for the six months ended June 30, 2023. The significant decrease in external operating expenses is due to close of the Phase 2b clinical trials of Tesomet for HO and PWS in March 2022, and completion of SAN711 Phase 1 for neuropathic pain conditions in June 2022.

The main components of our external expenses are external research and development expenses, which are primarily attributable to contract research organizations (CROs) and contract manufacturing organizations for our clinical trials. External research and development expenses for the six months ended June 30, 2023, comprised primarily of development costs of Tesomet (SEK 2.8 million), development costs of SAN711 (SEK 4.6 million) and pre-clinical development costs of the SAN903 program (SEK 1.1 million) and other research costs. For the six months ended June 30, 2022, external expenses comprised primarily of development costs of Tesomet (SEK 56.3 million) followed by

development costs of SAN711 (SEK 35.2 million) and pre-clinical development costs of the SAN903 program (SEK 10.1 million) and other research costs.

Personnel costs include salaries, variable compensation, social security, and other employee benefits. Personnel costs decreased by SEK 75.0 million from SEK 92.4 million for the six months ended June 30, 2022, to SEK 17.4 million for the six months ended June 30, 2023. Non-cash share-based compensation expense decreased by SEK 5.4 million from SEK 7.3 million for the six months ended June 30, 2022, to SEK 1.9 million for the six months ended June 30, 2023. The significant decrease in personnel costs is due to closing of the U.S. operation in Q2-2022 and termination of the positions of all U.S. personnel, including the U.S. executive management team.

Financial items

Three Months Ended June 30, 2022 and 2023

Net loss from total financial items increased from SEK 1.4 million for the three months ended June 30, 2022, to SEK 2.7 million for the three months ended June 30, 2023. The financial expenses include interest and commitment fee to Formue Nord SEK of 3.0 million (SEK 3.3 million).

Six Months Ended June 30, 2022 and 2023

Net loss from total financial items increased from SEK 4.7 million for the six months ended June 30, 2022, to SEK 6.2 million for the six months ended June 30, 2023. The financial expenses include interest and commitment fee to Formue Nord SEK of 6.0 million (SEK 6.5 million).

Tax Benefit

Three Months Ended June 30, 2022 and 2023

The Group recognized a tax income of SEK 3.3 million for the three months ended June 30, 2023, compared to SEK 4.6 million for the three months ended June 30, 2022.

Six Months Ended June 30, 2022 and 2023

The Group recognized a tax income of SEK 6.1 million for the six months ended June 30, 2023, compared to SEK 7.5 million for the six months ended June 30, 2022.

Cash flow

Three Months Ended June 30, 2022 and 2023

Net cash used in operating activities decreased by SEK 109.6 million from SEK -131.5 million for the three months ended June 30, 2022, to SEK -21.9 million for the three months ended June 30, 2023.

The operating cash flow for the three months ended June 30, 2023, is primarily attributable to the operating loss of SEK 19.1 million (net of non-cash operating expenses for share-based payments of SEK 0.9 million and for expenses depreciation of SEK 1.8 million). The operating cash flow for the three months ended June 30, 2022, is primarily attributable to the operating loss of SEK 128.3 million (net of non-cash operating expenses for share-based payments of SEK 1.0 million and for depreciation of SEK 2.2 million).

For the three months ended June 30, 2023, net cash used by investing activities was SEK 0 million. For the three months ended June 30, 2022, net cash received by investing activities was SEK 0.2 million.

For the three months ended June 30, 2023 and 2022, net cash used by financing activities was SEK 1.2 million and SEK 1.7 million, respectively, due to repayment of lease liabilities.

For the three months ended June 30, 2023 and 2022, cash and cash equivalents amounted to SEK 69.4 million and SEK 173.1 million, respectively.

Six Months Ended June 30, 2022 and 2023

Net cash used in operating activities decreased by SEK 179.1 million from SEK -224.5 million for the six months ended June 30, 2022, to SEK -45.4 million for the six months ended June 30, 2023.

The operating cash flow for the six months ended June 30, 2023, is primarily attributable to the operating loss of SEK 37.5 million (net of non-cash operating expenses for share-based payments of SEK 1.9 million and for expenses depreciation of SEK 3.5 million). The operating cash flow for the six months ended June 30, 2022, is primarily attributable to the operating loss of SEK 217.9 million (net of non-cash operating expenses for share-based payments of SEK 7.3 million and for depreciation of SEK 4.5 million).

For the six months ended June 30, 2023, net cash used by investing activities was SEK 0 million. For the six months ended June 30, 2022, net cash received by investing activities was SEK 7.7 million. Net cash received in 2022 include Saniona's portion of the upfront payment connected to Novartis acquisition of Cadent Therapeutics in January 2021, in which Saniona held a 3% ownership stake.

For the six months ended June 30, 2023 and 2022, net cash used by financing activities was SEK 2.3 million and SEK 3.3 million, respectively, due to repayment of lease liabilities.

For the six months ended June 30, 2023 and 2022, cash and cash equivalents amounted to SEK 69.4 million and SEK 173.1 million, respectively.

Parent Company

Six Months Ended June 30, 2022 and 2023

Operating expenses decreased by SEK 21.4 million from SEK 25.1 million for the six months ended June 30, 2022, to SEK 3.7 million for the six months ended June 30, 2023.

Loss decreased by SEK 16.4 million from a loss of SEK 30.2 million for the six months ended June 30, 2022, to a loss of SEK 13.8 million for the six months ended June 30, 2023.

The share, share capital and ownership structure

On June 30, 2023 and 2022, the company had 11,990 (10,160) shareholders excluding holdings in life insurance and foreign custody account holders. Equity was SEK 16.9 million (96.1).

Personnel

As of June 30, 2023, Saniona had 23 (24) employees including 10 (11) employees with Ph.D. degrees. Of these employees, 17 (18) were engaged in research and clinical development activities and 6 (6) were engaged in general and administrative activities. Of the 23 (24) employees, 12 (14) were women.

Risk factors and risk management

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

Saniona is exposed to various kinds of risks that may impact the Group's results and financial position. The risks can be divided into operational risks and financial risks. The main risks and uncertainties which Saniona is exposed to are related to drug development, the company's collaboration agreements, competition, technology development, patents, regulatory requirements, capital requirements and currencies.

A detailed description of the Group's risk factors and risk management is included in Saniona's 2022 Annual Report. There are no major changes in the Group's risk factors and risk management in 2023.

Audit review

The interim report has not been audited or reviewed by the company's independent auditor.

Financial calendar

Interim Report Q3	November 30, 2023 at 8:00 CET
Year-End Report 2023	February 22, 2024 at 8:00 CET

The Board of Directors and the CEO of Saniona AB (publ) provide their assurance that the interim report provides a fair and true overview of the Parent Company's and the Group's operations, financial position and results, and describes material risks and uncertainties faced by the Parent Company and the companies in the Group.

Glostrup, 31 August 2023
Saniona AB

Jørgen Drejer – Chairman

Thomas Feldthus – CEO

Anna Ljung – Board member

Carl Johan Sundberg – Board member

Pierandrea Muglia – Board member

THE GROUP'S CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed consolidated interim statement of comprehensive income – Group

KSEK	Note	2023-04-01 2023-06-30	2022-04-01 2022-06-30	2023-01-01 2023-06-30	2022-01-01 2022-06-30	2022-01-01 2022-12-31
	1,2,3					
Revenue	4	3,853	2,964	6,015	9,589	15,283
Total operating income		3,853	2,964	6,015	9,589	15,283
Raw materials and consumables		-1,134	-941	-2,167	-2,466	-4,475
Other external costs		-13,820	-50,618	-25,658	-135,199	-146,486
Share of result of associate	9	-119	—	-204	—	—
Personnel costs	5	-8,818	-40,969	-17,408	-92,399	-82,223
Depreciation and write-downs		-1,781	-2,201	-3,510	-4,490	-7,818
Total operating expenses		-25,672	-94,729	-48,947	-234,554	-241,002
Operating profit (loss)		**-21,819**	**-91,765**	**-42,932**	**-224,965**	**-225,719**
Share of result of associate	9	—	16	—	209	346
Financial income		698	4,371	1,297	4,990	9,726
Financial expenses		-3,367	-5,807	-7,467	-9,933	-24,659
Net gains on financial items		—	—	—	—	-11,661
Total financial items		-2,669	-1,420	-6,170	-4,734	-26,248
Profit (loss) before tax		**-24,488**	**-93,185**	**-49,102**	**-229,699**	**-251,967**
Income tax	6	3,256	4,617	6,125	7,774	6,610
Profit (loss) for the period*		**-21,232**	**-88,568**	**-42,977**	**-221,925**	**-245,357**
Other comprehensive income (loss) for the period						
Item that may be reclassified to profit and loss						
Translation differences		3,892	17,664	5,140	28,651	34,047
Items that will not be reclassified to profit and loss						
Equity instruments at FVOCI – net change fair value		—	—	—	—	—
Total other comprehensive income for the period, net after tax		**3,892**	**17,664**	**5,140**	**28,651**	**34,047**
Total comprehensive profit (loss)**		**-17,340**	**-70,904**	**-37,837**	**-193,274**	**-211,310**
Loss per share, SEK		-0.34	-1.42	-0.69	-3.56	-3.93
Diluted loss per share, SEK		-0.34	-1.42	-0.69	-3.56	-3.93

* 100% of Profit (loss) for the period is attributable to Parent Company shareholders

** 100% of Total comprehensive profit (loss) the period is attributable to Parent Company shareholders

Condensed consolidated interim statement of financial position – Group

KSEK	Note	2023-06-30	2022-06-30	2022-12-31
ASSETS				
Intangible assets		7,122	6,475	6,737
Property and equipment		5,094	3,732	5,703
Right of use assets		7,873	13,724	9,998
Investment in associate	9	768	2,360	799
Other financial assets	8	3,055	14,121	3,114
Tax assets		6,331	7,914	—
Non-current assets		**30,243**	**48,326**	**26,351**
Trade receivables		3,831	3,415	4,628
Current tax assets	6	8,704	7,914	8,234
Other financial assets		—	469	—
Other assets		3,855	10,483	2,776
Cash and cash equivalents		69,409	173,143	111,707
Current assets		**85,799**	**194,424**	**127,345**
Total assets		**116,042**	**243,750**	**153,696**

Condensed consolidated interim statement of financial position – Group (continued)

KSEK	Note	2023-06-30	2022-06-30	2022-12-31
EQUITY AND LIABILITIES				
Share capital		3,119	3,119	3,119
Additional paid-in capital		813,261	813,261	813,261
Reserves		113,732	103,196	108,592
Accumulated deficit		-913,358	-823,529	-872,264
Equity		**16,754**	**96,047**	**52,708**
Other financial liabilities	7,8	2,648	7,738	75,699
Other liabilities		2,591	2,177	2,392
Non-current liabilities		5,239	9,915	78,091
Trade payables		13,638	44,047	14,073
Other financial liabilities	7,8	72,293	90,027	5,822
Other liabilities		8,118	3,714	3,002
Current liabilities		94,049	137,788	22,897
Total liabilities		**99,288**	**147,703**	**100,988**
Total equity and liabilities		**116,042**	**243,750**	**153,696**

Condensed consolidated interim statement of changes in equity – Group

	Share capital	Additional paid-in capital	Translation reserves	Fair value reserve	Accumulated deficit	Shareholders' equity
January 1, 2022	**3,119**	**813,261**	**1,016**	**73,529**	**-608,926**	**281,999**
Comprehensive income						
Loss for the period	—	—	—	—	-221,925	-221,925
Other comprehensive income	—	—	28,651	—	—	28,651
Total comprehensive income	**—**	**—**	**28,651**	**—**	**-221,925**	**-193,274**
Transactions with owners						
Shares issued for cash	—	—	—	—	—	—
Expenses related to capital increase	—	—	—	—	—	—
Share-based compensation expenses	—	—	—	—	7,322	7,322
Total transactions with owners	**—**	**—**	**—**	**—**	**7,322**	**7,322**
June 30, 2022	**3,119**	**813,261**	**29,667**	**73,529**	**-823,529**	**96,047**
January 1, 2023	**3,119**	**813,261**	**35,063**	**73,529**	**-872,264**	**52,708**
Comprehensive income						
Loss for the period	—	—	—	—	-42,977	-42,977
Other comprehensive income			5,140	—	—	5,140
Total comprehensive income (loss)	**—**	**—**	**5,140**	**—**	**-42,977**	**-37,837**
Transactions with owners						
Shares issued for cash	—	—	—	—	—	—
Expenses related to capital increase	—	—	—	—	—	—
Share-based compensation expenses	—	—	—	—	1,883	1,883
Total transactions with owners	**—**	**—**	**—**	**—**	**1,883**	**1,883**
June 30, 2023	**3,119**	**813,261**	**40,203**	**73,529**	**-913,358**	**16,754**

Condensed consolidated interim statement of cash flows – Group

KSEK	Note	2023-04-01 2023-06-30	2022-04-01 2022-06-30	2023-01-01 2023-06-30	2022-01-01 2022-06-30	2022-01-01 2022-12-31
Loss before tax		-24,488	-93,185	-49,102	-229,699	-251,967
Adjustments for non-cash transactions		-1,258	3,883	2,926	13,176	-8,799
Changes in working capital		3,805	-42,224	738	-7,746	-17,554
Cash flow from operating activities before financial and tax items		**-21,941**	**-131,526**	**-45,438**	**-224,469**	**-278,320**
Interest income received		657	31	1,552	41	593
Interest expenses paid		-307	-518	-2,867	-3,592	-11,937
Tax credit received		—	—	—	—	8,126
Cash flow from operating activities		**-21,591**	**-132,013**	**-46,753**	**-227,821**	**-281,537**
Investing activities						
Purchases of property and equipment		—	-8	—	-41	-985
Proceeds from sale of financial assets		—	—	—	7,522	7,522
Proceeds from sale of tangible assets		—	189	—	198	306
Cash flow from investing activities		**—**	**180**	**—**	**7,679**	**6,843**
Financing activities						
Repayment of loan		—	—	—	—	-15,000
Payment of lease liabilities		-1,182	-1,671	-2,258	-3,247	-5,521
Cash flow from financing activities		**-1,182**	**-1,671**	**-2,258**	**-3,247**	**-20,521**
Net increase (decrease) in cash and cash equivalents		**-22,773**	**-133,503**	**-49,011**	**-223,388**	**-295,215**
Cash and cash equivalents at beginning of period		**87,768**	**279,335**	**111,707**	**356,855**	**356,855**
Exchange rate adjustments		4,414	27,311	6,713	39,676	50,067
Cash and cash equivalents at end of period		**69,409**	**173,143**	**69,409**	**173,143**	**111,707**

PARENT COMPANY'S FINANCIAL STATEMENTS

Statement of income – Parent Company

KSEK	Note	2023-01-01 2023-06-30	2022-01-01 2022-06-30	2022-01-01 2022-12-31
	1,2,3			
Other operating income		796	2,606	3,418
Total operating income		796	2,606	3,418
Raw materials and consumables		-19	-8	-30
Other external costs		-2,052	-8,565	-10,602
Personnel costs	5	-1,658	-16,528	-17,728
Total operating expenses		-3,729	-25,101	-28,360
Operating income (loss)		**-2,933**	**-22,495**	**-24,942**
Financial income		53	248	391
Financial expenses		-10,957	-7,943	-17,785
Total financial items		-10,904	-7,695	-17,394
Profit (loss) before tax		**-13,837**	**-30,190**	**-42,336**
Tax on net profit (loss)		—	—	—
Profit (loss) for the period		**-13,837**	**-30,190**	**-42,336**

Profit (loss) for the period is the same as Comprehensive income for the period as no items are identified in Other comprehensive income for the period.

Balance Sheet – Parent Company

KSEK	Note	2023-06-30	2022-06-30	2022-12-31
ASSETS				
Investment in subsidiaries		343,473	366,892	341,703
Financial assets		343,473	366,892	341,703
Non-current assets		**343,473**	**366,892**	**341,703**
Other assets		779	1,181	222
Current receivables		779	1,181	222
Cash and cash equivalents		2,686	5,901	2,228
Current assets		**2,686**	**7,082**	**2,450**
Total assets		**346,938**	**373,974**	**344,153**
EQUITY AND LIABILITIES				
Restricted equity				
Share capital		3,119	3,119	3,119
Unrestricted equity				
Share premium reserve		813,261	813,261	813,261
Retained earnings (accumulated deficit)		-592,810	-527,055	-552,357
Profit (loss) for the period		-13,837	-30,189	-42,336
Equity		**209,733**	**259,136**	**221,687**
Other financial liabilities	7	—	—	70,636
Non-current liabilities		—	—	70,636
Trade payables		401	1,931	806
Payables to group companies		64,352	28,424	50,790
Other financial liabilities	7	72,293	84,294	—
Other liabilities		159	189	234
Current liabilities		137,205	114,838	51,830
Total liabilities		**137,205**	**114,838**	**122,466**
Total equity and liabilities		**346,938**	**373,974**	**344,153**

Notes to the condensed consolidated interim financial statements

Note 1 General Information

Saniona AB (publ), (the 'Parent Company'), Corporate Registration Number 556962-5345, is a limited liability company registered in the municipality of Malmö in the county of Skåne, Sweden. These condensed consolidated interim financial statements comprise the Parent Company and its subsidiaries (collectively the 'Group' or 'Saniona'). The Group is a clinical-stage biopharmaceutical company focused on the discovery and development of medicines modulating ion channels. The legal address of the head office is Smedeland 26B, DK-2600 Glostrup, Denmark. The Parent Company is listed on Nasdaq Stockholm Small Cap, and its shares are traded under the ticker SANION and the ISIN code SE0005794617.

Note 2 Basis of Accounting and Significant Accounting Policies

A. Basis of Accounting

These condensed consolidated interim financial statements for the three months ended June 30, 2023, have been prepared in accordance with IAS 34 *Interim Financial Reporting*, the Annual Accounts Act, and the Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups. The interim financial statements for the Parent Company are prepared under the requirements of chapter 9 of the Swedish Accounting Act (1995:1554). These condensed consolidated interim financial statements should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2022 ('last annual financial statements'). They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The condensed consolidated interim financial statements have been prepared on a going concern basis. As of June 30, 2023, the Group's current liabilities exceed current assets by SEK 8.3 million. Current assets include cash and cash equivalents of SEK 69.4 million.

In August 2023 Saniona announced a change to the terms of the loan agreement with Formue Nord. The terms have been renegotiated and modified to include an amortization of SEK 13 million of the loan of which SEK 3 million was repaid in cash and SEK 10 million was converted into shares. Furthermore, the parties have agreed to extend the term of the loan to January 31, 2025, and that the remaining loan value of SEK 61 million will continue to accrue at 1.5 per cent monthly interest until January 31, 2025. Formue Nord received a commitment fee of SEK 4.8 million in relation to the prolongation of the loan. The conversion of SEK 10 million of the loan, and the commitment fee of SEK 4.8 million have been converted into 1,741,301 shares, at a share price of SEK 8.50.

After the change of the terms of the loan agreement with Formue Nord in August 2023, the Group's current assets exceed current liabilities by SEK 62.4 million.

In July 2023 Saniona entered into one new collaboration agreement with AstronauTx. Saniona expects during the first year of the collaboration to receive research funding of around SEK 15 million.

During the first half year, we also made important advances in our ongoing research project in collaboration with Boehringer Ingelheim. We are identifying novel ion channel modulators to treat cognitive deficits in schizophrenia in our partnership with Boehringer Ingelheim. This innovative program passed an important drug discovery milestone in 2022 and we have now made significant progress towards moving into lead optimization, which would trigger the first financial milestone payment to Saniona.

The Board has a reasonable expectation that the Group has and will have adequate resources to continue in operation existence through at least into Q2 2024. The company plans to enter into partnerships on several of its assets to fund the further development of these assets and generate non-dilutive funding for progressing its internal developed assets If necessary, the company may also raise additional financing to fund the company's operation and further development of its pipeline programs.

These condensed consolidated financial statements were authorized for issue by the Parent Company's Board of Directors (the 'Board') on August 31, 2023.

B. Significant Accounting Policies

The Group has consistently applied the accounting policies described in the last annual financial statements to all periods presented in these condensed consolidated interim financial statements.

i. Adoption of new or revised standards

No new or changed accounting standards that came into effect on January 1, 2023, had a material impact on Saniona. The policies applied in the preparation of this interim report apply to all periods and are consistent with the accounting policies presented in the 2022 Annual Report.

Note 3 Critical accounting judgments and key sources of estimation uncertainty

No significant changes have taken place. We refer to accounting judgments and estimate in the 2022 Annual report.

Note 4 Revenue

The Group's revenue generating activities are those described in the last annual financial statements.
In the three and six months ended June 30, 2023 and 2022, revenue for the Group by category was as follows:

KSEK	2023-04-01 2023-06-30	2022-04-01 2022-06-30	2023-01-01 2023-06-30	2022-01-01 2022-06-30
Research and collaboration agreements (bundle, over time)	3,365	2,061	5,095	3,987
Research and development services (standalone)	488	903	920	1,842
License agreements (other event-based payments)	—	—	—	3,760
Total	**3,853**	**2,964**	**6,015**	**9,589**

In the three and six months ended June 30, 2023 and 2022, revenue for the Group by major customers was as follows:

KSEK	2023-04-01 2023-06-30	2022-04-01 2022-06-30	2023-01-01 2023-06-30	2022-01-01 2022-06-30
Customer #1	2,545	2,061	4,275	3,987
Customer #2	489	903	921	1,842
Customer #3	819	—	819	—
Customer #4	—	—	—	3,760
Total	**3,853**	**2,964**	**6,015**	**9,589**

In the three and six months ended June 30, 2023 and 2022, revenue for the Group by primary geographical market was as follows:

KSEK	2023-04-01 2023-06-30	2022-04-01 2022-06-30	2023-01-01 2023-06-30	2022-01-01 2022-06-30
Sweden	—	—	—	—
Germany	2,545	2,061	4,275	3,987
Denmark	489	903	921	1,842
United Kingdom	819	—	819	—
Mexico	—	—	—	3,760
Total	**3,853**	**2,964**	**6,015**	**9,589**

Note 5 Share-based payments

A. Description of share-based payment arrangements

A detailed description of the Group's share-based payment arrangements as of June 30, 2023, is provided in the last annual financial statements.

On May 25, 2023, the annual shareholders' meeting voted in favor of establishing an Employee Option program involving the allotment of a maximum of 750,000 options. The program implies that a maximum of 750,000 employee options shall be offered to senior executives (excluding the CEO and CFO) and other employees. The allotted employee options will vest with 1/3 each on the date that falls 12, 24 and 36 months, respectively, following the date of allotment. The holders shall be entitled to exercise allotted and vested employee options during the period starting on the date that falls 3 years after the allotment date and ending on 31 December 2028. Each employee option entitles the holder a right to acquire one new share in the company against cash consideration at a subscription price amounting to 130 per cent of the volume weighted average share price of the company's share on Nasdaq Stockholm during the 10 trading days immediately after the annual shareholders' meeting on May 25,2023. The employee options shall be allotted without consideration, the employee options shall not constitute securities and shall not be able to be transferred or pledged.

A total of 700,000 warrants were allotted to employees in June 2023.

B. Measurement of fair values and compensation expense

Share-based compensation expenses for the three months ended June 30, 2023 and 2022 totaled SEK 0.9 million and SEK 0.9 million, respectively. Share-based compensation expenses for the six months ended June 30, 2023 and 2022 totaled SEK 1.9 million and SEK 7.3 million, respectively.

The fair value of the service that entitles an employee and board member to allotment of options under Saniona's option programs is recognized as a personnel cost with a corresponding increase in equity. Such compensation expenses represent the fair market values of warrants granted and do not represent actual cash expenditures.

The inputs used in the measurement of the fair values at grant date based on the Black-Scholes formula and the reconciliation of options outstanding are as follows:

Incentive program	2018:1	2018:2	2019:1	2019:2	2020:1
Options outstanding, January 1	286,003	32,792	34,500	15,770	355,156
Granted during the year	—	—	—	—	—
Forfeited during the year	—	—	—	—	—
Options outstanding, June 30	286,003	32,792	34,500	15,770	355,156
Maximum number of shares to be issued	294,583	33,775	34,845	15,927	358,707
Grant Date Fair Value* (SEK)	12.06	17.38	7.23	6.00	12.26
Share Price at Grant Date* (SEK)	26.95	33.85	17.76	17.76	28.10
Exercise Price* (SEK)	33.20	29.71	17.83	17.83	29.36
Expected volatility*	69.24%	67.77%	57.29%	53.67%	58.66%
Estimated life (years)*	3.88	3.73	3.67	2.80	4.20
Expected dividends*	0	0	0	0	0
Risk-free rate*	-0.1092%	-0.2773%	-0.6903%	-0.6709%	-0.2280%
Remaining contractual life (years)*	1.00	0.46	1.51	0.25	2.51

Incentive program	2020:2	2020:3	2021:1	2022:1	2023:1	Total
Options outstanding, January 1	884,700	282,333	700	2,129,821	—	4,021,775
Granted during the year	—	—	—	—	700,000	700,000
Forfeited during the year	—	—	—	—	—	—
Options outstanding, June 30	884,700	282,333	700	2,129,821	700,000	4,721,775
Maximum number of shares to be issued	884,700	282,333	700	2,129,821	700,000	4,735,391
Grant Date Fair Value* (SEK)	13.13	7.98	10.75	1.59	5.83	
Share Price at Grant Date* (SEK)	23.50	23.55	19.31	4.24	7.8	
Exercise Price*(SEK)	24.12	25.40	19.38	5.89	8.84	
Expected volatility*	63.64%	57.00%	62.56%	57.65%	64.39%	
Estimated life (years)*	6.10	2.80	6.11	4.17	3.17	
Expected dividends*	0	0	0	0	0	
Risk-free rate*	-0.2772%	-0.3602%	-0.2046%	2.0670%	1.6813%	
Remaining contractual life (years)	7.34	1.42	7.76	5.51	5.51	

* *Weighted average*

As of June 30, 2023, the company has 4,721,775 options outstanding entitling to the subscription of maximum 4,735,391 new shares representing a dilution of 7.1 percent.

Note 6 Income tax

In the three months ended June 30, 2023 and 2022, the Group recognized a non-current tax benefit of SEK 3.3 million and SEK 4.6 million, respectively, related to the Danish 'Skattekreditordningen' (the 'Tax Credit Scheme').

In the six months ended June 30, 2023 and 2022, the Group recognized a non-current tax benefit of SEK 6.1 million and SEK 7.8 million, respectively, related to the Danish 'Skattekreditordningen' (the 'Tax Credit Scheme').

Under the Danish Tax Credit Scheme, loss-making companies can claim payment of the tax base of the portion of their loss which is attributable to certain research and development ('R&D') activities. Companies may obtain payment of the tax base of losses originating from R&D expenses of up to DKK 25.0 million (approx. SEK 39.6 million).

Note 7 Other financial liabilities

A. Formue Nord Loan

In July 2021, the Group entered into a non-dilutive SEK-denominated fixed-rate term loan agreement for SEK 87.0 million with Formue Nord Focus A/S. After deduction of a 6% commitment fee, the Group received SEK 81.8 million in net proceeds from this agreement.

In September 2022, the terms have been renegotiated and modified to include an amortization of SEK 15 million of the loan and the term of the loan has been extended with 7 months, which means that the maturing date of the loan has been changed from June 30, 2023, to January 31, 2024. A 3% commitment fee resulting in a nominal amount of SEK 2.2 million will be settled at maturity of the loan to Formue Nord, totaling SEK 74.2 million.
The loan value will continue to accrue at 1 per cent monthly interest until July 1, 2023, whereafter the monthly interest will increase to 1.5 per cent.

In August 2023 Saniona announced a change to the terms of the loan agreement with Formue Nord. The terms have been renegotiated and modified to include an amortization of SEK 13 million of the loan of which SEK 3 million was repaid in cash and SEK 10 million was converted into shares. Furthermore, the parties have agreed to extend the term of the loan to January 31, 2025, and that the remaining loan value of SEK 61 million will continue to accrue at 1.5 per cent monthly interest until January 31, 2025. Formue Nord received a commitment fee of SEK 4.8 million in relation to the prolongation of the loan. The conversion of SEK 10 million of the loan, and the commitment fee of SEK 4.8 million have been converted into 1,741,301 shares, at a share price of SEK 8.50.

Note 8 Financial instruments – fair values

A. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value when the carrying amount is a reasonable approximation of fair value.

June 30, 2023		Carrying amount				Fair value			
KSEK	Note	Financial assets at amortized cost	Mandatorily at FVTPL - others	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Contingent consideration receivable		—	255	—	255	—	—	255	255
		—	**255**	**—**	**255**	**—**	**—**	**255**	**255**
Financial assets not measured at fair value									
Trade receivables		3,831	—	—	3,831	—	—	—	—
Other non-current financial assets		2,800		—	2,800	—	—	—	—
Other current financial assets		741	—	—	741	—	—	—	—
Cash and cash equivalents		69,409	—	—	69,409	—	—	—	—
		80,922	**—**	**—**	**80,922**	**—**	**—**	**—**	**—**
Financial liabilities not measured at fair value									
Trade payables		—	—	13,638	13,638	—	—	—	—
Formue Nord Loan	7	—	—	72,293	72,293	—	—	—	—
Lease liabilities		—	—	8,507	8,507	—	—	—	—
		—	**—**	**94,438**	**94,438**	**—**	**—**	**—**	**—**

December 31, 2022		Carrying amount				Fair Value			
KSEK	Note	Financial assets at amortized cost	Mandatorily at FVTPL - others	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Contingent consideration receivable		—	241	—	241	—	—	241	241
		—	**241**	**—**	**241**	**—**	**—**	**241**	**241**
Financial assets not measured at fair value									
Trade receivables		4,628	—	—	4,628	—	—	—	—
Other non-current financial assets		2,246		—	2,246	—	—	—	—
Other current financial assets		1,221	—	—	1,221	—	—	—	—
Cash and cash equivalents		111,707	—	—	111,707	—	—	—	—
		119,802	**—**	**—**	**119,802**	**—**	**—**	**—**	**—**
Financial liabilities not measured at fair value									
Trade payables		—	—	14,073	14,073	—	—	—	—
Formue Nord Loan	7	—	—	70,636	70,636	—	—	—	—
Lease liabilities		—	—	10,885	10,885	—	—	—	—
		—	**—**	**95,594**	**95,594**	**—**	**—**	**—**	**—**

B. Measurement of fair values

i. Valuation techniques and significant unobservable inputs

The contingent consideration receivable from Novartis as of December 31, 2021, has been measured using a probability-weighted discounted cash flow valuation technique, which considers the present value of expected payments, discounted using a risk-adjusted discount rate. As of June 30, 2023, the contingent consideration has been measured at SEK 0.3 million.

ii. Transfers

During the three and six months ended June 30, 2023 and 2022, there were no transfers of financial instruments between the different valuation hierarchy categories.

iii. Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

KSEK	Contingent consideration
Balance, January 1, 2023	241
Cash received	—
Changes in Fair Value	—
Foreign currency (included in 'net gains/losses on financial items')	14
Balance, June 30, 2023	**255**

Note 9 Related parties

Pierandrea Muglia was at the Annual General Meeting May 25, 2023, elected as a new ordinary board member. The Group has a Consultancy Agreement with Pierandrea Muglia, for the provision of advisory services regarding Saniona's research and development. In the period 25 May until June 30, 2023, the fee for Pierandrea's services was SEK 115,668.

The Group has a Consultancy Agreement with the Chairman of the board, Jørgen Drejer, for the provision of advisory services regarding Saniona's research and development, business development and financing effort. In the period January until June 2023, the fee for Jørgen's services was SEK 734,432.

We also refer to Note 27 Related parties in the 2022 Annual report.

Note 10 Subsequent Events to the Balance Sheet Date

On July 17, Saniona announced a new collaboration agreement with AstronauTx in Alzheimer's disease.

In August, Saniona announced a change to the terms of the loan agreement with Formue Nord. The parties agreed to reduce the loan value, through a repayment of 3 MSEK by Saniona and a conversion of 10 MSEK into shares at 8.50 SEK per share, and changed the maturity date to January 31, 2025.

This information is information that Saniona AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 2023-08-31 08:00 CEST.

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