# Interim Report January - June 2017

*Unless otherwise stated in this report, all data refers to the Group. Figures in parentheses relate to the corresponding period in 2016.*

## Contents



## Financial Calendar

Interim Report Jan – Sep, Nov 8, 2017
Full Year Report 2017, Feb 20, 2018

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# The projects progressed well during the period and BioArctic prepares IPO

## April - June 2017

- Net sales for the period amounted to SEK 32.0 million (1.0)
- Earnings before interest and taxes (EBIT) amounted to SEK 2.5 million (-11.2)
- Net result amounted to SEK 2.3 million (-8.7)
- Result after tax per share SEK 0.55 SEK (-2.07)
- Cash flow from operating activities amounted to SEK -27.6 million (-11.3)

## January - June 2017

- Net sales for the period amounted to SEK 58.2 million (10.0)
- Earnings before interest and taxes (EBIT) amounted to SEK 3.9 million (-12.5)
- Net result amounted to SEK 3.4 million (-9.6)
- Result after tax per share SEK 0.82 (-2.29)
- Cash flow from operating activities amounted to SEK -66.0 million (-20.6)

## Key events during the period April – June 2017

- Alzheimer's disease: An Independent Monitoring Committee has conducted an additional interim analysis and recommended continuing the clinical Phase 2b study with BAN2401 for patients with early Alzheimer's disease.
- Parkinson’s disease: The European Patent Office announced its intention to approve BioArctic’s patent application for the BAN0805 antibody for Parkinson's disease in the EU.
- Complete Spinal Cord Injury:
  - An independent expert committee (Data Monitoring Committee) has performed an interim analysis evaluating safety and tolerability. The result of the analysis supports continuing the clinical study with SC0806.
  - Submitted amendments to the study protocol regarding the clinical study with SC0806 were approved by the ethics committee and the Swedish Medical Products Agency.
  - EU’s Horizon2020 has accepted the inclusion of rehabilitation clinics in Estonia and Norway as new beneficiaries in the SC0806 clinical Phase 1/2 study.
- The Annual General Meeting was held on May 31, 2017. See "Other information" for more information on the decisions taken at the Annual General Meeting.
- Mikael Smedeby left his position as Director of the Board in order to meet the Stock Exchange’s requirements concerning the number of independent board members.
- Jan Mattsson was employed as CFO effective August 1. He has been working as CFO in the company as a consultant since February 2017.

## Key events after the period

- There are no significant events to report after the period.

# Financial summary

| SEKm | Apr-Jun 2017 | Apr-Jun 2016 | Jan-Jun 2017 | Jan-Jun 2016 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| Net sales | 32.0 | 1.0 | 58.2 | 10.0 | 105.6 |
| Other operating income | 5.2 | 3.2 | 5.9 | 5.4 | 39.1 |
| Earnings before interest and tax (EBIT) | 2.5 | -11.3 | 3.9 | -12.5 | 74.6 |
| Net financial items | 0.5 | 0.2 | 0.5 | 0.3 | -0.5 |
| Net result | 2.3 | -8.7 | 3.4 | -9.6 | 57.6 |
| Earnings after tax per share, SEK [1) 2)] | 0.55 | -2.07 | 0.82 | -2.29 | 13.70 |
| Cash flow from operating activities | -27.6 | -11.3 | -66.0 | -20.6 | 675.1 |
| Cash flow from operating activities per share, SEK [1)] | -6.57 | -2.68 | -15.70 | -4.91 | 160.59 |
| Equity/assets ratio | 10.0% | 88.2% | 10.0% | 88.2% | 8.6% |
| Return on shareholders' equity, % | 3.7% | -8.4% | 5.5% | -9.3% | 68.1% |
| Equity per share, SEK [1)] | 15.27 | 23.47 | 15.27 | 23.47 | 14.45 |
| Number of shares, before and after dilution [1)] | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 |
| Average number of shares [1)] | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 |

Definitions, see page 17.

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

## About BioArctic

BioArctic is a research based biopharmaceutical company focusing on disease modifying treatments and reliable biomarkers and diagnostics for neurodegenerative diseases, such as Alzheimer's disease and Parkinson's disease. The company also develops an innovative treatment for Complete Spinal Cord Injury. The company focuses on innovative treatments in areas with high unmet medical needs.

The company has high scientific competence and experience in developing drugs from idea to market through employees and key consultants. 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 good ability to deliver innovative pharmaceutical projects.

In Alzheimer's disease, BioArctic has collaborated with Eisai since 2005. The company has entered into a total of 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 as well as royalties. So far, EUR 50 million has been received. In Parkinson's disease, BioArctic has collaborated with AbbVie since 2016 when a research collaboration agreement was concluded 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 as well as royalty payments of which USD 80 million has so far been received.

The project portfolio is a combination of fully funded projects run in partnership with global pharmaceutical companies and innovative in-house projects with significant market- and out-licensing potential. An IPO is being prepared in order to enable efficient progression of the in-house projects. For information about the projects, see the section Project portfolio.

## Comments on the period by the CEO

With patients in focus, BioArctic develops disease modifying drugs with the aim of stopping or slowing down the progression of Alzheimer's disease and Parkinson's disease, based on the company's antibodies (immunotherapy). BioArctic also develops an innovative treatment for Complete Spinal Cord Injury. The goal is to develop effective treatments that substantially improve the patients' quality of life.

BioArctic's strategy is to build a research portfolio with a number of innovative projects successively reaching a suitable point for entering into partnerships with global pharma companies. Our research and development work is proceeding in line with this strategy.

All BioArctic's projects have developed well during the period. The company has scientifically leading and financially strong partners in both Alzheimer's disease and Parkinson's disease, which is a quality mark. I can thus note that BioArctic is developing strongly with an increased number of employees and consultants.

Among our five projects for treatment of patients with early stage Alzheimer's disease, BAN2401 is the most advanced, in collaboration with Eisai. The clinical Phase 2b study continues and includes 856 patients being treated for 18 months. Patients in the US, Canada, Europe, Japan and South Korea are included. The analyzed results from the Phase 2b study are expected to be available in the first half of 2019 at the latest.

Together with research groups at Uppsala University, we are developing a completely new type of PET tracer (positron emission tomography) for imaging of the brain in connection with Alzheimer's disease by using BioArctic's antibodies. This will create a tool that enables better diagnosis of Alzheimer's disease, monitoring of progression of the disease and objective measuring of the effect of drug treatment. Our ambition is to create a tool that can be used in research and drug development as well as in commercial applications.

As a result of the research collaboration with AbbVie in Parkinson's disease, we have recruited more employees, gained increased resources and are able to drive the BAN0805 project considerably faster towards clinical studies. In the second quarter, the European Patent Office announced its intention to approve BioArctic's patent application for the BAN0805 antibody for Parkinson's disease in the EU.

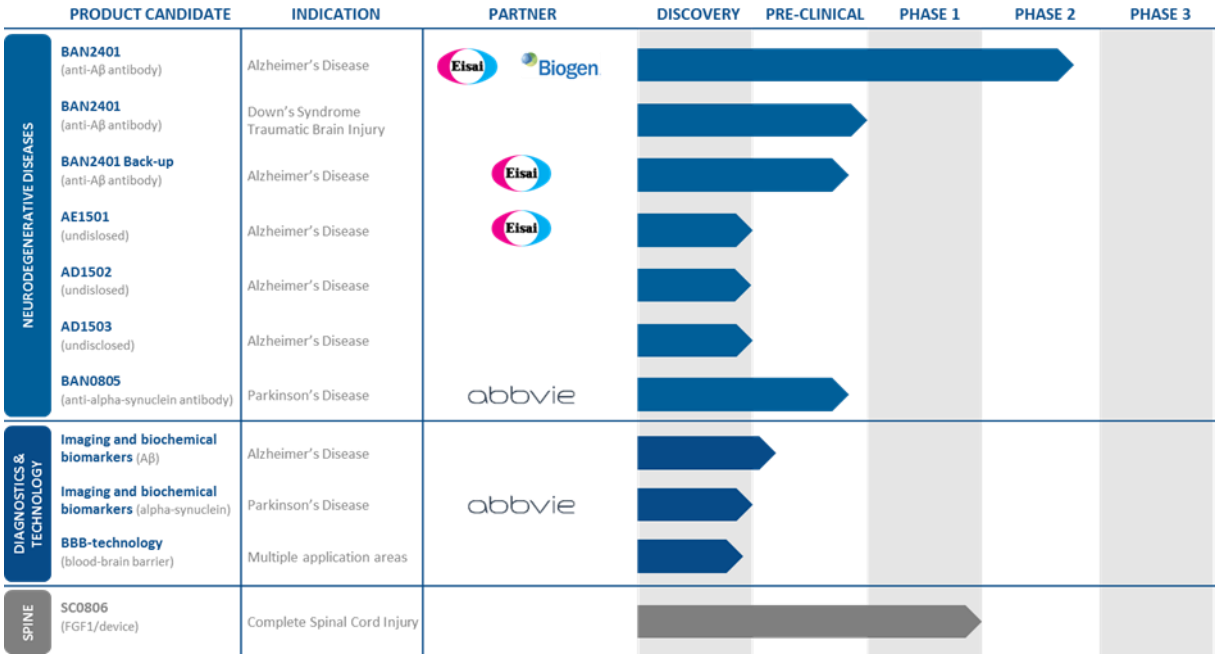
In the Spinal Cord Injury project, an Independent Monitoring Committee has performed an interim analysis evaluating safety and tolerability. The result of the analysis supports the continuation of the clinical study with SC0806 for patients with Complete Spinal Cord Injury. We are also pleased that EU's Horizon2020 has accepted the inclusion of rehabilitation clinics in Estonia and Norway as new beneficiaries in the SC0806 clinical Phase 1/2 study.

So far the year has been characterized by high expectations and great enthusiasm for the continued positive development of the company. Intensive work is ongoing in order to prepare for an IPO. We are looking forward to the important activities ahead of us during the rest of the year.

**Gunilla Osswald**
CEO, BioArctic AB

# Project portfolio

## Preclinical and clinical research:




*BioArctic's project portfolio at June 30, 2017:*
*BioArctic has two projects in clinical phase: BAN2401 for Alzheimer's disease and SC0806 for patients with Complete Spinal Cord Injury.*
*The company has four projects in preclinical development: BAN2401 for Down's Syndrome with dementia and Traumatic Brain Injury (TBI), BAN2401 Back-up for Alzheimer's disease, BAN0805 for Parkinson's disease and biomarker and diagnostics projects for Alzheimer's disease.*
*In research phase there are three projects for Alzheimer's disease (AE1501, AD1502, AD1503), Parkinson's disease follow-up projects, 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, whereas alpha-synuclein is the signature protein of Parkinson's disease. Our disease modifying treatment strategy is to eliminate the aggregates of the toxic misfolded proteins using the company's oligomer/protofibril selective antibodies in the brain.

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

### BAN2401

*Alzheimer's disease:* BAN2401 is a drug candidate (an antibody) for the treatment of early stage Alzheimer's disease. The aim is to develop a disease modifying treatment. A Phase 2b clinical study is ongoing in the United States, Canada, Europe, Japan and South Korea. The study includes 856 patients who are treated for 18 months. An Independent Monitoring Committee has conducted an additional interim analysis and in the quarter recommended continuing the clinical Phase 2b study with BAN2401 for

patients with early Alzheimer's disease. Eisai is responsible for the clinical development. The project is based on innovative 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)*: In 2015, BioArctic 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 in late preclinical phase.

### AE1501

In 2015 the collaboration with Eisai was extended to also include a project jointly owned by BioArctic and Eisai. The aim is to develop a future disease modifying treatment of Alzheimer's disease with a different target than those targeted in the projects BAN2401 and BAN2401 Back-up.

### AD1502 and AD1503

At BioArctic innovative 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) for the treatment of Parkinson's disease. The aim is to develop a disease modifying treatment that stops or slows down disease progression. A collaboration with AbbVie was started in 2016 regarding the continued development of the company's Parkinson program concerning BAN0805 with follow-up projects and diagnostics. The project is based on innovative research at Uppsala University.

## 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 in the individual patient. This is done in collaboration with the University of Gothenburg, Sweden.

*Blood-brain barrier technique:* Together with Uppsala University BioArctic is developing a technique that enables better passage of antibodies and other substances into the brain via the blood brain barrier. This technique has potential and could become a general method for immunotherapy in brain diseases.

## Complete Spinal Cord Injury

### SC0806

SC0806 is an innovative potential treatment for patients with traumatic Complete Spinal Cord Injury. The product is a combination of a biodegradable medical device and a drug substance (FGF1). The first patient was treated in 2016 at Karolinska University Hospital, Sweden, with subsequent rehabilitation for 18 months. The product obtained orphan drug status in 2010 in the EU and in 2011 in the US, which can give the company 10 and 7 years exclusive rights on the European market and in the US, respectively.

## 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.

### Revenue, expenses and results

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

Net sales in the second quarter amounted to SEK 32.0 million (1.0), an increase of SEK 31.0 million compared with the same period the previous year. First six months' net sales amounted to SEK 58.2 million (10.0), which was SEK 48.2 million higher than those of last year. The net sales increase referred mainly to revenues from the research collaboration with AbbVie in Parkinson's disease.

Other operating income relates to rental revenues, research grants and one-time payment for subleasing and amounted to SEK 5.2 million (3.2) for the quarter and SEK 5.9 million (5.4) for the period January – June.

Operating costs amounted to SEK 34.7 million (15.5) for the second quarter and to SEK 60.2 million (27.8) for the period. The increase is primarily explained by the increased research costs related to the collaboration agreement with AbbVie, but also by increased administrative costs due to a planned IPO and exchange-rate losses. The R&D costs have not been capitalized but are expensed in their entirety.

Operating profit before financial items (EBIT) was SEK 2.5 million (-11.2) for the second quarter and SEK 3.9 million (-12.5) for the period January – June.

The increase in profits is mainly attributable to the AbbVie research agreement entered into in 2016, which affected net sales, R&D costs and administrative costs.

Net financial items totaled SEK 0.5 million (0.2) for the second quarter and SEK 0.5 million (0.3) for the first six months.

Profit after tax amounted to SEK 2.3 million (-8.7) for the second quarter and SEK 3.4 million (-9.6) for the period January – June.

Earnings per share before and after dilution amounted to SEK 0.55 (-2.07) for the second quarter and to SEK 0.82 (-2.29) for the period January – June 2017.

### Financial position

Equity amounted to SEK 64.2 million (98.7) at June 30, 2017. This corresponds to an equity per outstanding share of SEK 15.27 (23.47) before and after dilution. The reason for the decline is explained by a dividend of SEK 105.1 million at the end of 2016. The equity/assets ratio has declined from 88.2 % at June 30, 2016, to 10.0 % at the same point of time in 2017. The decline relates to the dividend and an upfront payment of USD 80 million from AbbVie. Only a minor part of the upfront payment has been recognized as revenue to date, since a large part of the upfront payment relates to planned deliveries in the Parkinson project.

Consolidated cash and cash equivalents consist of bank balances and at the end of the period amounted to SEK 622.1 million (93.4). There were no borrowings as at June 30, 2017, and no loans have been taken since this date. The Group has no other loans or loan commitments.

The Group's liquid funds are intended to be used mainly for agreed commitments and for daily operating activities. 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 current rate.

## Investments and cash flow

Investments in the period April – June amounted to SEK 0.4 million (0.0) and in the first six months to SEK 0.6 million (0.0). The investments related to laboratory equipment and furniture.
Cash flow from operating activities for the second quarter amounted to SEK -27.6 million (-11.3) and for the first six months to SEK -66.0 million (-20.6). The total cash flow for the full financial year 2016 amounted to SEK 567.1 million. The company has an uneven incoming cash flow. Towards the end of 2016, an upfront payment of USD 80 million was received according to the collaboration agreement with AbbVie. Similar one-time payments have not been received in 2017.

# Other information

### Annual General Meeting 2017

In addition to customary annual general meeting decisions the AGM decided:
- To increase the number of shares through a 1:15 share split, and to increase the share capital by approximately SEK 1.1 million through a bonus issue that adds funds from the unrestricted equity.
- To change the company category from private to public limited company.
- To adopt new articles of association tailored to the requirements of public companies.
- To authorize the board of directors* to implement a distribution issue by, on one or more occasions during the time until the next annual general meeting, deciding on increasing the company's share capital by a new issue of shares by way of derogation from the shareholders' preferential rights and/or with provision for subscription in kind, set-off or other conditions. The authorization is valid until the date when the company's shares are admitted to trading on a market place, however, no later than the next annual general meeting.
- To authorize the board of directors* to, on one or more occasions during the time until the next annual general meeting, decide on increasing the company's share capital by issuing new shares, warrants or convertibles by way of derogation from the shareholders' preferential rights and/or with provision for subscription in kind, set-off or other conditions. The authorization is valid until the date when the company's shares are admitted to trading on a market place, however, no later than the next annual general meeting. The authorization is limited to an increase of the share capital by up to 10 percent.
- To set up a nomination committee and adopt guidelines for remuneration to senior executives.

** Comment: At the time of publication of this interim report, the board of directors has not exercised these authorizations.*

### Personnel

The number of employees in the Group was 27 (23) at the end of the period. Of these employees 11 (9) are men and 16 (14) are women.
Of the total employees about 95 percent are active in R & D. About 90 percent of the company's 27 employees are PhDs, and of those two are Associate Professors and two are Professors.

### Risks and uncertainties

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 2016, pages 7-9.

### Parent Company

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

## Consolidated income statement

| All amounts in kSEK | Apr-Jun 2017 | Apr-Jun 2016 | Jan-Jun 2017 | Jan-Jun 2016 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| Net sales (Note 4) | 32 018 | 1 001 | 58 192 | 9 991 | 105 613 |
| Cost of goods sold | - | - | -266 | - | -238 |
| **Gross Profit** | **32 018** | **1 001** | **57 926** | **9 991** | **105 375** |
| Other operating income | 5 176 | 3 232 | 5 914 | 5 367 | 39 073 |
| Marketing expenses | -353 | -344 | -696 | -689 | -1 370 |
| Administrative expenses | -6 887 | -3 102 | -10 648 | -4 362 | -14 544 |
| Research and development costs | -25 968 | -11 982 | -43 324 | -22 715 | -53 665 |
| Other operating expenses | -1 511 | -48 | -5 229 | -100 | -238 |
| **Operating profit/loss** | **2 475** | **-11 243** | **3 943** | **-12 508** | **74 631** |
| Financial income | 539 | 174 | 539 | 256 | 8 |
| Financial expenses | - | -1 | -12 | -1 | -503 |
| **Result before tax** | **3 014** | **-11 070** | **4 470** | **-12 253** | **74 136** |
| Tax | -693 | 2 378 | -1 034 | 2 626 | -16 556 |
| **Result for the period attributable to Parent Company shareholders** | **2 321** | **-8 692** | **3 436** | **-9 627** | **57 580** |
| Earnings per share, SEK | 0.55 | -2.07 | 0.82 | -2.29 | 13.70 |
| Total number of shares[1)] | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 |
| Average number of shares[1)] | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 |

[1)] There are no potential shares and thus there is no dilutive effect.

## Consolidated statement of comprehensive income

| All amounts in kSEK | Apr-Jun 2017 | Apr-Jun 2016 | Jan-Jun 2017 | Jan-Jun 2016 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| Net result for the period | 2 321 | -8 692 | 3 436 | -9 627 | 57 580 |
| Other comprehensive income | - | - | - | - | - |
| **Comprehensive income for the period** | **2 321** | **-8 692** | **3 436** | **-9 627** | **57 580** |

## Consolidated balance sheet – summary

| All amounts in kSEK | June 30, 2017 | June 30, 2016 | Dec 31, 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| Tangible fixed assets | 5 305 | 3 481 | 5 644 |
| Deferred tax assets | 201 | 130 | 172 |
| Other financial assets | 2 675 | 8 345 | 2 675 |
| Current assets excluding cash and cash equivalents | 8 553 | 6 476 | 6 955 |
| Cash and cash equivalents | 622 063 | 93 411 | 692 530 |
| **TOTAL ASSETS** | **638 797** | **111 843** | **707 976** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| Shareholders' equity | 64 196 | 98 658 | 60 760 |
| Deferred tax liabilities | 4 136 | - | 4 136 |
| Other current liabilities | 10 466 | 3 887 | 19 744 |
| Accrued expenses and deferred income | 559 999 | 9 298 | 623 336 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **638 797** | **111 843** | **707 976** |

## Consolidated statement of changes in equity – summary

| All amounts in kSEK | Jan-Jun 2017 | Jan-Jun 2016 | Jan-Dec 2016 |
|---|---|---|---|
| **Opening balance** | **60 760** | **108 285** | **108 285** |
| Total comprehensive income for the period | 3 436 | -9 627 | 57 580 |
| Transactions with shareholders | - | - | - |
| Purchase of minority shares | - | - | -5 |
| Paid dividend | - | - | -105 100 |
| **Closing balance** | **64 196** | **98 658** | **60 760** |

# Consolidated statement of cash flow

| All amounts in kSEK | Apr-Jun 2017 | Apr-Jun 2016 | Jan-Jun 2017 | Jan-Jun 2016 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| **Operating result** | **2 475** | **-11 243** | **3 943** | **-12 508** | **74 631** |
| Adjustments for items not generating cash flow | | | | | |
| Prepaid revenues | -33 007 | -1 749 | -57 678 | -11 917 | -9 502 |
| Depreciation | 451 | 365 | 892 | 753 | 1 556 |
| Unrealized exchange-rate differences | 706 | 6 | 4 424 | 29 | -12 139 |
| Interest received | - | - | - | - | 7 |
| Interest paid | - | -1 | -1 | -1 | -5 |
| Tax paid | -163 | -163 | -7 190 | -339 | -519 |
| **Cash flow from operating activities before changes in working capital** | **-29 538** | **-12 785** | **-55 610** | **-23 983** | **54 029** |
| Changes in working capital | 1 898 | 1 528 | -10 407 | 3 336 | 621 102 |
| **Cash flow from operating activities** | **-27 640** | **-11 257** | **-66 017** | **-20 647** | **675 131** |
| **Investing activities** | | | | | |
| Acquisition of tangible assets | -432 | - | -553 | - | -2 967 |
| Acquisition of group companies | - | - | - | - | -5 |
| **Cash flow from investing activities** | **-432** | **-** | **-553** | **-** | **-2 972** |
| **Financing activities** | | | | | |
| Paid dividend | - | - | - | - | -105 100 |
| **Cash flow from financing activities** | **-** | **-** | **-** | **-** | **-105 100** |
| **Cash flow for the period** | **-28 072** | **-11 257** | **-66 570** | **-20 647** | **567 059** |
| Cash and cash equivalents at beginning of period | 650 302 | 104 500 | 692 530 | 113 831 | 113 831 |
| Exchange rate differences in cash and cash equivalents | -167 | 168 | -3 897 | 227 | 11 640 |
| **Cash and cash equivalents at end of period** | **622 063** | **93 411** | **622 063** | **93 411** | **692 530** |

## Parent Company income statement

| All amounts in kSEK | Apr-Jun 2017 | Apr-Jun 2016 | Jan-Jun 2017 | Jan-Jun 2016 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| Net sales | 32 018 | 1 001 | 58 192 | 9 991 | 105 613 |
| Cost of goods sold | - | - | -266 | - | -238 |
| **Gross profit** | **32 018** | **1 001** | **57 926** | **9 991** | **105 375** |
| Other operating income | 5 176 | 3 232 | 5 914 | 5 367 | 39 073 |
| Selling expenses | -353 | -344 | -696 | -689 | -1 370 |
| Administrative expenses | -6 886 | -3 102 | -10 647 | -4 362 | -14 544 |
| Research and development costs | -25 968 | -11 982 | -43 324 | -22 715 | -53 665 |
| Other operating expenses | -1 511 | -48 | -5 229 | -100 | -238 |
| **Operating profit/loss** | **2 476** | **-11 243** | **3 944** | **-12 508** | **74 631** |
| Financial income | 539 | 174 | 539 | 256 | 8 |
| Financial expenses | - | -1 | -12 | -1 | -503 |
| **Result before tax and changes in tax allocation reserves** | **3 015** | **-11 070** | **4 471** | **-12 253** | **74 136** |
| Change in tax allocation reserves | - | - | - | - | -18 800 |
| **Result before tax** | **3 015** | **-11 070** | **4 471** | **-12 253** | **55 336** |
| Tax on profit for the period | -693 | 2 378 | -1 034 | 2 626 | -12 420 |
| **Net result for the period** | **2 322** | **-8 692** | **3 437** | **-9 627** | **42 916** |

## Parent Company statement of comprehensive income

| All amounts in kSEK | Apr-Jun 2017 | Apr-Jun 2016 | Jan-Jun 2017 | Jan-Jun 2016 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| Net result for the period | 2 322 | -8 692 | 3 437 | -9 627 | 42 916 |
| Other comprehensive income | - | - | - | - | - |
| **Net result for the period** | **2 322** | **-8 692** | **3 437** | **-9 627** | **42 916** |

## Parent Company balance sheet – summary

| All amounts in kSEK | June 30, 2017 | June 30, 2016 | Dec 31, 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| Tangible fixed assets | 5 305 | 3 481 | 5 644 |
| Deferred tax assets | 201 | 130 | 172 |
| Other financial assets | 2 775 | 8 440 | 2 775 |
| Current assets excluding cash and cash equivalents | 8 552 | 6 476 | 6 955 |
| Cash and cash equivalents | 621 965 | 93 312 | 692 430 |
| **TOTAL ASSETS** | **638 798** | **111 839** | **707 976** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| Shareholders' equity | 49 553 | 98 653 | 46 096 |
| Tax allocation reserve | 18 800 | - | 18 800 |
| Other current liabilities | 10 446 | 3 887 | 19 744 |
| Accrued expenses and deferred income | 559 999 | 9 299 | 623 336 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **638 798** | **111 839** | **707 976** |

## 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, corporate identity number 559003-7080, and LPB Sweden AB, 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 2017 was approved by the Board on August 10, 2017.

**Note 2 Accounting policies**

The consolidated financial statements for BioArctic AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, The Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting rules for groups of companies. The Parent Company's financial reports are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Reporting for legal entities.

The interim report is prepared in accordance with IAS 34 Interim Financial Reporting. Information in accordance with IAS 34 is provided both in notes and elsewhere in the interim report.

European Securities and Market Authority's (ESMA's) Guidelines on Alternative Performance Measures are applied and involve disclosure requirements related to financial metrics that are not defined under IFRS. For performance measures that are not defined under IFRS, see the section Calculations of key figures.

The accounting principles and methods of calculation applied are in all other respects in conformity with those described in the Annual Report for 2016. BioArctic has initiated an analysis of new standards and interpretations that came into force on January 1, 2017, or later. For IFRS 15 Revenues from Contracts with Customers, which comes into force on January 1, 2018, an analysis of the Group's revenue has been performed and an evaluation of its impact has been initiated. The initial conclusion is that the standard will not have any significant impact on the Group's financial situation. The initial conclusion regarding the new standards IFRS 9 Financial Instruments and IFRS 16 Leases is that these standards will have no significant impact on the Group's financial situation.

**Note 3 Segment information**

The Group conducts research and development in immunotherapy for degenerative diseases such as Alzheimer's disease and Parkinson's disease. The company is also developing an innovative treatment with a combination of a biodegradable medical device and a drug substance (FGF1) for treatment of traumatic Complete Spinal Cord Injury. The Group's business is assessed to comprise one segment and thus no separate segment reporting is provided. The Board of Directors has been identified as the principal executive decision-maker within the Group.

**Note 4 Nets sales**

A breakdown of the Group's net sales is shown below:

| All amounts in kSEK | Apr-Jun 2017 | Apr-Jun 2016 | Jan-Jun 2017 | Jan-Jun 2016 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| One-time payment | - | - | - | - | 70 400 |
| Milestone payment | - | - | - | 7 935 | 8 169 |
| Income from research collaborations | 32 018 | 999 | 57 761 | 2 050 | 26 676 |
| Other items | - | 2 | 431 | 6 | 368 |
| **Net sales** | **32 018** | **1 001** | **58 192** | **9 991** | **105 613** |

BioArctic's net sales in all essentials 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 704 million (USD 80 million). This payment related to compensation for the preclinical development work that BioArctic will carry out under the agreement and an option premium the amount of which is not specified in the agreement. Of the initial payment SEK 70.4 million was reported as one-time payment in 2016. The rest of the payment will be accrued based on the costs incurred up until December 2019. SEK 22.7 million was reported as income in 2016 and SEK 55.4 million in the period January - June 2017. SEK 555.5 million remains to be reported as income.

**Note 5 Transactions with affiliated parties**

The former board member Mikael Smedeby is a lawyer and co-owner of Advokatfirman Lindahl KB, which provides ongoing business legal advice to the BioArctic against market compensation. During 2015, Advokatfirman Lindahl invoiced fees amounted to approximately SEK 0.2 million, in 2016 to approximately SEK 0.9 million and during the period January - June 2017 to approximately SEK 2.1 million. In addition to the compensation described above, salaries and director fees, no significant transactions have taken place between the Group and related parties. All transactions have been made on market terms.

## Calculations of key figures

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

| **Consolidated** | **Apr-Jun 2017** | **Apr-Jun 2016** | **Jan-Jun 2017** | **Jan-Jun 2016** | **Jan-Dec 2016** |
|---|---|---|---|---|---|
| **Calculation of Equity/asset ratio** | | | | | |
| Equity, kSEK | 64 196 | 98 658 | 64 196 | 98 658 | 60 760 |
| Total assets, kSEK | 638 797 | 111 843 | 638 797 | 111 843 | 707 976 |
| **Equity/asset ratio, %** | **10.0%** | **88.2%** | **10.0%** | **88.2%** | **8.6%** |
| **Calculation of return on shareholders' equity, %** | | | | | |
| Net result, kSEK | 2 321 | -8 692 | 3 436 | -9 627 | 57 580 |
| Equity in average, kSEK | 63 036 | 103 004 | 62 478 | 103 471 | 84 523 |
| **Return on shareholders' equity, %** | **3.7%** | **-8.4%** | **5.5%** | **-9.3%** | **68.1%** |
| **Calculation of Equity per share** | | | | | |
| Equity, kSEK | 64 196 | 98 658 | 64 196 | 98 658 | 60 760 |
| Average number of shares | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 |
| **Equity per share, SEK** [1)] | **15.27** | **23.47** | **15.27** | **23.47** | **14.45** |
| **Calculation of cash flow from operating activities per share, SEK** | | | | | |
| Cash flow from operating activities | -27 640 | -11 257 | -66 017 | -20 647 | 675 131 |
| Number of shares | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 | 4 203 999 |
| **Cash flow from operating activities per share, SEK** [1)] | **-6.57** | **-2.68** | **-15.70** | **-4.91** | **160.59** |

1) There are no potential shares and thus there is no dilutive effect.

The Board and the CEO confirm that the 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.

Stockholm, Sweden, August 10, 2017

| | |
|---|---|
| Lars Lannfelt<br>Chairman | Hans Ekelund<br>Director of the Board |
| Pär Gellerfors<br>Director of the Board | Wenche Rolfsen<br>Director of the Board |
| Ivar Verner<br>Director of the Board | Gunilla Osswald<br>CEO |

## Review Report of Financial Information in Summary (Interim Report)

**Introduction**
We have performed a review of the financial information in summary (interim report) for BioArctic AB at June 30, 2017 and the three month period ending this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

**Scope of Review**
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

**Conclusion**
Based on our review, no circumstances have arisen which give us reason to believe that the interim report has not been prepared for the Group in accordance with IAS 34 and the Annual Accounts Act and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, Sweden, August 10, 2017
Grant Thornton Sweden AB

Mia Rutenius
Authorized Public Accountant, Chief Auditor

Rutger Nordström
Authorized Public Accountant

## Definitions

**Earnings per share**
Result after tax divided by average number of shares.

**Cash flow from operating activities per share**
Cash flow from operating activities for the period divided by the number of shares at the end of the period.

**Equity/assets ratio**
Shareholders' equity as a percentage of total assets.

**Return on equity**
Result after tax as a percentage of average equity.

**Number of shares after dilution**
Shares at the end of the period adjusted for the dilutive effect of potential shares.

## BioArctic AB

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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.*