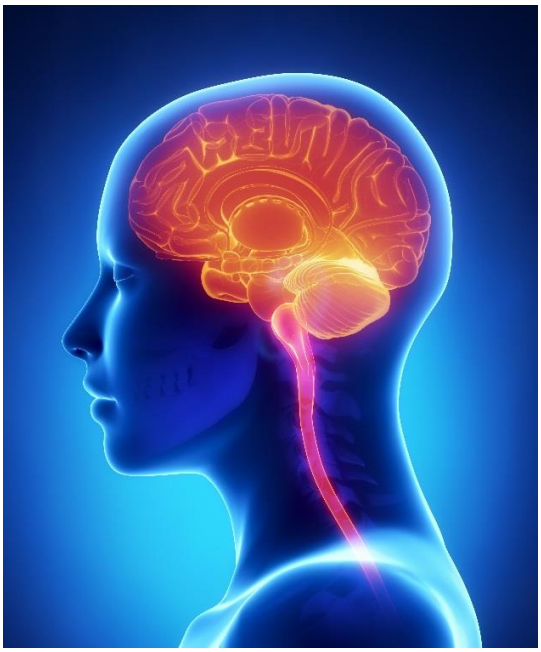
BIOARCTIC

Interim Report January – June 2018



Content

Financial Calendar

Interim Report Jan – Sep, Nov 8, 2018
Full Year Report 2018, Feb 14, 2019

Unless otherwise stated in this report, all data refers to the Group. Figures in parentheses relate to the corresponding period in 2017.

Positive results of the BAN2401 Phase 2b study in early Alzheimer's disease

April – June 2018

- Net revenues for the period amounted to SEK 52.3 million (32.0)
- Operating profit amounted to SEK 6.4 million (2.5)
- Profit for the period amounted to SEK 5.1 million (2.3)
- Earnings per share were SEK 0.06 (0.04)
- Cash flow from operating activities amounted to SEK -37.3 million (-27.6)

January – June 2018

- Net revenues for the period amounted to SEK 104.6 million (58.2)
- Operating profit amounted to SEK 25.3 million (3.9)
- Profit for the period amounted to SEK 20.5 million (3.4)
- Earnings per share were SEK 0.23 (0.05)
- Cash flow from operating activities amounted to SEK -79.3 million (-66.0)

Key events during the period April – June 2018

- The inclusion of patients with complete spinal cord injury in the first panel of three was completed in BioArctic's ongoing Phase 1/2 study with SC0806
- BioArctic extended the research collaboration with Uppsala University, Sweden, regarding new antibody technology for increased passage across the blood-brain barrier
- BioArctic announced changes in the Management Team effective September 1, 2018

Key events after the period

- Positive 18 months results in the Phase 2b study of BAN2401 in 856 early Alzheimer patients were announced on July 6
- BAN2401 Phase 2b detailed results at 18 months were presented at the 2018 Alzheimer's Association International Conference (AAIC) on July 25 in Chicago, in the U.S.
- BioArctic obtained exclusive rights to develop antibody treatments for Alzheimer's disease from a research project jointly owned with Eisai
- BioArctic received approvals from regulatory authorities in Finland for the clinical study of SC0806 in patients with Complete Spinal Cord Injury

Financial summary

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Net revenues	52.3	32.0	104.6	58.2	140.7
Other operating income	3.6	5.2	15.0	5.9	19.0
Operating profit	6.4	2.5	25.3	3.9	19.3
Profit for the period	5.1	2.3	20.5	3.4	15.2
Earnings per share, SEK [1, 2]	0.06	0.04	0.23	0.05	0.22
Equity per share, SEK [1, 2]	7.46	1.02	7.46	1.02	7.22
Cash flow from operating activities	-37.3	-27.6	-79.3	-66.0	-135.3
Cash flow from operating activities per share, SEK [1, 2]	-0.42	-0.44	-0.90	-1.05	-1.99
Equity/assets ratio, %	61.7%	10.0%	61.7%	10.0%	55.8%
Return on equity, %	0.8%	3.7%	3.2%	5.5%	4.3%
Number of shares	88,059,985	4,203,999	88,059,985	4,203,999	88,059,985

[1] There are no potential shares, thus there is no dilutive effect

[2] The comparative figures have been recalculated as a result of the 15:1 split executed on August 1, 2017

Contacts

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Presentation

BioArctic invites to an audiocast with teleconference (in English) for investors, analysts and media today, August 23, at 09:30 – 10:30 a.m. CET. CEO Gunilla Osswald and CFO Jan Mattsson present BioArctic, comment on the Interim Report for the period January – June 2018 and answer questions.

Webcast: https://tv.streamfabriken.com/bioarctic-q2-2018

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About BioArctic

BioArctic AB (publ) is a research-based biopharmaceutical company focusing on disease modifying treatments and diagnostics for neurodegenerative diseases, such as Alzheimer's disease and Parkinson's disease. The company also develops a treatment for complete spinal cord injury. The company focuses on new types of treatments in areas with great unmet medical needs. BioArctic was founded in 2003 based on innovative research from Uppsala University, Sweden.

The company has cutting-edge scientific competence and experience in developing drugs from idea to market. Collaborations with universities are of great importance to the company together with the strategically important global partners in the Alzheimer and Parkinson projects. BioArctic conducts its own clinical development in the field of complete spinal cord injury. Through long-term collaboration agreements with global pharmaceutical companies, BioArctic has demonstrated high skills and great ability to deliver innovative pharmaceutical projects.

In Alzheimer's disease, BioArctic has collaborated with Eisai since 2005. The company has entered into three research collaboration agreements and two license agreements relating to the antibodies BAN2401 and BAN2401 back-up. The total aggregated value of these agreements may amount to EUR 218 million and, in addition, payments of royalty. So far, EUR 47 million has been received. In Parkinson's disease, BioArctic has collaborated with AbbVie since 2016, when a research collaboration agreement was entered including, among other things, the antibody BAN0805. AbbVie is entitled to acquire a license to develop and commercialize the antibodies. The total aggregated value of the agreement may amount to USD 755 million and, in addition, payments of royalty. So far, USD 80 million has been received.

The project portfolio consists of fully funded projects run in partnership with global pharmaceutical companies and innovative in-house projects with significant market and out-licensing potential. For information about the projects, see the section Project portfolio.
BioArctic's B-share is listed on Nasdaq Stockholm Mid Cap (STO: BIOA B).

CEO statement

On July 25, the 18 month results from the Phase 2b study with BAN2401 in 856 patients with early Alzheimer's disease were presented by our partner Eisai at the Alzheimer's Association International Conference (AAIC) in Chicago. The detailed results of the study are very encouraging, showing consistent dose-dependent, clinically meaningful and statistically significant effects of BAN2401 on several clinical endpoints, as well as biomarkers including PET, combined with a good tolerability profile.

At the readout after 18 months of treatment an effect with dose-dependent slowing of cognitive decline from baseline on ADCOMS was demonstrated. The highest BAN2401 dose of 10 mg/kg twice a month demonstrated a significant slowing of clinical decline of 30% compared to placebo. A statistically significant slowing of decline on ADCOMS was observed as early as 6 months as well as at 12 months. Dose-dependent slowing of cognitive decline was also observed on the well-established cognition scale ADAS-Cog with 47% slower decline for the highest dose of BAN2401.

For disease-modifying treatments it is also important to show effect on biomarkers for example on amyloid. Highly statistically significant effects were observed for all BAN2401 dose groups in the study. At the highest dose, using standardized PET as measured with the Centiloid scale, the mean reduction in accumulated amyloid in the brain was approximately 70 units at 18 months. The observed baseline mean was 74.5 units, observed 18-month mean was 5.5 units. In amyloid PET image visual read BAN2401 demonstrated a dose-dependent improvement with 81% of patients converting from amyloid positive to amyloid negative status at 18 months at the highest dose.

A good tolerability profile was also reported for BAN2401 in the study. This is important since the treatment of the patients starts at an early stage of the disease.

This is the first late stage clinical study demonstrating potential disease-modifying effects (on several different scales) on both cognition and biomarkers with a good tolerability profile. The study gives new hope for patients and their families. These positive results are also important for BioArctic, Eisai and Biogen as well as for the Alzheimer field of research at large.

The long term and successful collaboration with Eisai has also led to the identification of a new biological target, for which BioArctic recently has obtained exclusive rights to develop antibody treatments for Alzheimer's disease.

The research collaboration with AbbVie in the Parkinson's disease program progresses well in line with the agreed project plan. According to the collaboration agreement, BioArctic has the primary responsibility for the preclinical research phase. The Parkinson's disease program has developed well and consists of three preclinical projects; BAN0805, PD1601 and PD1602, all antibodies targeting alpha-synuclein. During the fall, we will focus on delivering the preclinical activities with the drug candidate BAN0805 as efficiently as possible, preparing for clinical development and for start-up of clinical studies in the U.S. (IND). The goal is to start the first clinical study during 2019.

In April we announced that the inclusion of patients in the first of three panels in the company's ongoing Phase 1/2 study with the product candidate SC0806, for the treatment of complete spinal cord injury, had been completed. BioArctic has now also regulatory approvals to include Finnish patients. Patients from Sweden, Estonia, Norway and now also Finland can thus be recruited to the next two panels of the study.

In May BioArctic received the SwedenBIO Award 2018, a joyful event for all of us in the company.

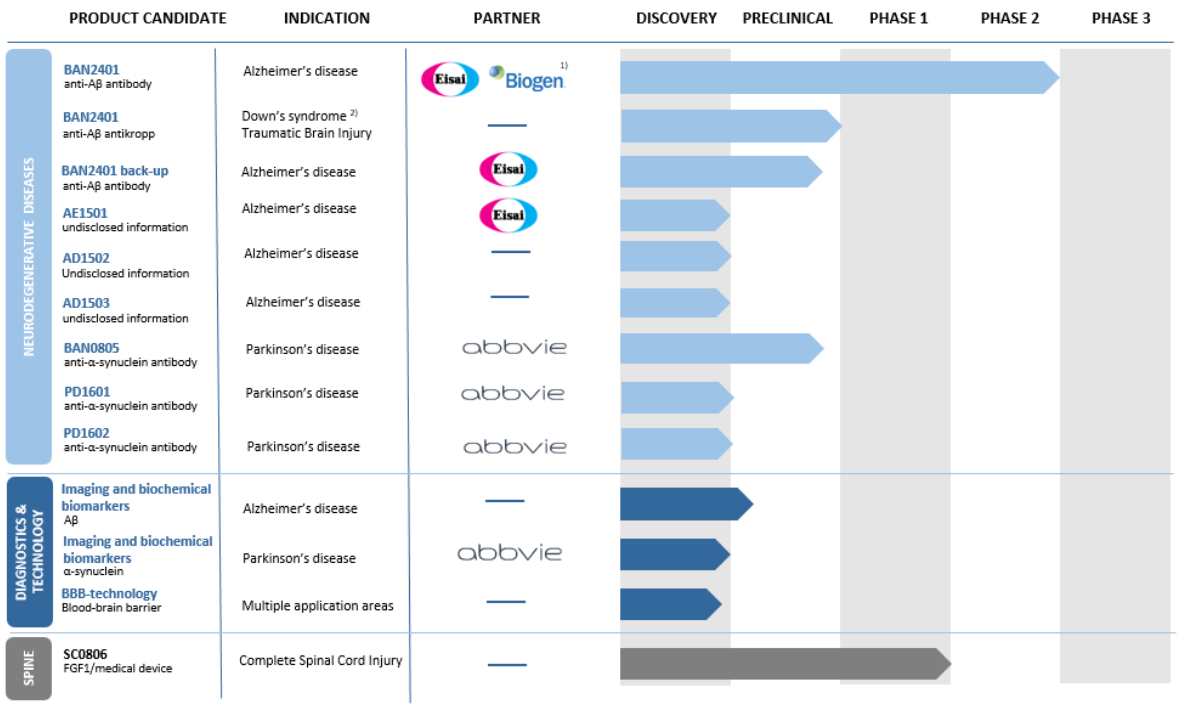
BioArctic's most important task is to improve the quality of life for patients with diseases in the central nervous system. I am proud of the positive development of the project portfolio. In addition, we can again report a positive financial result. BioArctic is well positioned to advance the projects towards our goals and new potential collaborations in line with the company's strategy.

I am looking forward to continue to progress the company's innovative projects in our three treatment areas, which all have great medical needs, and to all our important activities in the fall. Finally, I would like to express my thanks to all who have contributed to the positive development of BioArctic.

Gunilla Osswald
President and CEO, BioArctic AB

Project portfolio

Preclinical and clinical research:



[1] Partner with Eisai on BAN2401 for treatment of Alzheimer's disease. Eisai partnered with Biogen on BAN2401 in 2014
[2] Dementia and cognitive impairment associated with Down's syndrome and Traumatic Brain Injury

BioArctic's project portfolio at June 30, 2018:
BioArctic has two projects in the clinical phase: BAN2401 for Alzheimer's disease and SC0806 for patients with Complete Spinal Cord Injury.
The company has three projects in preclinical development: BAN2401 for Down's Syndrome with dementia and Traumatic Brain Injury, BAN2401 back-up for Alzheimer's disease; and BAN0805 for Parkinson's disease and biomarker and diagnostics projects for Alzheimer's disease.
There are three projects in the research phase for Alzheimer's disease (AE1501, AD1502, AD1503) and two projects for Parkinson's disease (PD1601, PD1602) and biomarker and diagnostics projects for Parkinson's disease, as well as a blood-brain barrier technology project.

Neurodegenerative diseases

The key molecular event in Alzheimer's disease and Parkinson's disease is believed to be protein misfolding and aggregation. The spreading of soluble aggregates leads to neuronal dysfunction, cell death, brain damage and symptoms of disease. Each neurodegenerative disease is characterized by its unique aggregated protein. The hallmark of Alzheimer's disease is amyloid-beta (Aβ), whereas alpha-synuclein (α-synuclein) is the signature protein of Parkinson's disease. BioArctic's disease modifying treatment strategy is to eliminate toxic aggregated forms (oligomers/protofibrils) in the brain by means of the company's selective antibodies.

The goal is to increase the effect of the treatment without increasing the risks of side effects.

BAN2401

Alzheimer's disease: The antibody BAN2401 selectively binds to neutralize and eliminate soluble, toxic amyloid-beta aggregates that are thought to contribute to the neurodegenerative process in Alzheimer's disease. BAN2401 is highly selective for Aβ oligomers/protofibrils and binds 100 times stronger to Aβ oligomers/protofibrils than to

Aβ monomers and 10 to 15 times stronger than to Aβ fibrils.

The 18 months analysis of BAN2401 Phase 2b study with 856 patients with early Alzheimer's disease demonstrated consistent dose-dependent, clinically meaningful and statistically significant effects of BAN2401 on several clinical endpoints as well as dose-dependent and significant effects on PET and other biomarkers with a good tolerability profile. At the final readout after 18 months of treatment a dose-dependent slowing of cognitive decline from baseline on the main parameter ADCOMS was demonstrated. The highest BAN2401 dose of 10 mg/kg twice a month demonstrated a significant slowing of clinical decline of 30% compared to placebo at 18 months (p=0.034). A statistically significant slowing of decline on ADCOMS was observed as early as 6 months ($p < 0.05$) as well as at 12 months ($p < 0.05$). Dose-dependent slowing of cognitive decline from baseline on the well-established cognition scale ADAS-Cog was also observed for BAN2401, with the highest treatment dose demonstrating a significant slowing of clinical decline compared to placebo at 18 months (47% slower decline, p=0.017). Furthermore, on CDR-SB, slowing of clinical decline for BAN2401 at the highest treatment dose also surpassed 25% over the duration of the study, which was pre-specified as a clinically significant difference. Compared to placebo at 18 months the difference was 26% ($p > 0.05$). The rate of clinical decline for the placebo group was consistent with the results of research by the Alzheimer's Disease Neuroimaging Initiative (ADNI) in the United States.

Highly statistically significant and dose-dependent biomarker effects of all BAN2401 treatment groups were observed with amyloid PET. BAN2401 demonstrated a dose-dependent reduction in amyloid in the brain at 18 months, and this reduction was significant at all doses. At the highest dose of BAN2401 (10 mg/kg twice a month), using standardized PET as measured at the Centiloid scale, the mean reduction in accumulated amyloid in the brain was approximately 70 units at 18 months ($p < 0.0001$). The observed baseline mean was 74.5 units, observed 18-month mean was 5.5 units. In amyloid PET image visual read BAN2401 demonstrated a dose-dependent improvement with 81% of patients converting from amyloid positive to amyloid negative status at 18 months ($p < 0.0001$) at the highest dose.

The highest BAN2401 dose 10 mg/kg twice a month showed to be the best dose and the second highest dose 10 mg/kg once a month was the next best dose. The early effect of BAN2401 in the two highest dose-groups resulted in more patients being randomized to these doses according to the Bayesian randomization study design.

The innovative study design, Bayesian adaptive randomization design, and the size of the study with 856 Alzheimer patients allowed for reliable conclusions regarding both efficacy and safety. This is the first late stage clinical study demonstrating potential disease-modifying effects on cognition as well as reduction in accumulated amyloid-beta in the brain.

BAN2401 was well tolerated during the 18 months of study drug administration. The incidence rate of treatment-related adverse events was 26.5% for the placebo arm, 53.4% for the 10 mg/kg monthly treatment arm and 47.2% for the 10 mg/kg twice a month treatment arm. The most common treatment emergent adverse events were infusion-related reactions and Amyloid Related Imaging Abnormalities (ARIA). Infusion related reactions were mostly mild to moderate in severity. Incidence of ARIA-E (edema) was not more than 10% in any of the treatment arms and the vast majority of the observed ARIA-E cases in the study were asymptomatic (43 of 48 subjects, 90%). Incidence of ARIA-E (edema) was 9.9% at the highest treatment dose and the incidence of ARIA-E in APOE4 carriers (who may be more sensitive to this

adverse event) was 14.6% at this dose in the study. Per protocol, all patients presenting with ARIA-E on Magnetic Resonance Imaging (MRI) were discontinued in the study. The incidence rate of serious adverse events was 17.6% for the placebo arm, 12,3% for the 10 mg/kg monthly treatment arm and 15.5% for the 10 mg/kg twice a month arm.

The detailed results were presented by Eisai at the Alzheimer's Association International Conference® 2018 (AAIC®) 2018 in Chicago, in the U.S., on July 25. Please see the press release dated July 25 for more information, www.bioarctic.com.

Further analyses are on-going and will be presented at CTAD (11th Clinical Trials on Alzheimer's Disease on October 24-27, 2018) in Barcelona, Spain.

Eisai is currently preparing for interactions with regulatory agencies regarding the future BAN2401 program.

The study will be completed in the fourth quarter of 2018 and includes a further 3 months follow-up (at 21 months) after completion of treatment.

As reported in December 2017, the study did not achieve its primary outcome measure ADCOMS at 12 month which aimed at enabling faster start of Phase 3. The hurdle for crossing the success boundary was high (at least 80% probability of demonstrating a clinically significant difference i.e. a 25% or greater slowing of clinical decline on ADCOMS compared to placebo). In pre-specified analyses after 18 months of treatment, traditional statistical analysis was performed when clinically meaningful and statistically significant difference was demonstrated both at 6, 12 and 18 months. The highest BAN2401 dose showed 30% effect on ADCOMS at 18 months (P= 0.034).

Eisai is responsible for the Phase 2b study and the development of BAN2401 in Alzheimer's disease. The project is based on research at Uppsala University, Sweden.

Down's syndrome with dementia: BAN2401, which is now being clinically evaluated for the treatment of Alzheimer's disease, can potentially also be used for other indications, such as Down's syndrome with dementia, as these patients develop dementia at around 40 years of age.

Traumatic brain injury (TBI): BioArctic has submitted a patent application for the antibodies BAN2401/BAN2401 back-up for the treatment of Traumatic Brain Injury. Some of these patients develop dementia after the injury.

BAN2401 back-up

The antibody is a further developed version of BAN2401 for the treatment of Alzheimer's disease. The antibody was developed by BioArctic in collaboration with Eisai, which led to a new license agreement in 2015. The project is driven by Eisai and is in late preclinical phase.

AE1501

The collaboration with Eisai also includes a project jointly owned by BioArctic and Eisai regarding disease modifying treatment of Alzheimer's disease with a different target than those in the projects BAN2401 and BAN2401 back-up.
In August 2018, BioArctic obtained exclusive rights to develop antibody treatments for Alzheimer's disease from a research project jointly owned with Eisai.

AD1502 and AD1503

At BioArctic research is in progress to develop new antibodies for the treatment of Alzheimer's disease aimed at slowing down or stopping disease progression by addressing two new targets.

BAN0805

BAN0805 is a drug candidate (an antibody against alpha-synuclein) for the treatment of Parkinson's disease. The aim is to develop a disease modifying treatment that stops or

slows down disease progression. Collaboration with AbbVie was started in 2016 regarding the continued development of the company's Parkinson program, focusing on BAN0805 with follow-up projects and diagnostics. BioArctic is preparing for the application to the U.S. Food and Drug Administration (FDA) for the initiation of a clinical study of BAN0805 in the U.S., an IND. The project is based on research from Uppsala University.

PD1601 and PD1602

The antibodies PD1601 and PD1602 (against alpha-synuclein) are both Parkinson's disease follow-up projects with the goal to develop a disease modifying treatment that stops or slows down disease progression. The projects are conducted in collaboration with AbbVie.

Diagnostics and technology

Alzheimer's disease diagnostics: In collaboration with Uppsala University, BioArctic is developing a new type of PET tracer for imaging of the brain in Alzheimer's disease by using BioArctic's antibodies. The goal is to create tools to better diagnose the disease, follow the disease progression and objectively measure the effect of drug treatment.

Improved biochemical methods: BioArctic develops improved biochemical methods for the identification and precise measurement of responses to treatment of Alzheimer's disease and Parkinson's disease, and for the measurement of disease progression. This is done in collaboration with the University of Gothenburg, Sweden.

Blood-brain barrier technology: Together with Uppsala University, BioArctic is developing a technology that enables better passage of antibodies into the brain across the blood-brain barrier. This technology has great technical and commercial potential and could be a general technology for improved and more effective treatment of brain diseases.

Complete Spinal Cord Injury

SC0806

SC0806 is an innovative treatment for patients with traumatic complete spinal cord injury. The product candidate is a combination of a biodegradable medical device and a drug substance (FGF1). The first patient was treated in 2016 with subsequent rehabilitation for 18 months. Since August 2017, the patients receiving SC0806 treatment in the ongoing Phase 1/2 clinical trial have been given the option of 12 months additional participation in an extension study. The inclusion of patients with complete spinal cord injury to the first of three panels of BioArctic's ongoing clinical Phase 1/2-study was completed in April 2018. Thereafter follows an interim analysis after 18 months participation in the study. Preparations for starting the next panel is on-going. Approvals by the regulatory authorities and ethic committees are obtained in Estonia, Norway and Finland to include patients in the study. The product obtained orphan drug designation in 2010 in the EU and in 2011 in the U.S., which gives the company 10 and 7 years of market exclusivity in Europe and the US, respectively.

Patent

Patents and other exclusive rights are crucial to the company's future commercial opportunities. BioArctic has therefore an active patent strategy covering all major geographic markets, including the US, EU, Japan and China. BioArctic's patent portfolio consisted at the end of the period of 12 patent families with 151 granted patents.

Comments on the report

The Group is referred to unless otherwise stated in this interim report. Figures in parentheses refer to the corresponding period last year. Amounts are expressed in kSEK (SEK thousands) unless otherwise stated. All amounts stated are rounded up or down, which may lead to some totals not matching exactly.

BioArctic has decided to change from income statement by function to income statement by

nature of expense as from the interim report January – June 2018. The reason for the change is that management and the Board control the operations in this way. The comparative periods have been changed accordingly. The calculation of the key ratios has not been changed.

Revenues and results

Because of the nature of the business operations, there may be large fluctuations between revenue for different periods.

Net revenues in the second quarter amounted to SEK 52.3 million (32.0), an increase of SEK 20.3 million compared with the same period the previous year. The increase during the quarter is attributable to the increased activities in the Parkinson program in collaboration with AbbVie. Net revenues for the period January – June amounted to SEK 104.6 million (58.2), which is an increase of 46.4 MSEK. The increase is attributable to increased activities in the Parkinson program.

Other operating income relates to research grants, operating exchange rate gains and rental income and amounted to SEK 3.6 million (5.2) for the second quarter and to SEK 15.0 million (5.9) for the period January – June. The decrease during the second quarter relates to decreased rental income and the increase for the period January – June is explained by the exchange rate gains due to the weakening of the Swedish krona.

Operating expenses amounted to SEK 49.4 million (34.7) for the second quarter and to SEK 94.3 million (60.2) for the period January – June. The increase for the second quarter as well as the period January – June is primarily explained by increased project expenses mainly attributable to the Parkinson program and other projects in the portfolio. Other operating expenses consisted of operating exchange rate losses.

Since BioArctic did not meet all the conditions to capitalize R&D costs, all such costs have been charged to the P&L.

Operating profit before financial items (EBIT) amounted to SEK 6.4 million (2.5) for the second quarter and to SEK 25.3 million (3.9) for the period January – June. The increase in the operating profit is attributable to the increased activity in the Parkinson program with AbbVie and to operating exchange rate gains.

Net financial items totaled SEK 0.2 million (0.5) for the second quarter and to SEK 1.1 million (0.5) for the period January – June. Financial income consists of financial exchange rate gains and financial expenses consists of negative interest on cash and cash equivalents.

Profit for the period amounted to SEK 5.1 million (2.3) for the second quarter and SEK 20.5 million (3.4) for the period January – June.

Earnings per share before and after dilution amounted to SEK 0.06 (0.04) for the second quarter and to SEK 0.23 (0.05) for the period January – June.

Financial position

Equity amounted to SEK 656.7 million (64.2) at June 30, 2018. This corresponds to an equity per outstanding share of SEK 7.46 (1.02) before and after dilution.

The equity/asset ratio has increased from 10.0% at June 30, 2017 to 61.7% at June 30, 2018. The increase is due to the share issue that took place in connection with the listing of BioArctic on Nasdaq Stockholm in October 2017.

The Group's cash and cash equivalents consist of bank balances that at the end of the period amounted to SEK 1,041.7 million (622.1). There were no loans at June 30, 2018 and no loans have been taken since this date. The Group has no other credit facility or loan commitments.

The Group's liquid funds are intended to be used mainly for agreed commitments and for

progressing the internal projects in the portfolio. In order to reduce foreign exchange exposure some liquid funds are invested in foreign currency. This has reporting effects in connection with the recalculation of currency to the current rate. These effects are recognized in the operating profit and in financial income and expenses.

Investments and cash flow

Investments in the second quarter amounted to SEK 0.7 million (0.4) and SEK 0.9 million (0.6) for the period January – June. The investments are mainly related to laboratory equipment.

Cash flow from operating activities for the second quarter amounted to SEK -37.3 million (-27.6) and SEK -79.3 million (-66.0) for the period January – June.

Other information

Annual General Meeting 2018

The Annual General Meeting was held on May 15. Wenche Rolfsen, Ivar Verner, Hans Ekelund, Pär Gellerfors, Lars Lannfelt and Eugen Steiner were re-elected by the Annual General Meeting. Mikael Smedeby was elected new member of the board. Wenche Rolfsen and Ivar Verner were re-elected as Chairman and Deputy Chairman, respectively. More information is available at www.bioarctic.com under the Governance section.

Employees

At the end of the period, the number of employees in the Group was 31 (27) of which 12 (11) are men and 19 (16) women. Approximately 90 percent are active in R&D and approximately 80 percent are PhDs; of these, two are Associate Professors and one is Professor.

On June 27, BioArctic announced that Professor Lars Lannfelt will resume his employment in the company as of September 1, 2018. Associate Professor Pär Gellerfors, who founded BioArctic in 2003 together with professor Lannfelt, will leave his employment in the company as of September 1, 2018, and will remain as member of the Board.

Consultants

A cost efficient organization at BioArctic is achieved by hiring key consultants for specific assignments and for tasks in competence areas that the company lacks or only has a need for periodically. As of June 30, 2018, these amounted to a total corresponding to 12 (7) full-time positions.

Risks and uncertainty factors

The management makes assumptions, judgments and estimates that affect the content of the financial statements. Actual results may differ from these assumptions and estimates, as is also stated in the accounting principles. The objective of the Group's risk management is to identify, measure, control and limit the risks of the business. Significant risks are the same for the Parent Company and the Group. The risks can be divided into financial risks on the one hand and operational and external risks on the other. BioArctic's operational and external risks mainly consist of risks related to research and development, clinical trials and dependence on key employees.

A detailed description of exposure and risk management is presented in the Annual Report for 2017, pp 41-42.

Parent Company

All the Group's business operations are conducted in the Parent Company.

Consolidated income statement[1]

kSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Net revenues (note 4)	52,301	32,018	104,604	58,192	140,706
Other operating income	3,576	5,176	14,996	5,914	19,044
Total operating income	**55,877**	**37,194**	**119,600**	**64,106**	**159,750**
Operating expenses					
Project related expenses	-28,452	-15,692	-54,589	-23,889	-63,641
Other external expenses	-7,214	-8,828	-15,232	-13,910	-36,197
Personnel expenses	-12,459	-8,238	-22,370	-16,243	-32,936
Depreciations of tangible assets	-181	-451	-768	-892	-1,993
Other operating expenses	-1,126	-1,511	-1,291	-5,229	-5,689
Operating profit	**6,446**	**2,475**	**25,349**	**3,943**	**19,294**
Financial income	557	539	1,830	539	1,043
Financial expenses	-363	-	-726	-12	-647
Profit before tax	**6,640**	**3,014**	**26,453**	**4,470**	**19,690**
Tax	-1,519	-693	-5,913	-1,034	-4,534
Profit for the period	**5,121**	**2,321**	**20,540**	**3,436**	**15,157**
Earnings per share					
Earnings per share, SEK [2, 3]	0.06	0.04	0.23	0.05	0.22

[1] BioArctic has decided to change to income statement by nature of expense and the comparative periods have been changed accordingly

[2] There are no potential shares. Thus; there is no dilutive effect

[3] The comparative figures have been recalculated as a result of the 15:1 split executed on August 1, 2017

Consolidated statement of comprehensive income

kSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Profit for the period	5,121	2,321	20,540	3,436	15,157
Other comprehensive income	-	-	-	-	-
Comprehensive income for the period	**5,121**	**2,321**	**20,540**	**3,436**	**15,157**

Consolidated balance sheet – summary

kSEK	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
ASSETS			
Tangible fixed assets	7,191	5,305	7,093
Deferred tax assets	166	201	230
Other financial assets	2,675	2,675	2,675
Current assets excluding cash and cash equivalents	11,955	8,553	20,119
Cash and cash equivalents	1,041,740	622,063	1,110,367
TOTAL ASSETS	**1,063,727**	**638,797**	**1,140,483**
EQUITY AND LIABILITIES			
Equity	656,674	64,196	636,134
Deferred tax liabilities	5,487	4,136	5,487
Other current liabilities	13,974	10,466	12,160
Accrued expenses and deferred income	387,592	559,999	486,702
EQUITY AND LIABILITIES	**1,063,727**	**638,797**	**1,140,483**

Consolidated statement of changes in equity – summary

kSEK	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Opening balance at 1 January	**636,134**	**60,760**	**60,760**
Comprehensive income for the period	20,540	3,436	15,157
Transactions with shareholders:			
Share issue	-	-	600,000
Expenses for share issue	-	-	-39,782
Closing balance	**656,674**	**64,196**	**636,134**

Consolidated statement of cash flow

kSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Operating profit	**6,446**	**2,475**	**25,349**	**3,943**	**19,294**
Adjustment for non-cash items	-55,742	-31,860	-117,601	-52,362	-143,453
Interest received/paid	-363	10	-726	-2	-582
Income tax paid	-5,350	-163	-6,755	-7,190	-7,739
Cash flow from operating activities before changes in working capital	**-55,009**	**-29,538**	**-99,733**	**-55,610**	**-132,481**
Change in working capital	17,665	1,898	20,386	-10,407	-2,846
Cash flow from operating activities after changes in working capital	**-37,344**	**-27,640**	**-79,347**	**-66,017**	**-135,327**
Cash flow from investing activities	**-652**	**-432**	**-866**	**-553**	**-2,813**
Cash flow from financing activities	**-**	**-**	**-**	**-**	**560,218**
Cash flow for the period	**-37,996**	**-28,072**	**-80,214**	**-66,570**	**422,078**
Cash and cash equivalents at beginning of period	1,078,746	650,302	1,110,367	692,530	692,530
Exchange rate differences in cash and cash equivalents	989	-167	11,587	-3,897	-4,241
Cash and cash equivalents at end of period	**1,041,740**	**622,063**	**1,041,740**	**622,063**	**1,110,367**

Parent Company income statement[1]

kSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Net revenues	52,301	32,018	104,604	58,192	140,706
Other operating income	3,576	5,176	14,996	5,914	19,044
Total operating income	**55,877**	**37,194**	**119,600**	**64,106**	**159,750**
Operating expenses					
Project related expenses	-28,452	-15,692	-54,589	-23,889	-63,641
Other external expenses	-7,214	-8,826	-15,232	-13,909	-36,196
Personnel expenses	-12,459	-8,238	-22,370	-16,243	-32,936
Depreciations of tangible assets	-181	-451	-768	-892	-1,993
Other operating expenses	-1,126	-1,511	-1,291	-5,229	-5,689
Operating profit	**6,446**	**2,476**	**25,349**	**3,945**	**19,295**
Financial income	557	539	1,830	539	1,043
Financial expenses	-363	-	-726	-12	-647
Profit after financial items	**6,640**	**3,015**	**26,453**	**4,472**	**19,691**
Change in tax allocation reserves	-	-	-	-	-6,141
Profit before tax	**6,640**	**3,015**	**26,453**	**4,472**	**13,550**
Tax	-1,519	-693	-5,913	-1,034	-3,183
Profit for the period	**5,121**	**2,322**	**20,540**	**3,438**	**10,367**

[1] BioArctic has decided to change to income statement by nature of expense and the comparative periods have been changed accordingly

There are no items in the parent company recognized as other comprehensive income, thus comprehensive income conforms to the result for the year.

Parent Company balance sheet – summary

kSEK	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
ASSETS			
Tangible fixed assets	7,191	5,305	7,093
Deferred tax assets	166	201	230
Other financial assets	2,775	2,775	2,775
Current assets excluding cash and cash equivalents	11,955	8,552	20,119
Cash and cash equivalents	1,041,642	621,965	1,110,269
TOTAL ASSETS	**1,063,728**	**638,798**	**1,140,484**
EQUITY AND LIABILITIES			
Equity	637,222	49,553	616,682
Tax allocation reserve	24,941	18,800	24,941
Other current liabilities	13,974	10,446	12,160
Accrued expenses and deferred income	387,592	559,999	486,702
EQUITY AND LIABILITIES	**1,063,728**	**638,798**	**1,140,484**

Notes

Note 1 General information

This Interim Report covers the Swedish Parent Company BioArctic AB, Swedish Corporate Identity Number 556601-2679, and the two fully owned subsidiaries SpineMedical AB, Swedish Corporate Identity Number 559003-7080, and LPB Sweden AB, Swedish Corporate Identity Number 559035-9112. All the Group's business operations are conducted in the Parent Company.

The Parent Company is a Swedish limited liability company registered in and with its registered office in Stockholm. The head office is located at Warfvinges väg 35, SE-112 51, Stockholm, Sweden.

The BioArctic Group's Interim Report for the period January – June 2018 was approved by the Board on August 22, 2018.

Note 2 Accounting principles

The consolidated financial statements for BioArctic AB have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 1 Supplementary Accounting Rules for Groups. The Parent Company's financial statements are presented in accordance with the Swedish Annual Accounts Act and RFR2, Accounting for Legal Entities.

The Interim Report for the period January – June 2018 is presented in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. Disclosures in accordance with IAS 34 are presented both in notes and elsewhere in the Interim Report.

The guidelines of the European Securities and Markets Authority (ESMA) on alternative performance measures have been applied. This involves disclosure requirements for financial measures that are not defined by IFRS. For performance measures not defined by IFRS, see the Calculations of key figures section.

As from January 1, 2018 the IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial instruments are implemented. None of the new standards has had an effect on the reporting.

IFRS 16 replaces IAS 17 *Leases* and the appropriate interpretations IFRIC 4, SIC-15 and SIC-27. This standard requires that assets and liabilities attributable to all leasing agreements, with a few exceptions, are recognized in the balance sheet. This reporting is based on the view that an asset is used for a specific period of time and at the same time an obligation arises to pay for this right. The standard is to be applied for financial years commencing on January 1, 2019 or later. BioArctic has elected not to apply the standard in advance. An evaluation of its impact is ongoing.

BioArctic has decided to change from income statement by function to income statement by nature of expense as from the Interim Report January – June 2018. The reason for the change is that management and the Board control the operations in this way. The comparative periods have been changed accordingly. The calculation of the key ratios has not been changed.

The accounting principles and calculation methods applied are in all other respects in line with those described in the Annual Report for 2017.

Note 3 Segment information

An operating segment is a part of the Group that conducts operations from which it can generate income and incur costs and for which independent financial information is available. The highest

executive decision-maker in the Group follows up the operations on aggregated level, which means that the operations constitute one and the same segment and thus no separate segment information is presented. The Board of Directors is identified as the highest executive decision maker in the Group.

Note 4 Net revenues

A breakdown of the Group's Net revenues is shown below:

kSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Income from research collaborations	52,301	32,018	104,604	57,761	140,275
Other items	-	-	-	431	431
Net revenues	**52,301**	**32,018**	**104,604**	**58,192**	**140,706**

BioArctic's Net revenues essentially consist of income from the research collaborations concerning Parkinson's disease with AbbVie and Alzheimer's disease with Eisai.

Under the collaboration agreement with AbbVie, BioArctic received an initial payment of SEK 701.6 million (USD 80 million). This payment is related to compensation for the preclinical development work that BioArctic will carry out under the agreement. Of the initial payment, SEK 70.4 million was reported as a one-time payment in 2016. The rest of the payment will be accrued based on the costs incurred up until the completion of the project. The project is continuously evaluated with the regard to status and remaining costs. As of June 30, 2018, SEK 331.1 million has been recognized and the remaining amount to be recognized as a revenue is SEK 369.9 million up until the completion of the project which is expected to occur by December 31, 2019.

Note 5 Transactions with affiliated parties

Mikael Smedeby, who was elected to the Board of Directors at the Annual General Meeting, is active as lawyer and co-owner of Advokatfirman Lindahl KB, which provides ongoing business legal advice to BioArctic against compensation in line with market rates. During 2017, Advokatfirman Lindahl invoiced fees amounting to approximately SEK 5.2 million, which mainly consisted of costs due to the IPO in October 2017, and in the January – June 2018 period an amount of approximately SEK 0.4 million was invoiced.

In addition to the compensation to Advokatfirman Lindahl described above, as well as consulting and director fees to Lars Lannfelt and salary to Pär Gellerfors, no significant transactions have taken place between the Group and related parties. All transactions have been in line with market rates.

Consolidated quarterly data

SEKm	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3
Income statement								
Net revenues	52.3	52.3	51.0	31.5	32.0	26.2	94.4	1.2
Other operating income	3.6	11.4	10.4	2.8	5.2	0.7	32.6	1.1
Operating profit	6.4	18.9	14.7	0.6	2.5	1.5	97.3	-10.2
Profit for the period	5.1	15.4	11.8	-0.1	2.3	1.1	75.0	-7.8
Balance sheet								
Fixed assets	10.0	9.6	10.0	10.5	8.2	8.2	8.5	12.8
Current assets	12.0	20.3	20.1	9.8	8.6	13.2	7.0	8.5
Cash and cash equivalents	1,041.7	1,078.7	1,110.4	590.7	622.1	650.3	692.5	82.5
Equity	656.7	651.6	636.1	64.1	64.2	61.9	60.8	90.9
Deferred tax liabilities	5.5	5.5	5.5	4.1	4.1	4.1	4.1	-
Current liabilities	401.6	451.6	498.9	542.7	570.5	605.7	643.1	13.0
Cash flow								
From operating activities	-37.3	-42.0	-45.7	-23.6	-27.6	-38.4	705.6	-9.8
From investing activities	-0.7	-0.2	0.5	-2.8	-0.4	-0.1	-1.7	-1.2
From financing activities	-	-	560.2	-	-	-	-105.1	-
Cash flow for the period	-38.0	-42.2	515.0	-26.4	-28.1	-38.5	598.8	-11.1
Data per share, SEK [1, 2]								
Earnings per share, SEK	0.06	0.18	0.16	0.00	0.04	0.02	1.19	-0.12
Equity per share, SEK	7.46	7.40	7.22	1.02	1.02	0.98	0.96	1.44
Cash flow operating activities	-0.42	-0.48	-0.60	-0.37	-0.44	-0.61	11.19	-0.16

[1] There are no potential shares. Thus; there is no dilutive effect

[2] The comparative figures have been recalculated as a result of the 15:1 split executed on August 1, 2017

Calculations of key ratios

In this financial report BioArctic reports key financial ratios, some of which are not defined by IFRS. The Company's assesses that these key ratios are important additional information, since they enable investors, securities analysts, management of the company and other stakeholders to better analyze and evaluate the company's business and financial trends. These key ratios should not be analyzed separately or replace key ratios that have been calculated in accordance with IFRS. These key ratios should not be compared to other key ratios with similar names applied by other companies. This is due to the fact that key ratios cannot always be defined in the same way and other companies may calculate them in a different way than BioArctic.

The key ratios "Net revenues", "Result for the period", "Earnings per share" and "Cash flow from operating activities" are defined according to IFRS.

Key ratios	Definition
Other income	Other income than Net revenues
Operating profit	Result before financial items
Cash flow from operating activities per share, SEK	The period's cash flow from operating activities divided by the weighted number of shares
Equity/asset ratio	Adjusted equity as a percentage of the balance sheet total
Return on equity	Net income divided by equity as a percentage
Equity per share before and after dilution	Adjusted equity divided by the number of shares at the end of the period

The Board and the CEO confirm that this Interim Report provides a true and fair overview of the Company and the Group's operations, position and earnings and describes the material risks and uncertainly factors faced by the Parent Company and the companies within the Group.

This Interim Report has not been reviewed by BioArctic's auditors.

Stockholm, Sweden, August 22, 2018

Wenche Rolfsen Chairman	Ivar Verner Deputy Chairman	Hans Ekelund Board member
Pär Gellerfors Board member	Lars Lannfelt Board member	Mikael Smedeby Board member
Eugen Steiner Board member	Gunilla Osswald President and CEO	

Glossary

ADAS-cog
ADAS-cog (Alzheimer's Disease Assessment Scale-cognitive subscale) is a well-established cognition scale whereof parts are included in ADCOMS

ADCOMS
Alzheimer's Disease Composite Score – A cognition scale consisting of parts from three different scales (CDR-SB, ADAS-cog and MMSE) developed by Eisai. The cognition scale enables a sensitive detection of changes in clinical functions of symptoms in early Alzheimer's disease

Alpha-synuclein (α-synuclein)
A protein in the nervous system, present in Lewy bodies in some structures of the brain in Parkinson's disease

Amyloid-beta (Aβ)
A 40-42 amino acids long peptide, split from the parent protein APP, amyloid precursor protein. Aβ is the main constituent of the plaques found in the brain of Alzheimer patients

Antibody
Protein used by the body's immune system to detect and destroy foreign substances

ARIA
Amyloid-Related Imaging Abnormalities (ARIA) are brain-changes seen in Magnetic Resonance Imaging of Alzheimer's disease patients, which are commonly observed in clinical trials of amyloid-modifying therapies

ARIA-E
There are two types of ARIA; ARIA-E and ARIA-H. ARIA-E refers to observations of edema and the other ARIA-H to observations of small hemorrhages

Bayesian study
A study where collected data is combined with known facts for a complete conclusion. A Bayesian Adaptive Randomization Design enables automatically allocation of newly enrolled patients into the study to treatment arms showing higher probability of efficacy based on interim analyses

Biomarker
A measurable indicator of a medical condition

Blood-brain barrier
A physiological mechanism in which merged capillary walls in the brain's blood vessels regulate the transport of molecules between the blood and the brain tissue, with the function to protect the brain against viruses and other harmful agents

CDR-SB
CDR-SB (Clinical Dementia Rating Sum of Boxes) is a cognition and function scale which is part of ADCOMS

Centiloid
When integrating and assessing biomarkers of the change in Aβ accumulation measured by different tracers, it is necessary to compensate for the difference in measured values between the PET tracers. This has led to the development of a 100-point scale by the GAIIN Centiloid project, termed "Centiloid," which is an average value of zero in "high certainty" amyloid negative subjects and an average of 100 in "typical" Alzheimer's disease (AD) patients (Klunk et al., 2015)

Central nervous system
The central nervous system consists of the brain and the spinal cord

Clinical studies
Drug trials performed in human subjects

Complete Spinal Cord Injury
A complete injury means that the spinal cord is complete severed. In an incomplete injury there are still a few nerve contacts left

Disease modifying treatment
A treatment that interferes with the processes of the disease and changes it in a positive way

Dose dependent
Increased effect at higher dose

Drug candidate
A drug under development that has not yet gained marketing approval

Humanized antibody
An antibody in which the sequence has been changed to resemble a human antibody

Interim analysis
In clinical trials and other scientific studies, an interim analysis is an analysis of data that is conducted before data collection has been completed

Investigational New Drug (IND) application
Application to the U.S. Food and Drug Administration (FDA) for the initiation of a clinical study in the US.

Ligand
Molecule that binds to the desired target in the body

Medical device for implantation
A medical device that is intended to be totally or partially introduced, surgically or medically, into the human body, or through a medical procedure in a body opening, and intended to remain there after the operation

Milestone payment
Financial compensation obtained within the framework of a project or collaboration agreement when a certain specified objective has been achieved

Monoclonal antibody
An antibody that can be produced so that all copies are exactly alike

Monomer
A monomer is the starting molecule in polymerization. The monomers are joined into long molecular chains through the polymerization, resulting a in a polymer with the monomer as the repeating unit

Neurodegenerative disease
Disease in which the nervous system atrophies

Oligomer
A molecular chain consisting of several monomers aggregated

Orphan drugs
Drugs for patients with rare and serious disease

Peptide
A molecule made up of amino acids connected into a short chain

PET
Positron emission tomography, an investigation imaging method

Phase 1 studies
Studies mainly of the safety and tolerability of a drug. Performed on a limited number of healthy human volunteers or patients

Phase 2 studies
Studies of the safety and efficacy of a drug and dose finding. Performed on a limited number of patients

Phase 3 studies
Confirmatory studies of the safety and efficacy of a drug in a clinical setting. Performed on a large number of patients

Preclinical phase
Preclinical studies of drug candidates to prepare for clinical studies

Preclinical studies
Studies performed in model systems, i.e. not in humans

Product candidate
A product under development that has not yet gained marketing approval

Protofibril
A molecular chain consisting of several monomers aggregated

Research phase
Early research is focused on studying and elucidating the underlying molecular disease mechanisms and development of potential drug candidates

Statistically significant
A clinical study result is defined as statistically significant in accordance with the preset criteria for the study or in adherence to a generally recognized standard, most commonly defined as less than 5% probability of obtaining a similar or stronger result due to chance, i.e. $p<0.05$

This information is information that BioArctic AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act (Swe. VpmL*). The information was released for public disclosure through the agency of Christina Astrén, IR & Communications Director, at 08:00 a.m. CET on August 23, 2018.*

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This report has been prepared in a Swedish original version and translated into English. In the event of any inconsistency between the two versions, the Swedish language version should have precedence.