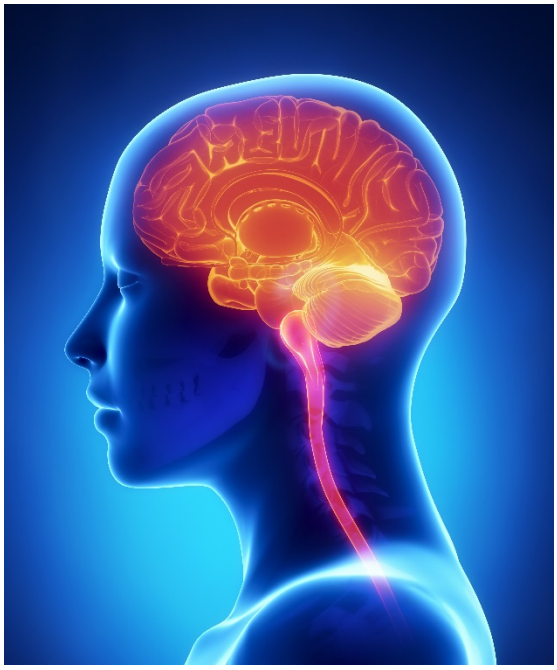
Full Year Report January – December 2017



Content

Financial Calendar

Interim Report Jan – Mar, Apr 26, 2018
Annual Report 2017, week commencing Apr 23, 2018
Annual General Meeting 2018, May 15, 2018
Interim Report Jan – Jun, Aug 23, 2018
Interim Report Jan – Sep, Nov 8, 2018

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

Successful IPO and continued positive result for BioArctic

October – December 2017

- Net sales for the period amounted to SEK 51.0 million (94.4)
- Operating profit amounted to SEK 14.7 million (97.3)
- Profit for the period amounted to SEK 11.8 million (75.0)
- Earnings per share were SEK 0.16 (1.19)
- Cash flow from operating activities amounted to SEK -45.7 million (705.6)

January – December 2017

- Net sales for the period amounted to SEK 140.7 million (105.6)
- Operating profit amounted to SEK 19.3 million (74.6)
- Profit for the period amounted to SEK 15.2 million (57.6)
- Earnings per share were SEK 0.22 (0.91)
- Cash flow from operating activities amounted to SEK -135.3 million (675.1)

Key events during the period October - December 2017

- BioArctic listed on Nasdaq Stockholm Mid Cap and trade in the company's B-shares began on October 12
- BioArctic announced that the Phase 2b study on BAN2401 in patients in the early stages of Alzheimer's disease is continuing on to final analysis after 18 months of treatment. The effect criteria at the 12-month interim analysis of ADCOMS (primary endpoint) were not met. The study will contimue blinded until the study is completed, in accordance with the study protocol
- Patent granted in Europe for BioArctic's drug candidate BAN0805 for Parkinson's disease
- The Board of Directors proposes that no dividend is paid for the financial year 2017

Key events after the period

- BioArctic received US patent protection for a method with a medical device, which is one of the components in the product candidate SC0806, for treatment of patients with Complete Spinal Cord Injury

Financial summary

SEKm	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	51.0	94.4	140.7	105.6
Other operating income	10.4	32.6	19.0	39.1
Operating profit	14.7	97.3	19.3	74.6
Profit for the period	11.8	75.0	15.2	57.6
Earnings per share, SEK [1, 2]	0.16	1.19	0.22	0.91
Equity per share, SEK [1, 2]	7.22	0.96	7.22	0.96
Cash flow from operating activities	-45.7	705.6	-135.3	675.1
Cash flow from operating activities per share, SEK [1, 2]	-0.60	11.19	-1.99	10.71
Equity/assets ratio, %	55.8%	8.6%	55.8%	8.6%
Return on equity, %	3.4%	98.9%	4.3%	68.1%
Number of shares	88,059,985	4,203,999	88,059,985	4,203,999

[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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Jan Mattsson, CFO, jan.mattsson@bioarctic.se, telephone + 46 (0)703 52 27 72

Presentation

BioArctic invites to an audiocast with teleconference (in English) for investors, analysts and media today, February 20, at 09:30 – 10:30 a.m. CET.

CEO Gunilla Osswald and CFO Jan Mattsson present BioArctic, comment on the Full Year Report and answer questions.

Webcast: https://tv.streamfabriken.com/bioarctic-q4-2017
Dial-in telephone number from:
Sweden: + 46 8 566 426 62
Belgium: + 32 240 406 35
Germany: + 49 692 222 290 46
The Netherlands: + 31 207 168 416
Norway: + 47 235 002 53
Switzerland: + 41 225 675 548
UK: + 44 203 008 9811
US: + 1 855 831 5946

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.

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 in addition to royalties. 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 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 in addition to 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. For information about the projects, see the section Project portfolio.
BioArctic's B-share is listed on Nasdaq Stockholm Mid Cap (ticker: BIOA B).

CEO's comments

A strategic year paving the way ahead

BioArctic's most important task is to improve the quality of life of patients with diseases affecting the central nervous system. As we prepared the company during last year for the IPO, we further developed the company's strategy. This was done in order to be able take full advantage of the opportunities and manage the challenges that lie ahead. BioArctic is today well equipped to drive our projects forward towards further successful collaboration and continued growth.

The listing of the company on Nasdaq Stockholm Mid Cap on October 12 received a lot of positive attention in the media. Since then intensive work has continued with the aim of increasing knowledge of and interest in BioArctic externally. Together with colleagues I have met a number of investors and participated in Life Science events in Sweden, other European countries and the US. We are delighted and find it inspiring that great interest continues to be shown in BioArctic after the IPO process.

Of BioArctic's five projects for the treatment of patients in the early stages of Alzheimer's disease, it is BAN2401, in collaboration with Eisai, that is the most advanced. On December 21, BioArctic announced that the Phase 2b-study on BAN2401 (Study 201) in 856 patients in the early stages of Alzheimer's disease is progressing towards final analysis after 18 months of treatment. The antibody BAN2401, which selectively binds amyloid-beta protofibrils, did not meet the efficacy criteria in ADCOMS (primary endpoint) at the 12-month interim analysis based on an innovative Bayesian design with high requirements for meeting the effect criteria. In accordance with a predetermined study protocol, the study will continue blinded until completion. 18 months is considered to be a more relevant treatment period for demonstrating a clinical effect in a disease-modifying drug for Alzheimer's disease. We look forward to the full results once the study has been completed after 18 months of treatment. These results are expected to be available in the second half of 2018.

The research collaboration with AbbVie regarding Parkinson's disease is very intense and has led to that BioArctic has hired more employees, increased resources and has the ability to run the BAN0805 project considerably faster towards future clinical studies. BioArctic has had a robust patent strategy since the company was formed in 2003. A patent was granted in Europe during the period for the company's drug candidate BAN0805 for Parkinson's disease.

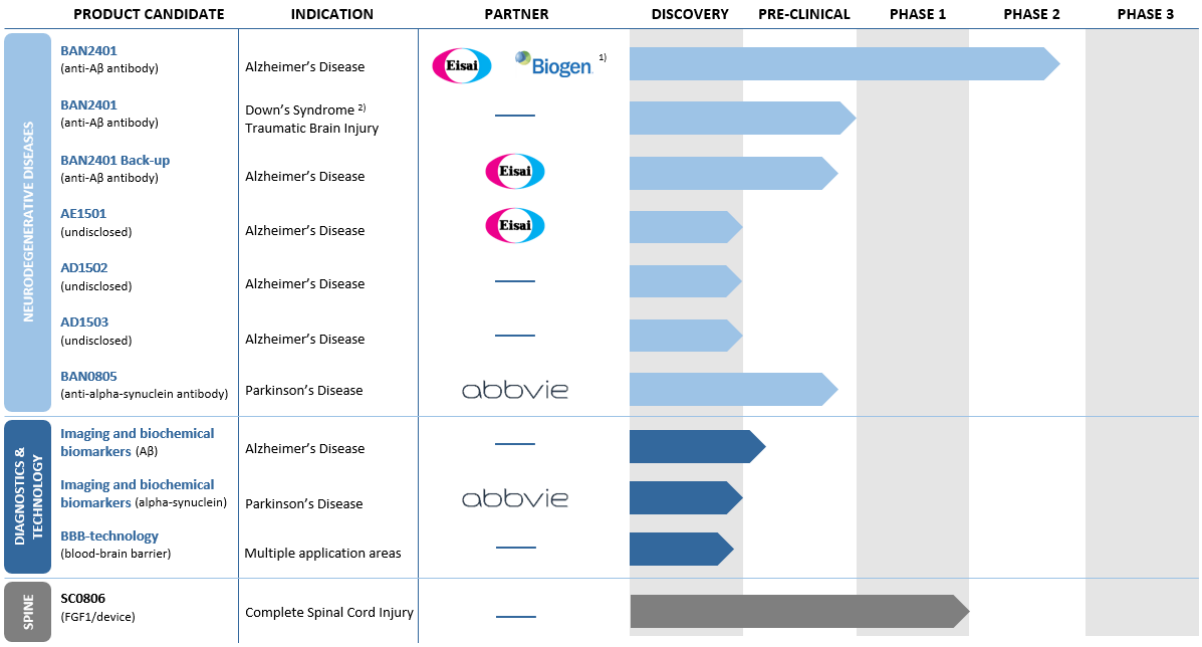
The company's treatment for Complete Spinal Cord Injury, SC0806, is undergoing clinical trials in Phases 1/2 at specialist clinics in Sweden and work is ongoing to include clinics in Finland, Estonia and Norway. There is no effective treatment for these patients today. We look forward to continuing the important activities in this treatment area.

When I look back at the past year, I am proud of the fact that so much has happened in such a short timeframe. In 2017 we took the important strategic step of carrying out a successful IPO – the largest within the biotech sector in Sweden since 2000. We continued to run the company's projects in three treatment areas, all with great unmet medical needs, well in line with our objectives. Finally, I would like to thank all investors for their confidence in the company, collaboration partners and all the employees at BioArctic who have contributed to a successful 2017.

Gunilla Osswald
President and CEO, BioArctic AB

Project portfolio

Pre-clinical 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

BioArctic's project portfolio as of December 31, 2017:
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 four projects in pre-clinical 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.
There are three projects in the research phase 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. BioArctic's disease modifying treatment strategy is to eliminate toxic aggregated forms of amyloid beta (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: BAN2401 is a disease modifying drug candidate (an anti-amyloid beta protofibril selective antibody) for the treatment of early Alzheimer's disease. A clinical Phase 2b study is ongoing in the US, Canada, Europe, Japan and South Korea comprising 856 patients. The 17th and final interim analysis has been carried out and in accordance with a predetermined study protocol, the study will continue blinded with 18 months of treatment and 3 months follow up, followed by final analysis of the study

results. The efficacy criteria at the 12-month interim analysis of ADCOMS (primary endpoint) were not met, as announced on December 21, 2017. The results from the interim analysis at 12 months were based on an innovative Bayesian design with high requirements for meeting the efficacy criteria. The results from the final analysis of the entire study are expected during the second half of 2018. Eisai is responsible for the clinical development. 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 in the late pre-clinical 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 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. 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. The project is based on 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 across the blood-brain barrier. This technique has great technical and economic potential and could be a general technique for improved and more effective treatment of brain disease.

Complete Spinal Cord Injury

SC0806

SC0806 is an innovative potential 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 at Karolinska University Hospital, Sweden, 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 rehabilitation in an extension study. Work is ongoing to include clinics in Finland, Estonia and Norway in the study. The product obtained orphan drug designation in 2010 in the EU and in 2011 in the US, which gives the company 10 and 7 years of market exclusivity in Europe and the US, respectively.

Patent

Securing patent protection is the foundation for all new drug and product projects, whether a project derives from BioArctic's laboratories or is in-licensed. Patents and other exclusive rights are crucial to the company's future commercial opportunities. BioArctic has an active patent strategy covering all major geographic markets, including the US, EU, Japan and China. BioArctic's intellectual property right portfolio consisted at the end of the year of 11 patent families with 112 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.

Revenues and results

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

Net sales in the fourth quarter amounted to SEK 51.0 million (94.4), a decrease of SEK 43.4 million compared with the same period the previous year. The decrease during the fourth quarter is attributable to the one-time payment booked when the research collaboration with AbbVie regarding Parkinson's disease started in 2016. Net sales for the period January – December amounted to SEK 140.7 million (105.6), which is an increase of SEK 35.1 million for the period January – December. The increase is mainly attributable 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 10.4 million (32.6) for the fourth quarter and SEK 19.0 million (39.1) for the period January – December. The reason for the decrease during 2017 is due to the fact that accrued revenues from Horizon 2020 are lower and that BioArctic had large exchange rate gains during 2016.

Operating costs amounted to SEK 46.7 million (29.4) for the fourth quarter and to SEK 140.2 million (69.8) for the period January – December. The increase during both the quarter and the full year are explained by increased research costs as a result of the collaboration agreement with AbbVie and increased expenses as BioArctic is now a listed company.

Administrative expenses increased, primarily due to the work in connection with the IPO, and amounted to SEK 13.0 million (6.9) during the fourth quarter and to SEK 31.5 million (14.5) during the period January – December. Of the increase, the expenses attributable to the company's IPO amounted to SEK 5.0 million (0.0) during the fourth quarter and to SEK 11.0 million (0.0) for the period January – December. In addition to expenses for the IPO which have been recorded in the income statement, transaction costs of SEK 39.8 million have been recorded in equity. The total costs for the IPO including the acquisition of capital thus amount to SEK 50.8 million.

Other operating expenses consisted of exchange rate losses, which in the fourth quarter became a revenue item, as provisions

made previously were reversed in the quarter. As BioArctic does not meet all the conditions to capitalize R&D, these costs have been expensed in their entirety.

Operating profit before financial items (EBIT) amounted to SEK 14.7 million (97.3) for the fourth quarter and SEK 19.3 million (74.6) for the period January – December.

The decrease in the operating profit is primarily attributable to the one-time payment received from AbbVie which was booked during 2016.

Net financial items totaled SEK 0.6 million (-0.9) for the fourth quarter and SEK 0.4 million (-0.5) for the period January – December.

Profit for the period amounted to SEK 11.8 million (75.0) for the fourth quarter and SEK 15.2 million (57.6) for the period January – December.

Earnings per share before and after dilution amounted to SEK 0.16 (1.19) for the fourth quarter and to SEK 0.22 (0.91) for the period January – December.

Financial position

Equity amounted to SEK 636.1 million (60.8) at December 31, 2017. This corresponds to an equity per outstanding share of SEK 7.22 (0.69) before and after dilution.

The equity/assets ratio has increased from 8.6% at December 31, 2016 to 55.8% at the same point of time in 2017. The increase is due to the acquisition of capital that took place in connection with the listing of BioArctic on Nasdaq Stockholm in October 2017.

Consolidated cash and cash equivalents consist of bank balances and at the end of the period they amounted to SEK 1,110.4 million (692.5). There were no loans as of December 31, 2017, 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 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 the current rate. These effects are recognized in the operating profit and in financial income and expenses.

The Board of Directors proposes that no dividend is paid for the financial year 2017.

Investments and cash flow

Investments in the period October – December 2017 amounted to SEK 0.1 million (1.7) and for the period January – December to SEK 2.8 million (3.0). The investments are mainly related to laboratory equipment.

Cash flow from operating activities for the fourth quarter amounted to SEK -45.7 million (705.6) and for the period January – December to SEK -135.3 million (675.1). Towards the end of 2016, an upfront payment of USD 80 million was received in accordance with the collaboration agreement with AbbVie. This one-time payment had a positive effect on the cash flow. Similar one-time payments have not been received in 2017.

Other information

Nomination Committee

According to the resolution of the Annual General Meeting 2017, the Nomination Committee for the 2018 Annual General Meeting has been appointed and announced. The Nomination Committee comprises: Anki Dahlin (Demban AB), Claes Andersson (Ackelsta AB) and Gunnar Blix (The Third Swedish National Pension Fund).

Listing on Nasdaq Stockholm Mid Cap

In connection with the listing, investors were invited, in accordance with the conditions of

the prospectus, to subscribe for no more than 25,000,000 newly issued B-shares in BioArctic, as authorized by the Annual General Meeting on May 31. As a result of the offering, the number of shares increased to 88,059,985, of which 14,399,996 are A-shares and 73,659,989 B-shares. This corresponded to dilution of 28.4% of the total number of shares and 11.5% of the total number of votes. The issue of the 25,000,000 shares generated SEK 600 million, which after a deduction for transaction costs generated SEK 549 million for BioArctic.

The new share issue enables BioArctic to allocate further resources to its in-house projects and thus conduct the continued development work in a more focused and efficient manner.

The BioArctic's share

BioArctic's B-share began trading on Nasdaq Stockholm on October 12, 2017 under the ticker "BIOA B". The initial listing price was SEK 24. Market capitalization at the end of 2017 was SEK 2.3 billion. During 2017 BioArctic's share saw positive development of 8.33%. The BioArctic B-share reached its highest level of SEK 32.00 on October 13 whereas it recorded its lowest price of SEK 22.90 on December 22. BioArctic's share price was SEK 26.00 on the last trading day of December 2017.

Personnel

The number of employees in the Group was 25 (24) at the end of the period. Of these employees 10 (9) are men and 15 (15) are women. Of the total employees about 95 percent are active in R&D. About 80 percent of the company's 25 employees are PhDs, and of these two are Associate Professors and one is a Professor.

Agency staff

In order to run efficient operations with a cost efficient organization BioArctic hires key consultants for specific assignments and for tasks in competence areas that the company lacks or only has a need for periodically. As of December 31, 2017, these amounted to a total corresponding to 12 (5) full-time positions.

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

kSEK	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales (Note 4)	51,021	94,439	140,706	105,613
Cost of goods sold	-	-238	-266	-238
Gross Profit	**51,021**	**94,201**	**140,441**	**105,375**
Other operating income	10,366	32,557	19,044	39,073
Marketing expenses	-485	-342	-1,397	-1,370
Administrative expenses	-12,969	-6,856	-31,522	-14,544
Research and development costs	-36,839	-22,084	-101,583	-53,665
Other operating expenses	3,637	-143	-5,689	-238
Operating profit	**14,731**	**97,333**	**19,294**	**74,631**
Financial income	905	-437	1,043	8
Financial expenses	-340	-500	-647	-503
Profit before tax	**15,297**	**96,396**	**19,690**	**74,136**
Tax	-3,461	-21,431	-4,534	-16,556
Profit for the period	**11,836**	**74,965**	**15,157**	**57,580**
Earnings per share				
Earnings per share, SEK [1, 2]	0.16	1.19	0.22	0.91

[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.

Consolidated statement of comprehensive income

kSEK	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Profit for the period	11,836	74,965	15,157	57,580
Other comprehensive income	-	-	-	-
Comprehensive income for the period	**11,836**	**74,965**	**15,157**	**57,580**

Consolidated balance sheet – summary

kSEK	Dec 31, 2017	Dec 31, 2016
ASSETS		
Tangible fixed assets	7,093	5,644
Deferred tax assets	230	172
Other financial assets	2,675	2,675
Current assets excluding cash and cash equivalents	20,119	6,955
Cash and cash equivalents	1,110,367	692,530
TOTAL ASSETS	**1,140,483**	**707,976**
EQUITY AND LIABILITIES		
Equity	636,134	60,760
Deferred tax liabilities	5,487	4,136
Other current liabilities	12,160	19,744
Accrued expenses and deferred income	486,702	623,336
EQUITY AND LIABILITIES	**1,140,483**	**707,976**

Consolidated statement of changes in equity – summary

kSEK	Dec 31, 2017	Dec 31, 2016
Opening balance at 1 January	**60,760**	**108,285**
Comprehensive income for the period	15,157	57,580
Transactions with shareholders:		
Share issue	600,000	-
Expenses for share issue	-39,782	-
Purchase of minority shares	-	-5
Paid dividend	-	-105,100
Closing balance	**636,134**	**60,760**

Consolidated statement of cash flow

kSEK	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Cash flow from operating activities before changes in working capital	**-49,110**	**86,195**	**-132,481**	**54,029**
Change in working capital	3,411	619,395	-2,846	621,102
Cash flow from operating activities after changes in working capital	**-45,699**	**705,590**	**-135,327**	**675,131**
Cash flow from investing activities	**521**	**-1,733**	**-2,813**	**-2,972**
Cash flow from financing activities	**560,218**	**-105,100**	**560,218**	**-105,100**
Cash flow for the period	**515,040**	**598,757**	**422,078**	**567,059**
Cash and cash equivalents at beginning of period	590,677	82,477	692,530	113,831
Exchange rate differences in cash and cash equivalents	4,650	11,296	-4,241	11,640
Cash and cash equivalents at end of period	**1,110,367**	**692,530**	**1,110,367**	**692,530**

Parent Company income statement

kSEK	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	51,021	94,440	140,706	105,613
Cost of goods sold	-	-238	-266	-238
Gross profit	**51,021**	**94,202**	**140,441**	**105,375**
Marketing expenses	-485	-342	-1,397	-1,370
Administrative expenses	-12,969	-6,856	-31,521	-14,544
Research and development costs	-36,839	-22,084	-101,583	-53,665
Other operating income	10,366	32,556	19,044	39,073
Other operating expenses	3,637	-143	-5,689	-238
Operating profit	**14,731**	**97,333**	**19,295**	**74,631**
Financial income	905	-437	1,043	8
Financial expenses	-340	-500	-647	-503
Profit after financial items	**15,296**	**96,396**	**19,691**	**74,136**
Change in tax allocation reserves	-6,141	-18,800	-6,141	-18,800
Profit before tax	**9,155**	**77,596**	**13,550**	**55,336**
Tax	-2,110	-17,295	-3,183	-12,420
Profit for the period	**7,046**	**60,301**	**10,367**	**42,916**

Parent Company statement of comprehensive income

kSEK	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Profit for the period	7,046	60,301	10,367	42,916
Other comprehensive income	-	-	-	-
Comprehensive income for the period	**7,046**	**60,301**	**10,367**	**42,916**

Parent Company balance sheet – summary

kSEK	Dec 31, 2017	Dec 31, 2016
ASSETS		
Tangible fixed assets	7,093	5,644
Deferred tax assets	230	172
Other financial assets	2,775	2,775
Current assets excluding cash and cash equivalents	20,119	6,955
Cash and cash equivalents	1,110,269	692,430
TOTAL ASSETS	**1,140,484**	**707,976**
EQUITY AND LIABILITIES		
Equity	616,682	46,096
Tax allocation reserve	24,941	18,800
Other current liabilities	12,160	19,744
Accrued expenses and deferred income	486,702	623,336
EQUITY AND LIABILITIES	**1,140,484**	**707,976**

Notes

Note 1 General information

This Full Year 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 Full Year Report for the period January – December 2017 was approved by the Board on February 19, 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 Full Year Report 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 Full Year 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.

IFRS 15 *Revenue from Contracts with Customers* regulates the reporting of revenues and came into force on January 1, 2018. IFRS 15 replaces IAS 18 *Revenue* and IAS11 *Construction Contracts* as well as the appropriate SIC and IFRIC. Most of BioArctic's revenues from agreements with customers comprise research collaboration and milestone payments. These are reported under the current rules in accordance with to what extent work has been completed. This reporting of revenues coincides with the reporting of revenues over time under IFRS 15. In exceptional cases BioArctic also receives one-time payments from customers which are then reported when entitlement to payment has been determined. This point in time corresponds with the point in time when performance obligations have been met under IFRS 15. The Group has thus not identified any differences in reporting when transferring to IFRS 15 with the exception of extended disclosure requirements.

IFRS 9 *Financial instruments* replaces IAS 39 *Financial instruments: Recognition and Measurement*. IFRS 9 comes into force for financial years commencing on January 1, 2018 or later. BioArctic has elected not to apply this standard in advance. In principle BioArctic always receives payment from agreements with customers in advance. There are thus no bad debt losses. The Group has thus not identified any differences in reporting when transferring to IFRS 9.

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.

The accounting principles and calculation methods applied are in all other respects in line with those described in the Annual Report for 2016.

Note 3 Segment information

The Group conducts research and development in immunotherapy for degenerative diseases and 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 as the business is followed at an aggregate level. 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 Net sales

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

kSEK	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
One-time payment	-	70,400	-	70,400
Milestone payment	-	-	-	7,932
Income from research collaborations	51,021	23,677	140,275	26,913
Other items	-	362	431	368
Net sales	**51,021**	**94,439**	**140,706**	**105,613**

BioArctic's net sales 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 704 million (USD 80 million). This payment related to compensation for the pre-clinical 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 December 2019. The project is continuously evaluated with the regard to status and remaining costs.

In 2016 SEK 22.7 million was entered as a revenue in addition to the above-mentioned SEK 70.4 million and in the period January – December 2017 SEK 135.5 million was entered as a revenue. The remaining amount to be entered as a revenue is SEK 473.1 million up until December 31, 2019.

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 BioArctic against compensation in line with market rates. During 2016, Advokatfirman Lindahl invoiced fees amounting to approximately SEK 0.9 million and during the period January – December 2017 to approximately SEK 5.2 million which mainly consisted of costs due to the IPO during the year.

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 in line with market rates.

Consolidated quarterly data

SEKm	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Income statement								
Net sales	51.0	31.5	32.0	26.2	94.4	1.2	1.0	9.0
Other operating income	10.4	2.8	5.2	0.7	32.6	1.1	3.2	2.1
Operating profit	14.7	0.6	2.5	1.5	97.3	-10.2	-11.2	-1.3
Profit for the period	11.8	-0.1	2.3	1.1	75.0	-7.8	-8.7	-0.9
Balance sheet								
Fixed assets	10.0	10.5	8.2	8.2	8.5	12.8	12.0	12.5
Current assets	20.1	9.8	8.6	13.2	7.0	8.5	6.5	3.4
Cash and cash equivalents	1,110.4	590.7	622.1	650.3	692.5	82.5	93.4	104.5
Equity	636.1	64.1	64.2	61.9	60.8	90.9	98.7	107.4
Deferred tax liabilities	5.5	4.1	4.1	4.1	4.1	-	-	-
Current liabilities	498.9	542.7	570.5	605.7	643.1	13.0	13.2	13.0
Cash flow								
From operating activities	-45.7	-23.6	-27.6	-38.4	705.6	-9.8	-11.3	-9.4
From investing activities	0.5	-2.8	-0.4	-0.1	-1.7	-1.2	-	-
From financing activities	560.2	-	-	-	-105.1	-	-	-
Cash flow for the period	515.0	-26.4	-28.1	-38.5	598.8	-11.1	-11.3	-9.4
Data per share, SEK [1, 2]								
Earnings per share, SEK	0.16	0.00	0.04	0.02	1.19	-0.12	-0.14	-0.01
Equity per share, SEK	7.22	1.02	1.02	0.98	0.96	1.44	1.56	1.70
Cash flow operating activities	-0.60	-0.37	-0.44	-0.61	11.19	-0.16	-0.18	-0.15

[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 figures

In this financial report BioArctic reports key financial figures, some of which are not defined by IFRS. The Company's assesses that these key figures 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 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 is due to the fact that key figures cannot always be defined in the same way and other companies may calculate them in a different way than BioArctic.

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

Key figures	Definition
Other income	Other income than net sales
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/assets 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, February 19, 2018

Wenche Rolfsen
Chairman

Ivar Verner
Deputy Chairman

Hans Ekelund
Board member

Pär Gellerfors
Board member

Lars Lannfelt
Board member

Eugen Steiner
Board member

Gunilla Osswald
CEO

Glossary and definitions

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

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

Bayesian study
A study where collected data is combined with known facts for a complete conclusion

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

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

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

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

Pre-clinical phase
Pre-clinical studies of drug candidates to prepare for clinical studies

Pre-clinical 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

This information is information that BioArctic AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was released for public disclosure through the agency of Christina Astrén, IR & Communications Director, at 08:00 a.m. CET on February 20, 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.