

Swedish
Biotech
Nuevolution

Lap: On track with strategic plans



NUEVOLUTION AT-A-GLANCE



Stock



Market: Nasdaq First North Premier, Stockholm

Ticker: NUE.ST

Number of shares: 42,858,236

Major shareholders: SEB Venture Capital, Sunstone Capital, Industrifonden and SEB Utvecklingsstiftelse

Market value (31.12.2017): SEK 711 million

Share price range (6M): 14.70-24.00 SEK/share

Share price (31.12.2017): 16.60 SEK/share



News flow

3 Nov.: Nuevolution appoints Johnny Stilou as Director of Investor relations and Corporate communication

27 Nov.: Nuevolution to present new data on its BET-BD1 program supporting effect in psoriasis/atopic dermatitis

8 Dec.: The Danish Eastern High Court revokes the maritime and commercial high court's decision of 22 February 2016 in favour of Nuevolution's request

11 Dec.: EGM elects Fredrik Arp as new member of the Board of Directors

3 Jan.: Nuevolution to receive license fee payment of USD 750,000 from Janssen Biotech

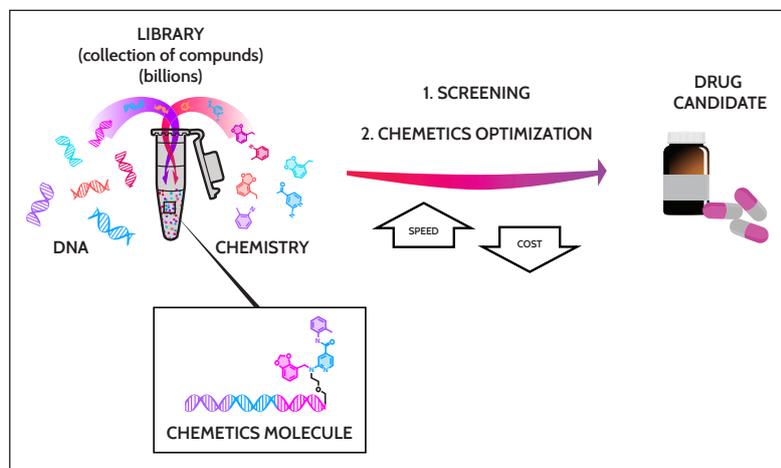
23 Jan.: Nuevolution appoint Dr. Paul Scigalla as Chief Medical Officer on consultancy basis



20+ program pipeline

Programs	Indication	Discovery	Preclinical	Phase I	Partner
ROR γ t inhibitor	Dermatology/PsA	[Progress bar]			Almirall
ROR γ t inhibitor	Other indications	[Progress bar]			NUEVOLUTION
BET-BD1	Inflammation	[Progress bar]			NUEVOLUTION
Cytokine X	Inflammation	[Progress bar]			NUEVOLUTION
ROR γ t agonist	Immunooncology	[Progress bar]			NUEVOLUTION
GRP78	Oncology	[Progress bar]			NUEVOLUTION ICR
10+ research programs	Oncology, Inflammation, Immunooncology	[Progress bar]			NUEVOLUTION
Research collaborations					
Multi-target	Oncology, CNS	[Progress bar]			AMGEN
Contract research	Oncology, Inflammation, Infectious diseases	[Progress bar]			janssen
NSD1, 2, 3	Hematological cancers	[Progress bar]			BRAC

Strong technology



- Million of times more molecules tested vs. conventional methods
- Perfected for small molecules (tablet based medicines)
- Perfected for synthetic biologics (synthetic peptides)
- Higher success rate and lower risk
- Cost effective drug discovery

Disease focus

Internal pipeline focus on indications within:

- Oncology
- Immuno-oncology
- Severe inflammatory indications

Business goals

- Apply discovery platform against many disease targets allowing high upside and lower risk
- Broad portfolio of pre-clinical programs
- Keep select programs for own development and out-license select programs for revenue generation

17 deals to date

17 agreements with partners (incl. Merck, Novartis, GSK, Boehringer Ingelheim, Janssen, Amgen, Almirall)

Revenue stream

App. SEK 530 million in realized revenues to date

Nuevolution

Founded: 2001 in Copenhagen, Denmark

Industry: Healthcare, Biotech

Homepage: www.nuevolution.com



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The Annual Report has been prepared in both Swedish and English language. In case of discrepancy, it is the Swedish version which prevail.

All photos by Thomas Rønn, TR MEDIA except p. 22 (Adobe Stock) and frontpage (Nuevolution).

MESSAGE FROM THE CHAIRMAN AND CEO

Dear shareholders, Dear Reader

The Company recently made a comprehensive reporting in connection with the release of the annual report on 18 September 2017. However, at the annual general meeting on 12 October 2017, it was resolved to change the company's financial year to the calendar year. It is in compliance with this, that we are making this six-month annual report.

In terms of our overall strategy, we wish to reiterate our key ambition of realizing a valuable portfolio of multiple clinical as well as pre-clinical programs, where some programs will be kept internally for Nuevolution's own further development and additional value creation, whereas other programs will be partnered for realization of revenue.

The following three important goals will continue to have our maximum priority:

- Before 30 June 2018, apply to list Nuevolution on Nasdaq Stockholm's Main Market
- Strengthening of the shareholder base with international and/or institutional investors
- Progression of at least one program to become Clinical Development ready

We believe that these three goals combined form a strong foundation for bringing Nuevolution to new horizons in terms of value proposition, business opportunities and growth potential, and therefore feel confident that these also represent the optimal strategy aiming for creation of shareholder value¹.

In the context of these goals, we invest significantly in the preparation for our application to list Nuevolution AB (publ) on Nasdaq Stockholm's Main Market. We have also worked with focused efforts on the long-term goal of strengthening the shareholder base with international and/or institutional investors and have in this context participated in several investor events and individual face-to-face meetings with investors. Since the release of the Annual Report for 2016/17 on 18 September 2017, the company has achieved very important progress with its programs in the preparation of making them reach status of becoming Clinical Development ready.

Key animal and mechanistic data for our bromodomain BET-BD1 selective inhibitor program has been obtained. These data now support an expansion of our potential future therapeutic applications to also include business wise very attractive indications like psoriasis and atopic dermatitis. This

is offering Nuevolution attractive therapeutic options besides our previously validated potential applications in treatment of Systemic Lupus Erythematosus (SLE) and fibrotic diseases. The program is moving rapidly forward towards nomination of a development candidate.

In both our bromodomain BET-BD1 selective inhibitor program and in our internal RORγt inhibitor program, we have reached conclusions regarding the recommended further potential direction for clinical development being atopic dermatitis/psoriasis (BET) and ankylosing spondylitis (RORγt) respectively.

Recently we also reported *in vivo* proof-of-concept data for our cytokine X program (inflammation) as well as a preliminary first *in vivo* proof-of-concept for the first Amgen collaboration project. At the same time, our collaboration with Amgen is working very well with high spirits and good working relationship enabling the collaborative project to progress very well in accordance to the agreed work plan,



¹GENERAL DISCLAIMER: Nuevolution cannot and do not make any guarantees regarding how the stock market will react despite achievement of these goals (please also see the general disclaimer regarding forward looking statements on page 69)

which aims for reaching clinical stage development as soon as possible.

Finally and in support of our plans and to ensure access to the regulatory and development expertise needed, we have appointed, Dr. Paul Scigalla as our Chief Medical Officer advisor on a consultancy basis.

We have also expanded the skills and expertise at the level of the board with the election of Fredrik Arp to the board of Directors. We welcome Fredrik both as a strong private shareholder and as board member, and we are looking forward to having access to Fredrik's expertise in the further growth and commercialization of Nuevolution and its business. At the management level, and with the appointment of Johnny Stilou as Director of Investor Relations & Corporate Communication, we are seeking to further strengthen our communication to and interaction with investors.

Our Chemetics® drug discovery platform for identification



CEO

Alex Haahr Gouliaev

of small molecule (tablet) based medicines continue to perform well. Besides fueling of our own program pipeline and supporting on-going projects, it once again also delivered attractive data to one of our partners, Janssen Biotech (one of the Pharmaceutical Companies of Johnson & Johnson) leading to payment of a licensing fee to Nuevolution in early January 2018.

Overall, we maintain our guidance on all goals (corporate, business and R&D), and based on successful execution of our past strategies, we also feel convinced and comfortable that we will manage well in the further build-up and maturation of our pipeline into clinical development, while still broadening the portfolio of preclinical assets, with some of these assets being partnered for continued revenue generation.

In the forthcoming fiscal year, we feel there will be good reason to be hopeful that we may see progress on multiple fronts including from the pipeline, the business and investor-related matters.

Stockholm, 22 February 2018

Stig Løkke Pedersen, Chairman
Nuevolution AB (publ)

Alex Haahr Gouliaev, CEO
Nuevolution AB (publ)

Besides the comprehensive reporting that we made with our Annual Report in September 2017, we also wish to inform that summary video's explaining results, strategy, interview of the board and more are also available on our website at www.nuevolution.com.

[Link to Annual Report 2016/17 video material](#)

[Link to Annual Report 2016/17 in PDF format](#)

Group - Key ratios

	1 July - 31 Dec. 2017 (6 months) ***	1 July - 31 Dec. 2016 (6 months) ***	2016/17 (12 months) ***	2015/16 (12 months) ***	2014/15 (12 months) *	2013/14 (12 months) *
TSEK, if not stated otherwise						
INCOME STATEMENT						
Revenue	4,827	112,768	119,912	20,697	29,801	79,458
Research and development expenses	-52,693	-52,304	-107,336	-115,090**	-78,166	-64,411
Sales, general and administration expenses	-16,748	-12,351	-23,216	-57,493**	-16,526	-8,142
Total operating expenses	-69,441	-64,655	-130,552	-173,817**	-94,692	-72,553
Operating result	-64,461	48,113	-10,485	-151,886	-64,891	6,905
Net financial items	-368	1,455	1,045	-22	2,836	-624
Result for the period	-61,252	30,821	-25,486	-144,997	-54,732	7,408
Comprehensive result for the period	-59,057	27,460	-27,940	-144,087	-54,794	7,408
BALANCE SHEET						
Non-current assets	11,674	9,639	11,935	14,079	11,485	5,328
Current assets	125,084	244,515	189,720	220,886	60,174	58,160
Total assets	136,758	254,154	201,655	234,965	71,659	63,488
Share capital	42,858	42,858	42,858	42,858	352,922	277,815
Shareholders' equity	111,091	225,362	169,962	198,055	51,553	31,654
Non-current liabilities	2,810	3,418	2,939	3,482	1,451	1,372
Current liabilities	22,857	25,374	28,754	33,428	18,655	30,462
Net working capital (NWC)	-15,982	86,505	-24,277	-24,718	-5,125	34,716
Investment in intangible and tangible assets	1,587	1,340	1,619	4,094	1,109	320
CASH FLOW						
Cash flow from operating activities	-64,722	-55,029	-23,215	-81,450	-19,475	-35,038
Cash flow from investing activities	-1,170	-651	-724	-555	-1,120	-321
Cash flow from financing activities	-741	-582	-1,253	240,942	74,868	-310
Total cash flow	-66,633	-56,262	-25,192	158,937	54,273	-35,669

The key figures and financial ratios have been stated in accordance with the online version of "Recommendations and Ratios" issued by the CFA Sweden and Earnings per share (EPS) and diluted earnings per share (EPS-D) are stated in accordance with IFRS. Please refer to definitions in note 2 significant accounting policies.

The number of shares for both the current and the comparative periods are the number of shares issued by the new parent company, Nuevolution AB. However, the number of shares for previous periods reflect the number of outstanding shares of the former parent, Nuevolution A/S, in those periods. Please refer to note 2 on page 32 for significant accounting policies.



Group - Key ratios

	1 July - 31 Dec. 2017 (6 months) ***	1 July - 31 Dec. 2016 (6 months) ***	2016/17 (12 months) ***	2015/16 (12 months) ***	2014/15 (12 months) *	2013/14 (12 months) *
TSEK, if not stated otherwise						
FINANCIAL RATIOS						
Basic and diluted earnings per share (EPS-D), SEK ****)	-1.43	0.72	-0.59	-3.98	-2.26	0.33
Shareholders' equity per share, SEK	2.59	5.26	3.97	4.62	1.80	1.40
Year-end share price	16.60	14.45	16.50	9.00	N/A	N/A
Equity ratio (%)	81	89	84	84	72	50
Number of shares outstanding, average, million shares	42.858	42.858	42.858	36.469	24.216	22.573
Number of shares outstanding, end-period, million shares	42.858	42.858	42.858	42.858	28.573	22.573
Diluted number of shares outstanding, average, million shares	43.700	43.284	43.284	36.469	28.573	22.573
Average number of employees (FTE)	48	44	45	43	41	39
Number of employees (FTE) at year-end	47	43	47	44	43	39

*) The Nuevolution AB (publ) group was established 13 November 2015, consequently the comparison figures consist of Nuevolution A/S Group.

**) A significant part of the increase in expenses from 2014/15 to 2015/16 is related to non-recurring cost of SEK 11.9 million from the listing in December 2015 and expenses related to the warrant program 2015/2021 of SEK 48.5 million.

***) On the ordinary shareholders meeting held 12 October 2017, it was decided to change the financial year to follow the calendar year. Therefore, this annual report contains consolidated income statement and cash flow for the period July 1 to December 31, 2017. The comparative figures in the income statement and statement of cash flow are the ones presented in the last annual report covering the 12-months period 1 July 2016 to 30 June 2017.

****) No dilution since the warrants are currently anti-dilutive.



Directors' report

The Board of Directors and the CEO of Nuevolution AB (publ) ('the Company'), Company Reg. No. 559026-4304, hereby present the Annual Report for the parent and consolidated financial statements for the group for the financial year 1 July 2017 to 31 December 2017; abbreviated due to the change of financial year. The company has changed its financial year to 1 January to 31 December in order to provide convenience to our shareholder, future investors, analysts presently covering the company as well as to bring it in line with its biotechnology peers. The company is registered in Sweden and domiciled in the Stockholm municipality. The registered office is located in Copenhagen, Denmark. Nuevolution AB (publ) has one wholly-owned subsidiary, Nuevolution A/S (operating subsidiary).

Operations

Nuevolution AB (publ), listed on Nasdaq First North Premier in Stockholm (under NUE.ST), is a biopharmaceutical company with a unique and proprietary small-molecule drug discovery and development platform. The Company's research and development is centered on discovery and development

of small-molecule (tablet-based treatment) drug candidates for indications within inflammatory diseases and oncology (cancer). The Company has a portfolio of programs for internal development and for out-licensing, and pursues drug discovery collaborations with pharmaceutical and biotechnology companies.

Research & Development

Programs	Indication	Discovery	Preclinical	Phase I	Partner
ROR γ t inhibitor	Dermatology/PsA				Almirall
ROR γ t inhibitor	Other indications				NUEVOLUTION
BET-BD1	Inflammation				NUEVOLUTION
Cytokine X	Inflammation				NUEVOLUTION
ROR γ t agonist	Immunooncology				NUEVOLUTION
GRP78	Oncology				NUEVOLUTION ICR
10+ research programs	Oncology, Inflammation, Immunooncology				NUEVOLUTION
Research collaborations					
Multi-target	Oncology, CNS				AMGEN
Contract research	Oncology, Inflammation, Infectious diseases				janssen
NSD1, 2, 3	Hematological cancers				BRAC

Highlights for the six-month period ended 31 Dec. 2017

- We saw very good progress in the Almirall collaboration with the ROR γ t program (skin diseases and psoriatic arthritis).
- In the internal ROR γ t program, Nuevolution has initially opted to prioritize Ankylosing Spondylitis and secondarily inflammatory Bowel Disease (IBD) as relevant potential clinical routes for its internal ROR γ t program outside the collaboration with Almirall.
- In the BET-BD1 selective program, NUE7770 has shown limited negative effects on IgG and IgM (antibody) production, i.e. limited effect on normal IgG and IgM production, following KLH stimulus supporting the overall good safety profile of this compound.
- The testing BET-BD1 selective inhibitors NUE7770 and NUE 19796 in IL23-induced ear dermatitis (psoriasis/atopic dermatitis animal PoC model) showed suppression of CCL2 chemokine release and potentially IL22 production supporting potential application for treatment of e.g. Psoriasis and/or Atopic Dermatitis.
- For its BET-BD1 selective program, Nuevolution has opted to initially prioritize atopic dermatitis and/or psoriasis as primary indications for a potential clinical development pursuit, with secondary future opportunities being Systemic Lupus Erythematosus (SLE) and fibrotic diseases
- In Cytokine X project, a lead compound showed good preclinical efficacy in a mouse disease model with an observed effect on par with that of an antibody targeting the same cytokine

- In the Amgen collaboration, two cancer programs have been fast-tracked in lead discovery. For the first cancer program, we have obtained a convincing *in vivo* proof-of-concept (PoC). In a second cancer program, we have profiled multiple lead compounds during the second half of and will commence *in vivo* PoC studies during the first quarter of 2018.
- After the end of the six-month period ended 31 December 2017, Nuevolution announced the appointment of Dr. Paul Scigalla as Chief Medical Officer on a consultancy basis to support Nuevolution's strategy of building a broad portfolio of clinical and pre-clinical programs.

"In six-month period ended 31 December 2017, we have moved forward in several pipeline programs as well as successfully progressed programs in our collaborations with Amgen and Janssen.

Our main objective for the six-month period ended 31 December 2017 has been to identify and strengthen the data for the clinical routes for i) our RORγt program outside dermatology, and ii) our BET-BD1 selective program. For these programs, we have multiple interesting options and have tentatively prioritized ankylosing spondylitis (AS – inflammation to the spine) and atopic dermatitis (AD) as primary indication for the RORγt and BET-BD1 inhibitor programs, respectively.

*In addition, the half year has also seen positive data in our Cytokine X program and in two of our cancer programs being fast-tracked in the Amgen collaboration towards *in vivo* PoC testing with the first study already completed late 2017 with a successful outcome. Across many fronts from early pipeline projects to late stage pre-clinical programs and partnerships projects, we have seen significant progress, forming a strong foundation for the further build in 2018" statement by the Chief Scientific Officer, Dr. Thomas Franch*

RORγt INHIBITOR PROGRAM (INFLAMMATION)

Nuevolution has partnered its RORγt inhibitor program with Ammirall for addressing IL-17A-driven skin diseases including psoriasis and psoriatic arthritis, and the collaboration program continues to progress well toward clinical development.

Nuevolution has previously identified and disclosed additional therapeutic opportunities for our program outside dermatology such as in ankylosing spondylitis (AS), a debilitating inflammation to the spine affecting more than 1.5 million patients and inflammatory bowel diseases (IBD, more than 3 million patients) such as ulcerative colitis (UC) and Crohn's disease (CD).

Ankylosing Spondylitis (AS)

Clinical data in patients with Ankylosing Spondylitis (AS) show significant improvement on disease parameters following treatment with the injectable and expensive secukinumab, an antibody targeting IL-17A, which is approved for treatment

of patients with AS. The clinical data on antibody IL-17A inhibition strongly argues that a small molecule RORγt inhibitor, which inhibits the production of IL-17A should provide an efficacious, orally-based, convenient and competitive treatment alternative for AS patients.

Inflammatory Bowel Disease (IBD)

Following the solid efficacy data in the two chemically induced mouse models of IBD reported previously, we initiated in fourth quarter of 2017, an adoptive T cell transfer mouse model of IBD to evaluate the RORγt Candidate for clinical use within IBD. We had hoped to have data available by year-end, but for technical reasons, data from this ongoing study will only become available later in the first quarter of 2018. We do not expect this to delay the development prospects of the program.

From the compelling clinical evidence for IL-17A inhibition, market perspective, clinical feasibility and overall risk assessment of the clinical outcome, Nuevolution currently prefers to initially prioritize AS (see info box 1) and secondarily IBD as potential clinical routes outside dermatology for its internal RORγt program.

FIRST-IN-CLASS BROMODOMAIN BET-BD1 PROGRAM (INFLAMMATION AND AUTOIMMUNE DISEASES)

Bromodomain BET proteins play an important role in regulation of genes, which are highly important in cells driving both inflammatory processes and cancers. Clinical inhibitors of BET proteins that are non-selective, are also toxic and show significant side-effects in cancer clinical trials arguably preventing clinical use within inflammatory disease.

Nuevolution's BET-BD1 selective inhibitors are selective for the first bromodomain (BD1) of the BET family of proteins and have shown promising *in vitro* and *in vivo* efficacy in disease models as well as a benign safety profile, illustrated by e.g. NUE7770. Consequently, the new and unique profile of the BET-BD1 selective inhibitors argue for a therapeutic use in diseases outside cancer such as for chronic dermatological diseases, such as atopic dermatitis (atopic eczema) and psoriasis, as well as other inflammatory diseases like fibrosis and lupus.

During the second half of 2017, we continued biological testing of our BET-BD1 selective compounds NUE7770 and NUE19796 showing *in vivo* efficacy in multiple inflammatory mouse models such as IL-23-induced ear edema (psoriasis/atopic dermatitis), collagen-induced arthritis (IL-17 biomarker and arthritis model) and bleomycin-induced scleroderma (fibrosis). To support these positive *in vivo* data and the compound action, we have demonstrated inhibition of an important chemokine, CCL2 (MCP1), produced from stimulated skin cells (keratinocytes).

INFO BOX 1: ANKYLOSING SPONDYLITIS (AS)

Ankylosing spondylitis (AS) or radiographic axial spondyloarthritis is an autoimmune disorder that is characterized by inflammation of the spine and the sacroiliac joint and vertebral column. AS symptoms include pain and stiffness from the neck down to the lower back. The spine's bones (vertebrae) may grow or fuse together (fusion), resulting in a rigid spine (also called "bamboo spine"). An early stage of the disease, is known as non-radiographic axial spondyloarthritis (nr-axSpA), which is characterized by the same symptoms of inflammatory (lower) back pain however without radiographic changes observable by X-ray.

Diagnosed prevalent patients amount to approx. 1.5 million globally*. Disease prevalence of AS shows a higher prevalence for men compared to women (ca. 2-to-1), but since overall diagnosis of the disease is subject to improvement, the deviation may be limited. The disease can occur already at rather young age and the majority of disease sufferers are between 15 and 45 of age.

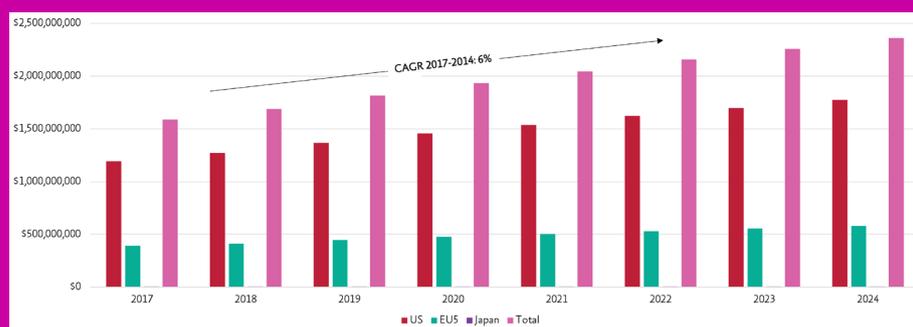


Figure 1. Sales forecast for Ankylosing Spondylitis 2017 – 2024 in US, EU5 and Japan.

Present treatment for ankylosing spondylitis is driven by first-line NSAID's (e.g. pain relief drugs), and subject to severity of the disease, corticosteroids and other DMARD's (Disease-Modifying Antirheumatic Drug's) like methotrexate and sulfasalazine are used to a rather limited extent. In the severe cases of AS, anti-TNF drugs are used, such as Humira, Enbrel and Remicade, among others, as well as the recently approved drugs, such as Cosentyx (IL-17 inhibitors) and Stelara (IL-12/IL-23 inhibitor).

According to Global Data, and as shown in the graph above, product sales in the 7MM will grow to approx. USD 2.4 bn. in 2024 from presently USD 1.5 bn., which represents an annual growth rate of approximately 6%.

The future growth in the AS market is driven by disease awareness, improved patient diagnosis rates and the recent approval of injectable, high-priced, antibody (Cosentyx, Stelara) treatment options. There remains to be a significant opportunity for oral small molecules, since present oral (NSAID) treatment options show gastrointestinal and cardiovascular side-effects in some patients, which impact the use of these treatment options long term. Innovative small molecule treatment options, need to come with improved efficacy and a strong safety profile and products should preferably be made available at acceptable price levels also, to compete with the high-priced antibody products.

* 7MM: US, EU5 & Japan

This specific inhibition may support the effect of BET-BD1 inhibitors in both skin diseases and fibrosis. Furthermore, these mechanistic data detailing the overall mechanism of action for our bromodomain BET-BD1 selective inhibitors, may explain the selective anti-inflammatory activity in the disease models and the benign safety profile of BET-BD1 inhibitors like NUE7770.

The extensive program data now available supports the po-

tential application of our BET-BD1 selective inhibitors for the treatment of skin diseases like psoriasis (PsO) (in 2024 projected to be a USD 13 billion market¹) and atopic dermatitis (AD) (in 2024 projected to be a USD 7.3 billion market, see info box 2), for the severe and medically underserved autoimmune disease Systemic Lupus Erythematosus (SLE), as well as for potential use in severe fibrotic diseases such as e.g. Scleroderma (skin and organ fibrosis) and Idiopathic Pulmonary Fibrosis (IPF, lung fibrosis).

¹Global Data, 2016

INFO BOX 2: SKIN DISEASES – ATOPIC DERMATITIS

More than 13 million (diagnosed) patients world-wide suffer from the unpleasant and very bothersome skin disease atopic dermatitis (or eczema). In atopic dermatitis, keratinocytes (skin cells) are over-stimulated by interleukin 13 (IL-13) released from TH2 (immune system T-helper cells type 2) as well as interleukin 22 (IL-22) from TH22 (immune system T-helper cells type 22) cells. This leads to an inflammatory process causing a chronic or chronically relapsing inflammatory skin disease, characterized by pruritus (an unpleasant sensation that elicits the desire to scratch), leading to scratching, redness, scaling, and loss of the skin surface. The severe form of the disease is clearly underserved with currently available medications, and it is a disease that is receiving significant interest, investment and research efforts within the pharmaceutical industry in parallel with significant focus on psoriasis.



Figure 2. Sales in Atopic Dermatitis 2015 – 2022 in US, EU5 and Japan. (Source: Global Data, 2015)

The Atopic Dermatitis market is characterized by a high unmet medical need, especially in the severe and severe, recalcitrant or refractory patient market segment. This unmet medical need is primarily driven by the lack of treatment options following failure with or intolerance to cyclosporine or other conventional systemic therapies. Key opinion leaders highlight that to maximize patient uptake, a new innovative systemic drug should be orally delivered.

Taking into consideration the overall unmet medical need, the development of various innovative small molecule and antibody programs, as well as the slow replacement of immunomodulators, Global Data is forecasting the market value in 2024 to be in the order of USD 7.3 bn (from USD 4.5 bn in 2017) representing an average growth rate of 7%.

The compelling efficacy and safety data of our BET-BD1 inhibitors support multiple viable options as clinical development routes. With a focus on mitigating clinical development risk, Nuevolution has selected the therapeutic area of skin diseases (Atopic Dermatitis and PsO) as lead indication allowing us to seek an early clinical readout of efficacy.

In early 2018, additional compounds will be characterized and compared to current preclinical candidate compounds NUE7770 and NUE19796 before selecting the development candidate for API production and further potential clinical development in this *first-in-class* program. Following expected nomination of the development candidate during the second quarter of 2018, the program may become clinical development ready in mid 2019.

The pharmaceutical industry currently invests significantly in the discovery and development of further new medicines for inflammatory skin diseases including psoriasis and atopic dermatitis. Our new data therefore represent further strong promotional data for Nuevolution's BET-BD1 selective program. Also considering the clinical development risk, we therefore currently conclude that the initial preferred and potential development route will be in the therapeutic area of skin diseases (PsO and AD) allowing us to seek an early clinical readout of efficacy, upon which, we may then further expand in severe indications, where the unmet medical need is significant.

Skin Diseases – Psoriasis & Atopic Dermatitis

Human skin cells (keratinocytes) produce signaling molecules (e.g. cytokines such as CCL2), when they are stimulated by immune system cells. The signaling molecules such as CCL2 serve as a messenger to recruit other immune system cells, and thereby initiate and maintain an inflammatory condition. Normally this represents a good and protective defense system, but in autoimmune diseases or in situations where the immune system is overreacting, this leads to unwanted and tissue destructive processes.

More than 13 million (diagnosed) patients world-wide suffer from the unpleasant and very bothersome skin disease atopic dermatitis. In atopic dermatitis, keratinocytes are over-stimulated by interleukin 13 (IL-13) released from TH2 (immune system T-helper cells type 2) as well as interleukin 22 (IL-22) from TH22 (immune system T-helper cells type 22) cells. This leads to an inflammatory process causing a chronic or chronically relapsing inflammatory skin disease, characterized by pruritus (an unpleasant sensation that elicits the desire to scratch), where scratching, redness, scaling, and loss of the skin surface applies. The disease is clearly underserved with currently available medications, and it is a disease which receives significant interest, investment and research efforts within the pharmaceutical industry in parallel with significant focus on psoriasis.

During the six-month period ended 31 December 2017, we conducted a further mouse fibrosis study reflecting the human fibrotic disease of Scleroderma (figure 3). The BET-BD1 selective compound NUE7770, dosed orally, provided a statistically significant reduction in skin collagen deposits, demonstrating efficacy on a key parameter of fibrosis. Collectively, the data confirms the previous positive data from the related IPF bleomycin model supporting the potential use of BET-BD1 selective inhibitor compounds in human fibrotic diseases.

With the current evidence for compound mechanism of action, and supported by a good safety profile, multiple opportunities for progressing BET-BD1 selective inhibitors remain viable and attractive. As stated earlier, Nuevolution has decided to initially prioritize atopic dermatitis/psoriasis as primary indication for potential development based on multiple parameters such as compound mechanism of action, therapeutic market assessment and feasibility of clinical routes. For more information about atopic dermatitis please see Info box 2.

Candidate nomination

Nuevolution's NUE7770 and NUE 19976 represents attractive compounds for potential further development. However, additional contenders for the title as Development Candidate was obtained during the last 6 months, and Nuevolution will therefore further characterize and compare these with the expectation that the most optimal compound may be selected as Development Candidate according to plan in the second quarter of 2018.

With the current clinical routes set out, we will now complete the qualification of BET-BD1 selective precandidate compounds with the goal to nominate the development candidate during the second quarter of 2018, thereafter enabling the program to become clinical development ready in mid-2019.

ROR γ t AGONIST PROGRAM (IMMUNO-ONCOLOGY)

In this program, we use a small molecule agonist (stimulator) of ROR γ t to activate immune cells (T cells) infiltrated

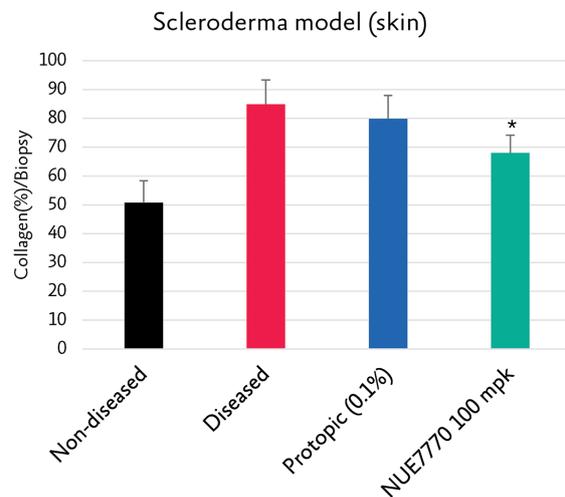


Figure 3. Human Scleroderma (Systemic Sclerosis) causes excessive production of fibrotic tissue illustrated by elevated hydroxyproline content (Collagen biomarker). In this model, Bleomycin was added intradermal (into the skin) to the mouse skin causing inflammation and collagen production in the mouse skin. Mice were dosed with Protopic, a marketed product for topical eczema or NUE7770 at 100 mpk dosed orally for 4 weeks. Hydroxyproline content in the skin was monitored as the clinical score. Protopic provide a marginal, but not statistically significant reduction in collagen content, whereas NUE7770 treatment effectively reduced collagen deposition in the skin.* $p < 0.001$

in tumors with the purpose of increasing immune attack on cancer cells. This precise method for attacking cancer cells is still in early clinical exploration as a general concept. During the second half of 2017, we conducted an *in vivo* study in a mouse breast cancer tumor model, comparing one of our lead compounds and a competitor compound with claimed *in vivo* activity. The *in vivo* tumor study was set up to provide further understanding of both the mechanism-of-action and efficacy of ROR γ t stimulators on solid tumors. However, in this tumor subtype and study setup, neither the Nuevolution compound nor the competitor compound provided a statistically significant tumor reduction, at the applied therapeutic doses suggesting:

- i. too stringent model setup or
- ii. lack of sufficient intra-tumoral TH17 induction to affect tumor growth.

Additional potent ROR γ t agonists have now been identified during the past quarter by Nuevolution, and these compounds will be further validated for their mechanism of action before potential testing in a more suitable tumor model.

CYTOKINE X (INFLAMMATION)

Cytokines such as interleukins and chemokines, are small proteins responsible for signaling between cells of the immune system. Excessive production of, and the signaling by,

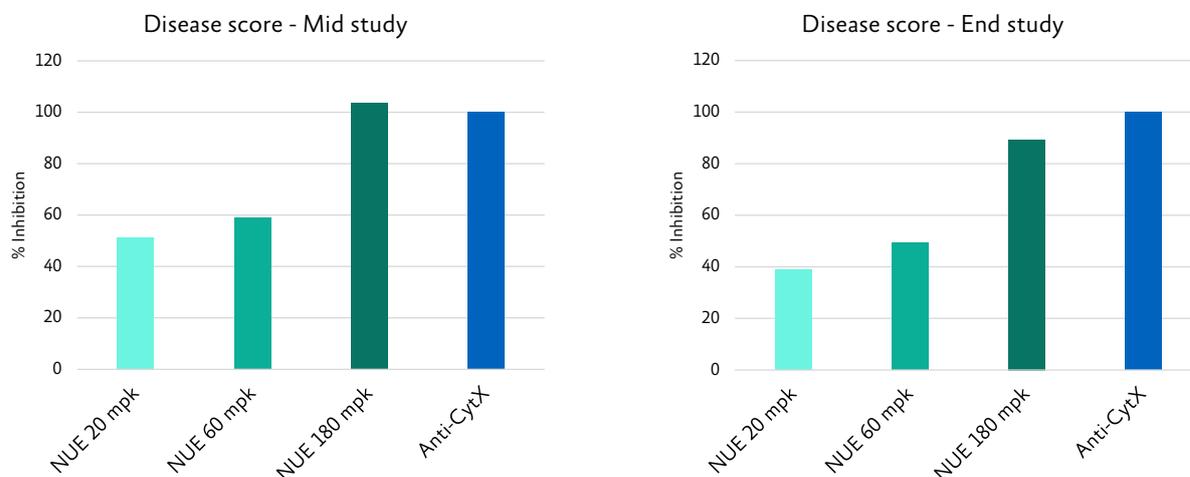


Figure 4. *In vivo* mouse inflammation study testing NUE compounds targeting cytokine X. In this model, the clinical score, reflecting human diseases, increase gradually during the study. The score, here shown by mid-study and by end of study, was reported as % inhibition compared to the antibody targeting cytokine X. The compounds were dosed sub-cutaneously (depot under skin), twice daily. The NUE small molecule compound provided improvement in disease score at all doses throughout the study timeline. At the highest dose the compound is showing efficacy on par with the antibody yielding 102 % and 91% inhibition levels at mid-study and by end of study, respectively.

certain cytokines is the cause of multiple inflammatory and chronic autoimmune diseases. Blocking the signaling of the disease-relevant cytokines can often be achieved using injectable antibodies that can bind and neutralize the function of the cytokine and provide patient benefit. Although antibodies can be effective in cytokine blockade they are also:

- i. very costly
- ii. dosed by injection by physicians
- iii. may cause adverse immune reactions against the antibody and
- iv. will weaken immune response that may cause certain infections.

Targeting disease cytokines by a tablet-based small-molecule may offer convenient and cost-efficient alternatives with fewer immune-related risks. Historically, the identification of small-molecules for cytokines has proven extremely difficult due to the nature of the cytokine protein surfaces and no small-molecule therapies directly targeting cytokines have yet been marketed.

In our cytokine X program, we have identified potent small-molecules that directly bind and neutralize a key cytokine responsible for multiple human diseases with the purpose of developing first-in-class, orally available (tablet-based), medicines.

During the second half of 2017, we continued our lead optimization efforts focusing on improving animal exposure of compounds in the main chemical series, while also working

on maturing additional chemical series. One Nuevolution lead compound was tested in an *in vivo* proof-of-concept study and in a model relevant for human inflammatory disease and provided, a largely, dose proportional efficacy with the highest dose providing clinical efficacy on par with the benchmark antibody targeting the same cytokine (see figure 4).

These data support that the same efficacy and mechanism-of-action can be achieved with Nuevolution's small molecule inhibitor compounds, an efficacy normally only achieved with an injectable antibody. The positive data support the continued efforts in multiple chemical series toward a preclinical candidate in this important first-in-class program.

AMGEN COLLABORATION

Our Amgen partnership initiated in October 2016, is a multi-target collaboration across several therapeutic areas such as cancer and neuroscience. Two cancer programs have shown tremendous progress during 2017 and have been fast-tracked for *in vivo* PoC in relevant tumor (xenograft) mouse models.

During December 2017, novel Nuevolution compounds were tested in the first cancer program showing efficacy and effective tumor regression superior to that of a benchmark competitor compound (see figure 5). Following these first, but preliminary positive tumor xenograft data for the first compound series, we now continue further improvements and profiling of key additional compounds in the program before evaluation in a second *in vivo* model.

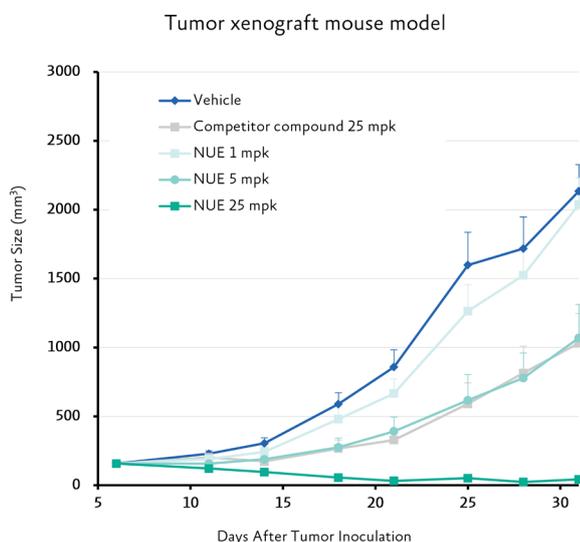


Figure 5. Tumor xenograft mouse model. One Nuevolution lead compound was tested for tumor efficacy at three different concentrations and compared to a competitor compound with similar mechanism of action with all compounds dosed by injection once daily. The NUE compound shows positive and dose-dependent effects on tumor growth, superior to the competitor compound, with the highest NUE dose resulting in near complete elimination of the tumor from only two weeks of dosing.

In our second cancer program, we have profiled potent compounds and identified the nominees eligible for entering *in vivo* PoC testing in a tumor model during the first quarter of 2018. We will continue with significant resources to move these programs forward and report additional data during the first half of 2018.

JANSSEN COLLABORATION

As announced on 3 January 2018, one program at early research stage (hit stage) was out-licensed to Janssen Biotech within the therapeutic area of anti-infective diseases. Janssen Biotech is now wholly responsible for the continued discovery, preclinical and clinical development. This represents again an additional testimony to the value of Nuevolution technology and drug discovery approach in general.

Activity on the further targets recently added to the collaboration is progressing according to scheduled plan, and is currently in the screening and hit validation phase.

EARLY DISCOVERY

We use our proprietary Chematics® platform to identify hit molecules for protein disease targets within cancers and inflammatory diseases. With our early projects, we look to identify 4-6 project per year for supporting our lead Discovery pipeline. During the last six months several early projects

have progressed nicely with identification of quality hit compounds capable of forming the basis for optimization into lead discovery which are in the process of being evaluated for cell-based activity. In one program, we are targeting a lipid kinase important for growth of cancer cells. Several of our initial hit compounds show potent effects in cancer cell lines and these compounds will now be further profiled across a panel of cancer cell types before evaluation of the next steps for the program. Two additional early programs within cancer and inflammation will be examined for cell-based activity during the first quarter of 2018.

The pursuit of multiple early stage Nuevolution projects, to support our preclinical pipeline efforts, is in line with our Grand Plan of building a broad portfolio of clinical and pre-clinical programs.

TECHNOLOGY DEVELOPMENT

During the second half of 2017, we completed a new Chematics® library consisting of 584 million compounds. The library has been put into screening service against both partnered and in-house pipeline targets.

NUEVOLUTION SCIENCE PRESENTATIONS IN SECOND HALF OF 2017

- “DNA Encoded Libraries to Develop a Pipeline of Therapeutics”, Thomas Franch, Oxford Global 4th Drug Discovery USA Congress, 9-10 October 2017, San Diego, USA.
- “NUE7770: A Selective Inhibitor of the First BET Bromodomain with Strong Anti-Inflammatory Activity in Animal models in the Absence of BET-Associated Toxicity”, Søren Jensby Nielsen, Cytokines, 30 Oct. – 2 Nov. 2017, Kagasawa, Japan
- “DNA Encoded Library Technology: From Hits to Clinical Candidate” Thomas Franch, Global Medicinal Chemistry and GPCR Summit, 27-28 November 2017, London, UK
- “Mapping Of Drug-like Chemical Universe With Reduced Complexity Molecular Frameworks” Aleksejs Kontijevskis, RACI Centenary Congress, AHeDD Symposium, July 27, 2017, Melbourne, Australia

NEW ADVISOR DR. PAUL SCIGALLA

After close of the six-month period ended 31 December 2017, Nuevolution appointed professor Paul Scigalla MD, PhD as new advisor to support Nuevolution in the role as a Chief Medical Officer on a consultancy basis. Dr. Scigalla brings tremendous experience in drug discovery and development across several therapeutic areas. He will have an important supporting role in Nuevolution’s programs clinical development ready in line with our Grand Plan of building a broad portfolio of clinical and pre-clinical programs.

Business & Partnering

During the six-month period ended 31 December 2017, we have seen significant progress in several of our pipeline programs, particularly in our Bromodomain BET-BD1 and our RORγt inhibitor programs. The continuous and increasing presence of Nuevolution as a drug developing company is clearly noticed by pharmaceutical companies active in the field of inflammation and oncology.

Since our listing on the Nasdaq First North Premier in Stockholm, we have communicated our objectives to both realize program revenues, while also taking some of our own programs into clinical development. This to support the overall goal of creating a valuable company with a broad portfolio of multiple high value programs, where some programs will be partnered in exchange of realizing revenues, while other programs will be kept and progressed by Nuevolution exclusively.

Through operation of this 'multiple-shot-a-goal' research and business strategy, Nuevolution can reduce its overall scientific risk, while at the same time offer more options for forming valuable partnerships, as both the Ammiral (see table below) and the Amgen deal demonstrate.

Besides the partnering of programs through out-licensing, Nuevolution also seek high value drug discovery partnerships, where Nuevolution applies its Chemetics® drug discovery platform against mutually agreed disease targets. In these partnering efforts, our deal structure differs significantly from the traditional CRO-type "fee-for-service" drug discovery model, and instead aims for significant and long term economic upside.

For the promotion of our programs or for initiation of discussions concerning our early stage drug discovery collaborations, applying our Chemetics® drug discovery platform, we are visiting various partnering conferences, such as BIO-Europe (twice a year) and BIO-US as well as the annual partnering events during the JP Morgan conference in January each year. Also through our participation in various scientific conferences, we initiate and establish partnership that may turn out to be valuable. Several of these partnering events are highly efficient networking events, where most of the large and medium-sized pharmaceutical and biotechnology companies are present. Through various follow-up meeting with companies that have shown interest in our programs or in other drug development initiatives, we believe we create strong momentum to deliver on our promises to our stakeholders. Partnering success is of high importance to the company and therefore we apply quarterly guidance to our shareholders, which we believe is in line with our business expectations.

Table 1. RORγt deals

Originator	Licensee	Year	Total payments (in million)	Upfront payment (in million)	Therapeutic development
Nuevolution	Almirall	2016	\$472.00	\$12.00	Inflammatory skin diseases & psoriatic arthritis
Exelixis	BMS	2010	\$405.00	\$5.00	Anti-inflammatory diseases
Lycera Corp	Merck & Co Inc	2013	\$300.00	Not Disclosed	Range of immune-mediated disorders
Karo Bio AB	Pfizer Inc	2011	\$217.00	\$2.00	Autoimmune diseases
Phenix Pharm. AG	Janssen Biotech	2012	\$135.00	Not Disclosed	Autoimmune diseases
Orca Pharma	AstraZeneca	2015	\$122.50	Not Disclosed	Psoriasis, arthritis and other diseases

Note: Other deals concerning RORγt inverse agonist programs include: Teijin/Amgen, Sanofi/Link, AstraZeneca/Orca, Orphagen Pharmaceuticals/Japan Tobacco, Abbvie/Inventiva, Boston Pharmaceuticals/Arrien (no further details available).

IPR Report

Since the company's inception, Nuevolution has applied an aggressive patenting strategy, where business requirements form the basis of all tactical IPR decisions. During the six-month period ended 31 December 2017, Nuevolution had patent investments of SEK 7.0 million (SEK 5.4 million in the

six-month period ended 31 December 2016). This reflects investments in multiple activities during the year including grant of patents, entry into the national phase for patent prosecution and activities to restrict competitors.

We invest in patent filing and prosecution activities to further protect both our drug discovery platform technology Chemetics®, as well as to protect our drug discovery programs, i.e. pharmaceutical product patents. A strong patent position is an important value-driver for the partnering around our technology platform and when programs are intended for partnering, whereas a weak patent position can be almost detrimental, not enabling execution of deals, and may make future costly development investments in such programs less attractive. In line with our Grand Plan and going forward, Nuevolution will continue to have significant investments in IPR to strengthen our position and weaken the position of any competitor.

In summary, Nuevolution is registered as Patent Proprietor or Applicant in 14 patent families containing registered patents and/or pending patent applications. There are 11 technology patent families and 3 composition-of-matter (product) patent families. Patents have been granted in 9 technology patent families. A total of 299 patents presently in force have been granted to Nuevolution as of 31 December 2017. This is an increase of 94 granted patents since 30 June 2017.

Nuevolution has a total of 97 patent applications presently pending. This number includes 78 pending composition-of-matter (product) patent applications and 19 pending technology patent applications.

The number of pending patent applications as well as the number of granted patents will change over time.

For further insight into our legal and patent strategy and activities we refer to a comprehensive reporting in the Annual Report for 2016/17 (see page 42-46).

Organization and employees

The discovery of new medicines requires people with strong skills in multiple disciplines working closely together in a well-coordinated manner. In the composition of our team, we are looking for 'best-in-class' innovative, creative and ambitious people from all over the world who own the best skills to contribute to the company's objectives. This means successful discovery, development and monetization of exciting programs to be used for the efficacious and safe treatment of cancer and chronic inflammatory diseases in patients.

Besides these objectives of delivering the best outcomes from our internal programs, our team also works with a high level of dedication, aiming for best outcomes to make sure that our internal pipeline development progresses, as well as that our partnerships will and remain to be successful. We continually make improvements to our proprietary drug discovery

PATENT DISPUTE

In 2012, Nuevolution filed a law suit against Henrik Pedersen, a former employee of Nuevolution, as it believes to be the rightful owner of a patent family that was filed with his involvement and at a time when he was the CSO at Nuevolution. Nuevolution also remains interested in continuing the prosecution of a continuation application under the patent family in accordance with an agreement that was made between the parties in 2007. The outcome of the proceedings is not expected to adversely impact Nuevolution's use of the Chemetics® platform as used in practice today.

In February 2016, Nuevolution announced that the Danish Maritime and Commercial High Court (Sø- og Handelsretten) had given a decision for one aspect of the company's suit filed against Henrik Pedersen, according to which Nuevolution cannot, during pending litigation against Henrik Pedersen and Chemgene Holding ApS, seek correction of inventorship and assignment of ownership of the patent family presently owned by Chemgene Holding ApS. Nuevolution decided to seek an appeal of the Maritime and Commercial High Court's decision to the Eastern High Court (Østre Landsret) regarding the company's right to raise the specific question about inventorship and ownership.

On 8 December 2017, The Eastern High Court decided to revoke the Maritime and Commercial High Court's (Sø- og Handelsretten's) original decision from 22 February 2016, in favor of Nuevolution's request, and to send the case back to the Maritime and Commercial High Court for renewed review thereby allowing Nuevolution to seek correction of inventorship and assignment of ownership of the patent family presently controlled by Chemgene Holding ApS. The court case is expected to continue for a longer period of time.

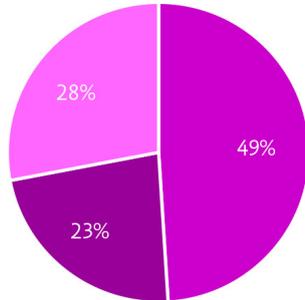
Chemetics® platform, which forms the unique "engine" for us to discover and develop novel programs.

In this context, we are always looking for people with a complementary set of skills and with multinational industrial drug development experience. With these colleagues supporting the company we also love to celebrate when achievements are made.

Nuevolution's experience, expertise and know-how is built upon people who show dedication, team spirit and perseverance, fitting the international environment of the global biopharmaceutical industry in which the company operates.

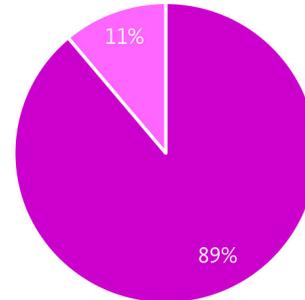
There were 47 full-time equivalents (FTEs) as per 31 December 2017 as compared with 47 FTEs as per 30 June 2017. In ad-

Educational background



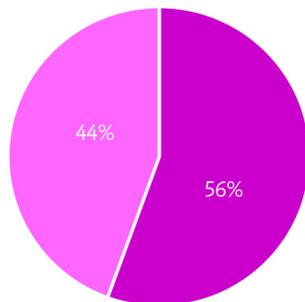
■ Ph.D. ■ M.Sc. ■ Other

Organization



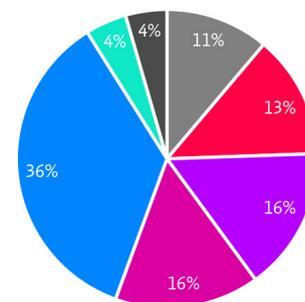
■ R&D ■ Other

Gender breakdown



■ Male ■ Female

Age



■ 25-30 ■ 31-35 ■ 36-40 ■ 41-45 ■ 46-50 ■ 51-55 ■ 56+

dition to our core staff team members, we are also supported by a number of dedicated student workers, all of whom are instrumental in the running of our well-functioning scientific infrastructure.

Nuevolution's Board of Directors has six members: Chairman Stig Løkke Pedersen and Directors Lars Henriksson, Søren Lemonius, Jutta Heim, Jeanette Wood and Fredrik Arp. The Executive Management consists of four members: CEO Alex Haahr Gouliaev, CSO Thomas Franch, CBO Ton Berkien and CFO Henrik Damkjær Simonsen.

Although not part of the internal team, we consider our owners and shareholders, large and small, to be key members of our team, making Nuevolution successful. Without their financial support and their interest in trading in our stock, our road to success would be more challenging.

Therefore, we are devoted to seeking value creation for our shareholders (as of 29 December 2017, Nuevolution had 3,389 shareholders).

Our team is poised to take Nuevolution forward in its next value-creation steps, including in preparations for our own clinical development programs.

Environmental information

Nuevolution is committed to working in an environmentally responsible way by reducing the use of environmental hazardous substances, running a well-developed program for sorting waste, and reducing energy consumption. Nuevolution has not been involved in any environmental disputes. Nuevolution has the necessary permits from the Danish Environmental Protec-

tion Agency (Miljøtilsynet) to work with chemicals, including certain hazardous chemicals under controlled conditions. The company uses genetically modified micro-organisms (GMM) in pre-clinical studies and has the required permits from the Danish Working Environment Authority (Arbejdstilsynet).

Financial review

GROUP

REVENUES

Consolidated revenue for the six-month period ended 31 December 2017 was SEK 4.8 million compared to SEK 112.8 million in the six-month period ended 31 December 2016. Revenue in the six-month period ended 31 December 2017 came from the drug discovery collaboration with Janssen Biotech, whereas revenue in the same six-month period last year came from the upfront payment of SEK 109.2 million from Almirall S.A. and revenue from the drug discovery collaboration with the Janssen Biotech.

OPERATING EXPENSES

Total operating expenses amounted to SEK 69.4 million in the six-month period ended 31 December 2017 against total expenses of SEK 64.7 million in six-month period ended 31 December 2016. The increase of SEK 4.8 million includes a minor increase in research and development (R&D) expenses of SEK 0.4 million, which mainly covers external research in the BET and RORyt inhibitor programs and fees for newly issued patents. The main increase comes from higher sales, general and administrative (SG&A) expenses of SEK 4.4 million, which mainly represents expenses in preparation of the intended listing on Nasdaq Stockholm (main market).

OTHER OPERATING INCOME

Other operating income of SEK 0.2 million in the six-month period ended 31 December 2017 includes grants under the agreement with Innovation Fund Denmark.

FINANCIAL PERFORMANCE

In the six-month period ended 31 December 2017, the group showed an operating loss of SEK 64.5 million against a profit of SEK 48.1 million in the six-month period ended 31 December 2016. The result before tax was a loss of SEK 64.8 million in the six-month period ended 31 December 2017 against a profit of SEK 49.6 million in the same six-month period in the prior fiscal year. A net loss of SEK 61.3 million was recorded in the six-month period ended 31 December 2017, following income from the Danish R&D tax credit program, against a net profit of SEK 30.8 million in the six-month period ended 31 December 2016, following the Spanish withholding tax of the Almirall upfront payment. Basic (EPS) and diluted (EPS-D) earnings per share (EPS-D) was SEK -1.43 in the six-month period ended 31 December 2017 against an EPS and EPS-D of SEK 0.72 in the same six-month period in the prior fiscal year.

CASH FLOW AND FINANCIAL POSITION

The total cash flow for the six-month period ended 31 December 2017 showed an outflow of SEK 66.6 million against an outflow of SEK 56.3 million in the six-month period ended 31 December 2016.

In the six-month period ended 31 December 2017 cash flow from operating activities amounted to an outflow SEK 64.7 million against an outflow of SEK 55.0 million in the six-month period ended 31 December 2016. The outflow in the six-month period is primarily due the loss before tax.

Investments in equipment in the six-month period ended 31 December 2017 were SEK 1.2 million compared to SEK 0.7 million in same six-month period in the prior year.

Cash-flow from financing activities in the six-month period ended 31 December 2017 amounted to an outflow of SEK 0.7 million, due to repayment of leasing liabilities, against an outflow SEK 0.6 million in the six-month period ended 31 December 2016.

Cash and cash equivalents amounted to SEK 114.8 million as per 31 December 2017, as compared with SEK 179.6 million at 30 June 2017. Net cash amounted to SEK 110.6 million as per 31 December 2017 (SEK 175.2 million at 30 June 2017) after the deduction of leasing liabilities of SEK 4.2 million (SEK 4.4 million at 30 June 2017).

SHAREHOLDERS' EQUITY

As of 31 December 2017, total shareholders' equity amounted to SEK 111.1 million against SEK 170.0 million as of 30 June 2017, mainly caused by the net loss of SEK 61.3 million in the six-month period.

PARENT COMPANY

The parent company had inter-company revenues in the six-month period ended 31 December 2017 of SEK 1.1 million against SEK 0.6 million in the six-month period ended 31 December 2016. The parent company incurred total expenses of SEK 8.2 million in the six-month period ended 31 December 2017, mainly led by expenses in preparation of the intended listing on Nasdaq Stockholm (main market), against total expenses of SEK 3.3 million in the same six-month in the prior year. The operating loss amounted to SEK 7.1 million in the six-month period ended 31 December 2017 against an operating loss of SEK 2.6 million in the six-month period ended 31 December 2016. A net loss of SEK 7.2 million was recorded in the six-month period ended 31 December 2017 against a net loss of SEK 2.4 million in same six-month period in the prior year.

The parent company's cash and cash equivalents amounted to SEK 35.5 million at 31 December 2017, against SEK 91.0 million at 30 June 2017. Shareholders' equity was SEK 716.1 million at 31 December 2017, against SEK 723.1 million at 30 June 2017.

The group consists of Nuevolution AB (publ) (reg. no. 559026-

4304) and Nuevolution A/S (reg. no. 26029708), which is the operating company within in the group.

EVENTS OCCURRED AFTER 31 DECEMBER 2017

On 3 January 2018, Nuevolution announced that it is to re-

ceive license fee payment of USD 750,000 from Janssen Biotech, which has exercised its option to license one of the early-stage research programs under the multi-target collaboration entered between the parties in October 2015. This payment was received in mid-February 2018.

Risk factors

A biotechnology company such as Nuevolution is characterized by significant operational and financial risks, since the company's current internal and partnered programs are at a stage of development where a number of factors have an impact of the likelihood of commercial success.

Early-stage programs have a higher risk, while successful development steps will result in decreased development risk as well as the likelihood of finding a partner to a program. A partnership may also increase the likelihood of obtaining commercial success, while beach program completes the specified (pre-clinical and clinical) development phases. The risk level of each program has to be weighed against the potential that such programs contribute to patients, partners and society, with regards to addressing unmet medical needs, as well as to the financial benefit to the company and its shareholders.

Nuevolution is specialized in the discovery and development of small-molecule (tablet-based) medicines. However, none of the company's programs have yet been approved for sale, and operations to date have been loss making. Thus, Nuevolution may continue to recognize operating losses for several years, and there is a risk that the company never reports a profit.

OPERATIONAL RISKS

To a great extent, the process of research and development of pharmaceutical products, until such product has been approved for marketing and launched, is both risky and capital-intensive.

With regards to success in development, there are no guarantees that the required (pre-clinical and clinical) studies will produce results that are sufficiently positive for continued development and to secure product approval. Most programs that are started will never achieve approval for marketing.

With regards to partnerships, to date, Nuevolution has entered into 17 collaborations, but there are no guarantees the company will attract new collaboration partners or extend present partnerships and that such partnerships will achieve the outcome originally planned for (e.g. the commercialization of a product).

With regards to product commercialization, if product approval is obtained, there is no guarantee that the approved

pharmaceutical product achieves success in the market place. Competing products with better properties may be launched or the company or its partner may prove incapable of marketing the pharmaceutical product(s).

With regards to intellectual property, Nuevolution constantly works to improve the patent protection for its Chemetics platform and its program compounds, but there is no guarantee that patents will provide the necessary protection in the future or that competitors do not find ways to circumvent the company's patents.

Nuevolution is dependent for success on the expertise, skills and efforts of the company's executive management and other key employees. If the company were to lose any key employees, operational progress could be delayed or research and development activities, out-licensing of programs and commercialization of product candidates interrupted. The company's ability to attract and retain qualified personnel is of crucial importance for future success.

FINANCIAL RISKS

The Group has income and expenses in different currencies. Its operations are conducted in Denmark, while its sub-suppliers operate around the globe. Income is mainly derived in US dollar and Euro, while expenses are incurred in Danish and Swedish kroner, US dollar, Euro, and British pounds. Thus, the Group is subject to currency risks.

The credit risks are marginal, because the number of invoices is modest and the majority of customers and partners are (major) pharmaceutical companies with high credit ratings.

The extent and timing of the company's capital requirements depend on a number of factors, such as the milestone and license fees payments in existing collaborations, the possibility to enter into new collaborations, the success rate of development programs as well as the ability to attract new capital in the form of equity or other funding.

To the extent that the current working capital and income from existing and possibly new collaborations may not be sufficient for fund the company's operations (going concern), a funding risk may arise.

For more information on financial risks, see note 22

The Nuevolution share

SHARE CAPITAL AND OWNERSHIP STRUCTURE

At 31 December 2017, Nuevolution AB (publ)'s share capital amounted to SEK 42.9 million distributed among 42,858,236 shares. The company has only one share class. All shares carry the same rights to participation in the company's assets and dividends. For information regarding the company's major shareholders, see page 71 of this Annual Report.

WARRANT PROGRAM 2015/21

In 2015/16, the Board of Directors implemented the 2015/21 warrant program for the executive management and its full-time employees. The program comprises 5,061,858 warrants: 2,658,579 Series 1 warrants and 2,403,279 Series 2 warrants. All warrants according to this program have been granted. The program expires on 31 August 2021.

WARRANT PROGRAM 2016/21

In 2016/17, the Board of Directors implemented the 2016/21 warrant program for new full-time employees and senior executives. The program comprises 493,000 warrants: 480,000 Series 1 warrants and 13,000 Series 2 warrants. During the six-month period ended 31 December 2017, 70,000 warrants have been granted. This program also expires on 31 August 2021.

ANNUAL GENERAL MEETING

The annual general meeting of Nuevolution AB (publ) will take place on 28 May 2018 at Advokatfirman Vinge's offices, Norrlandsgatan 10, Stockholm. Notice to attend the annual general meeting will be published on Nuevolution's website www.nuevolution.com. Shareholders who wish submit proposals (including election and dismissal of board members and changes to the Articles of Association) for the AGM 2018, can send such requests in writing to Nuevolution AB (publ), Rønnegade 8, 2100 Copenhagen, Denmark or by e-mail to agm@nuevolution.com, at the latest six weeks before the AGM.

CORPORATE COVERNANCE

The Corporate Governance report can be found on pages 72–78.

Information about the Articles of Association re. election and dismissal of board members as well as change to the Articles of Association can be found on page 73.

Information on the most important elements of the Group's internal control and risk management system when preparing the consolidated financial statements can be found on page 77-78.

Information that the annual general meeting 2017 authorized the Board of Director to decide that the company can issue new shares can be found page 73-74.

FINANCIAL CALENDAR

EVENT	DATE
Q1 2018 report	8 May 2018
Annual general meeting	28 May 2018
Q2 2018 report	22 August 2018
Q3 2018 report	7 November 2018
Q4 2018 report	27 February 2019

The financial reports can be found on www.nuevolution.com.

PROPOSED APPROPRIATION OF PROFITS

Unrestricted shareholder's equity in the parent company	
SEK	31 December 2017
Share premium reserve	699,202,739
Loss brought forward	-18,794,711
Loss for the year	-7,204,536
Total	673,203,492

The Board of Directors proposes that the profits available for distribution and unrestricted reserves be allocated as follows:

SEK	
Share premium reserve	699,202,739
Carried forward	-25,999,247
Total	673,203,492

A photograph of the Aurora Borealis (Northern Lights) over a calm lake at night. The sky is dark with numerous stars, and the aurora displays vibrant green and purple bands of light. The lights are reflected in the still water of the lake. The horizon shows a dark line of trees.

FINANCIAL REPORT

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Group - Consolidated income statement

TSEK

	Note	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
Revenue	4	4,827	119,912
Research and development expenses	5, 7, 14	-52,693	-107,336
Sales, general and administration expenses	6, 7, 14	-16,748	-23,216
Operating expenses		-69,441	-130,552
Other operating income	8	153	155
Operating result		-64,461	-10,485
Financial income	9	306	2,955
Financial expenses	10	-674	-1,910
Result before tax		-64,829	-9,440
Corporate tax	11	3,577	-16,046
Result for the period		-61,252	-25,486
Distribution of the year's result			
Net result attributable to shareholders of the Parent Company		-61,252	-25,486
Basic earnings per share (EPS), SEK	12	-1.43	-0.59
Diluted earnings per share (EPS-D), SEK	12	-1.43	-0.59
Group - Consolidated statement of comprehensive income			
Net result for the period		-61,252	-25,486
Other comprehensive result			
Amount which will be re-classified to the income statement:			
Foreign exchange adjustments on subsidiary		2,195	-2,454
Total comprehensive result for the period		-59,057	-27,940
Distribution of the year's result			
Net comprehensive loss attributable to shareholders of the Parent Company		-59,057	-27,940

Note: The principle of accounting for re-invoiced costs and state aid has been changed. The comparative period's figures have therefor been adjusted.

Group - Consolidated balance sheet

TSEK

	Note	31 December 2017	30 June 2017
ASSETS			
Non-current assets			
Property, plant and equipment	14	5,151	5,013
Leasehold improvement	14	1,189	525
Income tax receivable	11	3,636	4,732
Leasehold Deposits	15	1,698	1,665
Total non-current assets		11,674	11,935
Current assets			
Trade receivable	16	575	93
Income tax receivable	11	4,826	7,130
Other current receivables and prepayments	17	4,925	2,902
Cash and cash equivalents	26	114,758	179,595
Total current assets		125,084	189,720
TOTAL ASSETS		136,758	201,655
EQUITY AND LIABILITIES			
Share capital	18	42,858	42,858
Share premium		699,203	699,203
Exchange adjustment reserve		589	-1,606
Retained earnings		-631,559	-570,493
Total shareholders' equity		111,091	169,962
Non-current liabilities			
Lease liabilities	21, 24	2,810	2,939
Total non-current liabilities		2,810	2,939
Current liabilities			
Current portion of long-term lease liabilities	21, 24	1,375	1,482
Trade payables	20	9,979	10,986
Other current liabilities	20	6,515	7,563
Prepayments from collaboration partners	8	1,956	957
Deferred income	4	3,032	7,766
Total current liabilities		22,857	28,754
Total liabilities		25,667	31,693
TOTAL EQUITY AND LIABILITIES		136,758	201,655

Group - Consolidated statement of cash flows

TSEK

		1 Jul. 2017 - 31 Dec. 2017	1 Jul. 2016 - 30 Jun. 2017
	Note	(6 months)	(12 months)
Operating activities			
Result before tax		-64,829	-9,440
Adjustment for depreciation of plant and equipment	14	906	1,703
Adjustment for non-cash effect of the share-based payments	7,25	186	-153
Financial income	9	-306	-2,955
Financial expenses	10	674	1,910
Cash flow before change in working capital		-63,369	-8,935
Change in working capital	23	-8,294	-962
Cash flow from operations		-71,663	-9,897
Interest received		296	367
Interest paid		-595	-1,165
Corporate taxes received/paid		7,240	-12,520
Cash flow from operating activities		-64,722	-23,215
Investing activities			
Investments in plant, equipment, fittings and tools	23	-1,170	-715
Investments in financial assets		0	-9
Cash flow from investing activities		-1,170	-724
Financing activities			
Repayments of lease liabilities	24	-741	-1,253
Cash flow from financing activities		-741	-1,253
Net cash flow for the period		-66,633	-25,192
Currency translation adjustments		1,796	-1,168
Cash and cash equivalents as of beginning of period		179,595	205,955
Cash and cash equivalents as of end of period	26	114,758	179,595

Accounting Policy

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities are stated as the group's result before tax, adjusted for financial income and expenses non-cash operating items, changes in working capital, received financial income, paid financial expenses and received or paid income taxes.

Cash flows from investing activities comprise payments related to acquisitions and divestment of companies and activities as well as purchases and sales of property, plant and equipment and financial fixed assets.

Cash flows from financing activities comprise lease repayments made on assets held under finance lease.

Cash and cash equivalents comprise cash in hand, bank balances and short term securities subject to insignificant risk in change of value.

Group - Consolidated statement of changes in equity

TSEK

	Note	Share capital	Share premium	Retained earnings	Currency translation reserve	Total equity
Equity at 1 July 2017		42,858	699,203	-570,493	-1,606	169,962
Result for the period		0	0	-61,252	0	-61,252
Other comprehensive result		0	0	0	2,195	2,195
Total comprehensive result		0	0	-61,252	2,195	-59,057
Transactions with owners						
Share based payments	25	0	0	186	0	186
Total transaction with owners		0	0	186	0	186
Total changes in equity		0	0	-61,066	2,195	-58,871
Equity at 31 December 2017		42,858	699,203	-631,559	589	111,091

	Note	Share capital	Share premium	Retained earnings	Currency translation reserve	Total equity
Equity at 1 July 2016		42,858	699,203	-544,854	848	198,055
Result for the period		0	0	-25,486	0	-25,486
Other comprehensive result		0	0	0	-25,486	-2,454
Total comprehensive result		0	0	-25,486	-25,486	-27,940
Transactions with owners						
Share based payments	25	0	0	-153	0	-153
Total transaction with owners		0	0	-153	0	-153
Total changes in equity		0	0	-25,639	-2,454	-28,093
Equity at 30 June 2017		42,858	699,203	-570,493	-1,606	169,962

Accounting Policy

The currency translation reserve in the consolidated financial statements comprises foreign-exchange differences arising on translation of financial statements of group entities from their local foreign currencies to the presentation currency used by the group (SEK). On the disposal, entirely or partially, of a group entity, the exchange-rate adjustment is recognized in the income statement as a portion of the gain/loss on the sale.

Parent - Income statement

TSEK

		1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
Revenue	4	1,088	1,291
Research and development expenses		0	0
Sales, general and administration expenses	6,7	-8,161	-6,879
Operating expenses		-8,161	-6,879
Operating result		-7,073	-5,588
Financial income	9	8	294
Financial expenses	10	-140	-39
Result before tax		-7,205	-5,333
Corporate tax	11	0	0
Result for the period		-7,205	-5,333

Parent - statement of comprehensive income

Net result for the period		-7,205	-5,333
Total net comprehensive result for the period		-7,205	-5,333

Parent - Balance sheet

TSEK

	Note	31 December 2017	30 June 2017
ASSETS			
Non-current assets			
Investment in subsidiary	13, 32	682,699	632,699
Total non-current assets		682,699	632,699
Current assets			
Trade receivable, Group company	16	629	318
Other current receivables and prepayments	17	1,197	766
Cash and cash equivalents	26	35,451	90,982
Total current assets		37,277	92,066
TOTAL ASSETS		719,976	724,765
EQUITY AND LIABILITIES			
Restricted equity:			
Share capital	18	42,858	42,858
Unrestricted shareholders' equity:			
Share premium	19	699,203	699,203
Retained earnings	19	-18,795	-13,654
Loss for the period	19	-7,205	-5,333
Shareholders' equity		716,061	723,074
Current liabilities			
Trade payables	20	3,895	1,671
Other current liabilities	20	20	20
Total current liabilities		3,915	1,691
TOTAL EQUITY AND LIABILITIES		719,976	724,765

Parent - Statement of cash flows

TSEK

		1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
	Note		
Operating activities			
Result before tax		-7,205	-5,333
Adjustment for non-cash effect of the share-based payments	7, 25	192	0
Financial income	9	-8	-294
Financial expenses	10	140	39
Cash flow before change in working capital		-6,881	-5,588
Change in working capital	23	1,482	4,979
Cash flow from operations		-5,399	-609
Interest received		8	294
Interest paid		-140	-39
Cash flow from operating activities		-5,531	-354
Investing activities			
Investments in subsidiary	13	-50,000	-82,647
Cash flow from investing activities		-50,000	-82,647
Financing activities			
Cash flow from financing activities		0	0
Net cash flow for the period		-55,531	-83,001
Cash and cash equivalents as of beginning of period		90,982	173,983
Cash and cash equivalents as of end of period	26	35,451	90,982

Accounting Policy

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities are stated as the company's result before tax, adjusted for financial income and expenses non-cash operating items, changes in working capital, paid financial expenses and received income taxes.

Cash flows from investing activities comprise payments related to capital increase in subsidiary.

Cash flows from financing activities comprise changes in the parent company's share capital and related costs.

Cash and cash equivalents comprise cash in hand, bank balances and short term securities subject to insignificant risk in change of value.

Parent - Statement of changes in equity

TSEK

	Note	Restricted	Unrestricted shareholders' equity			Total equity	
		equity	Share capital	Share premium	Retained earnings		Net income
Equity at 1 July 2017			42,858	699,203	-13,654	-5,333	723,074
Comprehensive income							
Result for the period			0	0	0	-7,205	-7,205
Result carried forward			0	0	-5,333	5,333	0
Total comprehensive result			0	0	-5,333	-1,872	-7,205
Transactions with owners							
Share based payments	25		0	0	192	0	192
Total transaction with owners			0	0	192	0	192
Total changes in equity			0	0	-5,141	-1,872	-7,013
Equity at 31 December 2017			42,858	699,203	-18,795	-7,205	716,061

	Note	Restricted	Unrestricted shareholders' equity			Total equity	
		equity	Share capital	Share premium	Retained earnings		Net income
Equity at 1 July 2016			42,858	699,203	48,463	-62,117	728,407
Comprehensive income							
Result for the period			0	0	0	-5,333	-5,333
Result carried forward			0	0	-62,117	62,117	0
Total comprehensive result			0	0	-62,117	56,784	-5,333
Transactions with owners							
Share based payments	25		0	0	0	0	0
Total transaction with owners			0	0	0	0	0
Total changes in equity			0	0	-62,117	56,784	-5,333
Equity at 30 June 2017			42,858	699,203	-13,654	-5,333	723,074

Notes to the consolidated financial statements

Note 1: Company information

Nuevolution AB (the "Company" or "Parent") is a limited liability company, incorporated and domiciled in Sweden. The registered office is at Rønnegade 8, 2100 Copenhagen, Denmark. The Annual consolidated financial statements include the Company's wholly-owned Danish subsidiary, Nuevolution A/S. The Company and its subsidiary are collectively referred to as the "Group"

Nuevolution is a biopharmaceutical group focused on developing treatments for human diseases within oncology and inflammatory diseases. Nuevolution is the sole inventor of Chemetics®, a drug discovery platform which enables efficient discovery of novel chemical small molecule leads for specific indications. Nuevolution has applied the Chemetics® platform to deliver leads for pharmaceutical partners and since late 2012 used its platform for own drug development effort, creating its own pipeline of programs. Through creation of a collection of more than 40 trillion small molecule and macrocyclic compounds ("Synthetic Biologics"), Nuevolution has established itself as a leading party in the field of small molecule lead discovery.

Note 2: Significant accounting policies

The consolidated financial statement and the financial statements for the parent company for the year ended 31 December 2017 have been approved by the Board of Directors and the CEO on 22 February 2018 and will be submitted to the Annual General Meeting on 28 May 2018 for approval.

BASIS FOR PREPARATION

The Annual Report for the Group has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional Swedish disclosure requirements.

This note sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one financial statement item, the policy is described in the note to which it relates.

The accounting policies in the Parent Company financial statements are included under the section "PARENT COMPANY ACCOUNTING PRINCIPLES"

The Annual Report is presented in SEK as the parent company Nuevolution AB is registered in Sweden and has SEK as functional currency. All values are rounded to the nearest thousand SEK.

CHANGES OF ACCOUNTING POLICIES, INCLUDING PRESENTATION AND IMPLEMENTATION OF FINANCIAL REPORTING STANDARDS

On the ordinary shareholders meeting held 12 October 2017, it was decided to change the financial year to follow the calendar year. Therefore, this annual report contains consolidated income statement and cash flow for the period 1 July to 31 December, 2017. The comparative figures in the income statement and statement of cash flow are the ones presented in the last annual report covering the 12 months period 1 July 2016 to 30 June 2017.

Previously reimbursed expenses (2017: TSEK 666, 2016/17: TSEK 251) and government grants (2017: TSEK 153, 2016/17 TSEK 155) have been presented as revenue. Since neither reimbursed expenses nor government grants meet the characteristics of revenue from customers, reimbursement of expenses has been reclassified and set-off against related costs and income from government grants has been reclassified to other operating income. The reclassification has no impact on the net result, earnings per share, financial position or cash flow. The comparative figures in the income statement have been restated retrospectively.

Except of the reclassification of reimbursed expenses and government grant, and the change in financial year, the accounting policies are consistent with those applied to the Annual Report for 2016/17.

NEW STANDARDS AND INTERPRETATIONS

With effect from 1 July 2017, the group has adopted:

- Amendments to IAS 7 – Presentation of financial liabilities
- Annual Improvements 2014-2016:
 - IFRS 2 – Share based payment
 - AS 12 – Assessment of deferred tax assets
- Amendments to IAS 1 – Disclosure Initiative

None of the new standards and interpretations has impacted recognition and measurement for the period.

NEW AND AMENDED STANDARDS EFFECTIVE 2018 AND 2019

The IASB has issued, and the EU has endorsed, a number of new standards and updated some existing standards, which are effective for accounting periods beginning on 1 January 2018 or later. Therefore, they are not incorporated in the consolidated financial statements. Standards and interpretations issued before 31 December 2017, of relevance for the Group, and expected to change current accounting regulation significantly are described below.

- IFRS 9 Financial instruments. The IASB has issued IFRS 9 “Financial Instruments”, with an effective date of 1 January 2018. The EU has endorsed IFRS 9. The Group will adopt IFRS 9 on the effective date. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The Group plans to adopt the new standard, retrospectively in accordance with the standard, on the required effective date. Based on the current accounting treatment of the Group’s financial instruments the application of IFRS 9 will not have an impact on the financial position or financial performance of the Group.
- IFRS 15 Revenue from contracts with customers. The IASB has issued IFRS 15 “Revenue from contracts with customers” and Clarifications to IFRS 15 with an effective date of 1 January 2018. The EU has endorsed IFRS 15. The Group will adopt IFRS 15 on the effective date by using the modified retrospective method. With the implementation of IFRS 15, entities will apply a five-step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. The Group generates its revenue through a number of research and development, license, and collaboration contracts. A typical contract includes multiple forms of consideration including an up-front payment, milestone payments, royalties, and cost reimbursement. Since the Group is applying the modified retrospective method it has analysed its ongoing contracts as of 31 December 2017, i.e. the contracts with Janssen Biotech, Amgen Inc and Almirall. These contracts have been reviewed contract by contract to ascertain how IFRS 15 will impact the identification of distinct goods and services and the allocation of consideration to them. Based on the review performed, IFRS 15 will not have an impact on the financial position or financial performance of the Group. However, new disclosures will be required.
- IFRS 16 Leases. The IASB has issued IFRS 16 “Leasing”, with an effective date of 1 January 2019. The EU has endorsed IFRS 16. The Group plans to adopt the new standard on the required effective date by using the modified retrospective approach. The standard requires that all leases be recognized in the balance sheet with a corresponding lease liability, except for short term assets and minor assets. Leased assets are amortized over the lease term, and payments are allocated between instalments on the lease liabilities and interest expense, classified as financial items. The Group is currently evaluating the impact on the consolidated financial statements and the most significant impact will be the recognition of new assets and liabilities for its operating lease of office facilities. In addition, the nature of the expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. Upon implementation on 1 January 2019, assuming that no new material leases are entered into and no amendments to existing leases are made, the Group is expected to recognize a liability to make lease payments related to the Group’s premises in Copenhagen of approximately SEK 20 million and an asset representing the right to use the premises during the lease term (i.e. the right to use asset) of approximately SEK 20 million. Applying the modified retrospective approach, the expected accumulated effect on equity and total assets at 1 January 2019 approximates SEK 0 million and SEK 20 million, respectively. Following the implementation, the Group will separately recognize the interest expense in the lease liability and the depreciation on the right to use the Group’s premises in Copenhagen. The implementation of IFRS 16 is not expected to have an impact on the financial position or financial performance of the Group. Further, IFRS 16 also requires the Group to make more extensive disclosures than under IAS 17.

CONSOLIDATION

The consolidated financial statements comprise the financial statements of Nuevolution AB (the parent company) and the entities in which the parent company, directly or indirectly, holds more than 50 % of the voting rights or otherwise exercise a controlling influence (subsidiaries).

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and its subsidiaries by aggregating items of a similar nature and subsequently eliminating intra-group transactions, intra-group investments and balances, and intra-group gains and losses. The financial statements used for consolidation purposes are prepared in accordance with the Group's accounting policies.

FOREIGN CURRENCY TRANSLATION

On initial recognition, foreign currency transactions are translated at the exchange rate at the transaction date. Receivables, liabilities and other monetary items denominated in foreign currency that have not been settled at the balance sheet date are translated at closing rates. Foreign exchange differences between the rate of exchange at the date of the transaction and the rate of exchange at the date of payment or the balance sheet date, respectively, are recognised in the income statement under financial items.

When group entities with a functional currency other than Swedish Kroner are recognised in the consolidated financial statements, their income statements are translated at average exchange rates for the respective quarters, and balance sheet items are translated at the exchange rates at the balance sheet date.

Exchange differences arising from translation on foreign subsidiaries' balance sheet items at the beginning of the period to the exchange rates at the balance sheet date, and on the translation of these subsidiaries' income statements from average exchange rates at the balance sheet date are recognized in other comprehensive income (OCI).

SEGMENT REPORTING

An operating segment is a component of a company whose operating results are regularly reviewed by the Company's Board of Directors together with the CEO, to make decisions about resources to be allocated to the segment and assess its performance. The Nuevolution Group is managed and operated as one business unit, which is reflected in the organizational structure and internal reporting. No separate lines of business or separate business entities have been identified with respect to any of the product candidates or geographical markets and no segment information is currently disclosed in the internal reporting. Accordingly, it has been concluded that it is not relevant to disclose any segment information in the financial statement for the Group or the parent company.

PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company prepares its Annual Report in compliance with Sweden's Annual Accounts Act (1995:1554) and Recommendation RFR 2, "Accounting for Legal Entities" of the Swedish Financial Reporting Board. The recommendation states that IFRS shall be applied with exceptions and additions due to that Annual Accounts Act and possible taxation consequences due that Swedish taxation to a great extent is based on the statutory accounts.

DEFINITIONS

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated according to IAS 33.

Other key ratios are calculated in accordance with the online version of "Recommendations and Ratios" issued by the CFA Society Sweden.

Net working capital (NWC):

Trade Receivables + Other current receivables and prepayments - Trade payable - Prepayments from collaboration partners - Other Current Liabilities

Equity ratio:

Equity (end of year) * 100 / Total assets

Earnings per Share Basic (EPS Basic):

Net result / Average number of shares

Diluted earnings per Share (EPS-D):

Net result / Diluted average number of shares in circulation

Shareholders' equity per share:

Equity / Number of shares, year end

Net cash:

Cash and cash equivalents - Lease liabilities - Current portion of long-term lease liabilities

Note 3: Critical accounting estimates and judgements

In preparing the annual consolidated financial statements, management makes various accounting judgements and estimates and define assumptions, which form the basis of recognition, measurement and presentation of the group's assets and liabilities.

The estimates and assumptions applied are based on historical experience, the most recent information available at the reporting date, and other factors that management considers reasonable under the circumstances.

The basis for judgements and information can by nature be inaccurate or incomplete, and the company is subject to uncertainties, which can result in an actual outcome that deviates from estimates and defined assumptions. It may be necessary in the future to change previous estimates and judgements as a result of supplementary information, additional knowledge and experience or subsequent events.

In applying the group's accounting policies described in note 2, management has exercised critical accounting judgements and estimates, which significantly influence on the amounts recognized in the consolidated financial statements.

The accounting estimates or judgements which are relevant to the Management Board in the preparation of the consolidated financial statements are described in note 4, 5 and 11.

PARENT COMPANY

In preparing the annual financial statements for the parent company, management makes various accounting judgements and estimates and define assumptions with significant effect on recognition of the investment in Nuevolution A/S and possible impairment hereof.

The estimates and assumptions applied for impairment test of the investment in Nuevolution A/S is described in detail in note 13.

Note 4: Revenue and deferred income

Group

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Recognition of upfront & milestone payments	4,827	119,912
Total	4,827	119,912

Revenue split by Geographical Area

Sweden	0	0
Spain	0	109,069
USA	4,827	10,843
Total	4,827	119,912

The revenue is based on a contract with one partner in the period 1 July - 31 December 2017 and two partners in the financial year 2016/17 as the following:

Customer 1	100%	9%
Customer 2	0%	91%

Balance Sheet

Deferred income	3,032	7,766
Total	3,032	7,766

Expected to be recognized in the income statement:

Current	3,032	6,243
Non-current	0	1,523
Total	3,032	7,766

The future recognition in the income statement is based on the current assessment.

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
Parent Company		
TSEK		
Service fee, Group Companies	1,088	1,291
Total	1,088	1,291

Accounting Policy

Revenue

Revenue comprises the fair value of the consideration received or receivable for sales of exclusive license rights and income derived from contract research and other services. Revenue is measured net of value added tax, duties, etc. collected on behalf of a third party and discounts.

The revenue is recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably and when any significant risks and rewards of ownership of the rights or right to the services are transferred and the Group no longer retains managerial responsibility for, or control of, the rights or services sold.

Agreements with customers and collaboration partners often include non-refundable upfront license and collaboration fees, milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones, as well as royalties on product sales of licensed products, if and when such product sales occur. For these agreements that include multiple elements, total contract consideration is attributed to separately identifiable components on a reliable basis that reasonably reflects the selling prices that might be expected to be achieved in stand alone transactions provided that each component has value to the customer on a stand alone basis. The then allocated consideration is recognized as revenue in accordance with the principles described above.

Sales of a license that transfer the rights associated with ownership of an intangible asset are recognized at a point in time when control of the rights is transferred.

Revenue from contract research and licenses that do not transfer the right of ownership to an intangible asset are recognized over time in line with the execution and delivery of the work. The percentage of completion is made up based on the stage of completion on each individual work in progress.

If multiple components are not separable, they are combined into a single component and recognized over the period where the Group is actively involved in development and deliver significant services to the customer.

Deferred income

Deferred income comprises income and prepayments received relating to subsequent financial periods. Deferred income is measured at nominal value.

Rendering of services - Group companies

Income from rendering of management, research and development services for group companies are recognized as revenue. The revenue is recognized in the period when the services have been provided. All intra-group revenue are eliminated in the consolidated financial statement in accordance with the accounting policies.

MANAGEMENT'S JUDGEMENTS AND ESTIMATES

Whether a component of a multiple element contract has value to the customer on a stand alone basis is based on an assessment of specific facts and circumstances and is associated with judgement. This applies also to the assessment of whether a license transfers rights associated with ownership of an intangible asset. Furthermore, allocation of the total consideration of a contract to separately identifiable components requires considerable estimates and judgement to be made by Management. At inception and throughout the life of a contract Management is performing an analysis of the agreement with its customers based on available facts and circumstances at each assessment date such as historical experience and knowledge from the market to the extent obtainable. This includes also an understanding of the purpose of the deliverables under the contract and the negotiation taken place prior to concluding the contract.

For the year ended 31 December 2017, Nuevolution has not recognized any revenues from future payments under the collaboration agreement with Almirall. During the financial year 2016/17, Nuevolution received an upfront payment of SEK 109.2 million from Almirall at the time when the RORyt inhibitor program (inflammation) was out-licensed to Almirall in for dermatological indications and psoriatic arthritis. Nuevolution recognized SEK 109.2 million in 2016/17 of revenue for sale of these exclusive product licenses to the applicable drug candidates under the collaboration agreement with Almirall.

Note 5: Research and development expenses

Group

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Employee benefit expenses	17,957	37,940
External expenses	34,522	67,954
Depreciation	880	1,693
Total	53,359	107,587
Reimbursed expenses from collaboration partners	-666	-251
Net research and development expenses	52,693	107,336

All research and development activities are carried out by Nuevolution A/S.

Accounting Policy

Research and development expenses are incurred in the Group for in-house research and development activities as well as numerical research and development collaborations and alliances with third parties.

Research and development expenses mainly comprise the costs for active ingredient discovery, clinical studies, research and development activities in the areas of application technology and engineering, field trials, regulatory approvals and approval extensions. In addition, research and development expenses also include wages and salaries, share-based compensation, and other employee related cost, cost of premises, lawyer, depreciation etc. related to the research and development staff.

For accounting purposes, research expenses are defined as costs incurred for current or planned investigations undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development expenses are defined as costs incurred for the application of research findings or specialist knowledge to plans or designs for the production, provision or development of new or substantially improved products, services or processes, respectively, prior to the commencement of commercial production or use.

Reimbursed expenses related to project under collaboration agreements are invoiced to the partners and are set-off against research and development expenses.

All research and development expenses are recognized in the income statement in the period in which they are incurred.

MANAGEMENT'S JUDGEMENTS AND ESTIMATES

Research costs cannot be capitalized. The conditions for capitalization of development costs are closely defined: an intangible asset must be recognized if, and only if, there is reasonable certainty of receiving future cash flows that will cover an asset's carrying amount. Since our own development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied.

Management assess on a continuous basis, whether there is reasonable certainty of receiving future cash flows that will cover the development costs incurred regarding our own development projects. As the currently ongoing projects are subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs have not been satisfied as at 31 December 2017 and comparative periods.

Note 6: Sales, general and administration expenses

Group

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Employee benefit expenses	5,658	10,324
External expenses	11,064	12,882
Depreciation	26	10
Total	16,748	23,216

Parent Company

TSEK		
Employee benefit expenses	1,410	1,293
External expenses	6,751	5,586
Total	8,161	6,879

Accounting Policy

Sales, general and administrative expenses include wages and salaries, share-based compensation, and other personnel related expenses, office costs, cost of premises, audit, lawyer, depreciation etc. related to management, sales, human resources, information technology, and the finance departments.

Note 7: Staff expenses

Group

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Wages & salaries	20,512	41,040
Bonus	-164	3,805
Share-based payment (see also note 25)	186	-153
Pension (Defined contribution)	501	453
Other social security costs	263	209
Other staff costs	2,317	2,910
Total	23,615	48,264

Staff costs are recognized as follows:

Research and development expenses	17,957	37,940
Sales, general and administration expenses	5,658	10,324
Total staff cost	23,615	48,264

Board of directors (remuneration)	660	1,293
Management (Wages & salaries)	3,854	7,541
Management (Bonus)	-164	1,508
Management (Share-based payment, see also note 25)	0	3
Management (Pension - defined contribution)	157	242
Management (Other social security costs)	5	12
Total	4,512	10,599

Employees:

Average number of FTE	48	45
Number of FTE end of year	47	47

All employees are engaged in Denmark.

Members of the group management have contracts of employment containing standard terms for members of group companies of Swedish listed companies, including the periods of notice that both parties are required to give and competition clauses. If a contract of employment of a member of group management is terminated by the company without misconduct on the part of such member, the member of the group management is entitled to compensation, which, depending on the circumstances, may amount to a maximum of 6-12 months' remuneration. In the event of a change of control the compensation can amount up to 12 months' remuneration.

Note 7: Staff expenses - continued

Parent Company

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Wages & salaries	660	1,293
Share-based payment to employees in group companies (see also note 25)	192	0
Other social security costs	98	0
Other staff costs	460	0
Total	1,410	1,293

Staff costs are recognized as follows:

Sales, general and administration expenses	1,410	1,293
Total staff cost	1,410	1,293

Employees:

Average number of FTE	0	0
Number of FTE end of year	0	0

Except for the management, the parent company has no employees.

REMUNERATION OF BOARD OF DIRECTORS AND MANAGEMENT

TSEK

1 July 2017 - 31 December 2017 (6 months)	Directors' fees/ Base salary	Bonus	Share-based payments	Pension costs - defined contribution	Other social security costs	Total
Stig Løkke Pedersen, Chairman of the Board of Directors, member of Audit and Remuneration committee	220	0	0	0	0	220
Lars Henriksson, Board member and chairman of Audit committee	125	0	0	0	98	223
Søren Lemonius, Board member and chairman of Remuneration committee	115	0	0	0	0	115
Jutte Heim, Board member	100	0	0	0	0	100
Jeanette Wood, Board member	100	0	0	0	0	100
Frederik Arp	0	0	0	0	0	0
Sub-total Board of Directors	660	0	0	0	98	758
CEO	1,219	0	0	122	1	1,342
Other Executive Management (CSO, CBO and CFO)	2,635	-164	0	35	4	2,510
Sub-total Executive Management	3,854	-164	0	157	5	3,852
Total	4,514	-164	0	157	103	4,610

1 July 2016 - 30 June 2017 (12 months)	Directors' fees/ Base salary	Bonus	Share-based payments	Pension costs - defined contribution	Other social security costs	Total
Stig Løkke Pedersen, Chairman of the Board of Directors, member of Audit and Remuneration committee	378	200	0	0	0	578
Lars Henriksson, Board member and chairman of Audit committee	188	0	0	0	0	188
Søren Lemonius, Board member and chairman of Remuneration committee	173	0	0	0	0	173
Jutte Heim, Board member	177	0	0	0	0	177
Jeanette Wood, Board member	177	0	0	0	0	177
Sub-total Board of Directors	1,093	200	0	0	0	1,293
CEO	2,420	484	3	242	3	3,152
Other Executive Management (CSO, CBO and CFO)	5,121	1,024	0	0	9	6,154
Sub-total Executive Management	7,541	1,508	3	242	12	9,306
Total	8,634	1,708	3	242	12	10,599

Accounting Policy

Staff expenses

Staff expenses comprise wages and salaries for staff engaged in research, development, sales, marketing, administration and management. The item also comprise all staff-related costs.

Share-based payments

Share-based incentive programs, under which management and employees may choose to buy shares in the parent company (equity schemes), are measured at fair value of equity instruments at grant date and recognized in the income statement over the period of the employee's earning the right to buy the shares. The balancing item is recognized directly in shareholder equity. The fair value of the share-based payment is determined using a binominal option pricing model. Please refer to Note 25 for further details.

Note 8: Other operating income

Group

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Government grant	153	155
Total	153	155

Recognized in the balance sheet:

Total recognized in the balance sheet	1,956	957
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Accounting Policy

Other operating income comprises research funding from government grant. Research funding is recognized in the period when the research activities have been performed and when there is reasonable assurance that the grants will be received. Grants for research and development costs, which are recognized directly in the income statement are recognized under other operating income as the grants are considered to be cost refunds and not as such revenue.

Prepaid grants are recognized in the balance sheet as prepayments of government grants at par value on receipt and is transferred to the income statement concurrently with the related expenses occur.

Note 9: Financial income

Group

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Interest income	0	19
Foreign exchange gain	306	2,936
Total	306	2,955

Parent Company

TSEK		
Interest income	0	6
Interest income, Group Companies	0	286
Foreign exchange gain	8	2
Total	8	294

Accounting Policy

Financial income include interest income, realized and unrealized gains on transactions in foreign currencies. Financial income are recognized in the income statement at the amounts that relate to the reporting period.

Note 10: Financial expenses

Group

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Interest expenses	160	0
Leasing interest	67	162
Bank fees and other financial expenses	93	237
Foreign exchange loss	354	1,511
Total	674	1,910

Parent Company

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Interest expenses - Group Companies	0	0
Interest expenses - Bank deposit	109	0
Bank fees and other financial expenses	7	15
Foreign exchange loss	24	24
Total	140	39

Accounting Policy

Financial expenses include interest expenses, interest expenses relating to finance lease payments and realized and unrealized losses on transactions in foreign currencies. Financial expenses are recognized in the income statement at the amounts that relate to the reporting period.

Note 11: Corporate and deferred tax

Group

Taxation - income statement

	1 July 2017 - 31 Dec. 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Result before tax	-64,829	-9,440
Corporate income tax rate in Sweden	22.0%	22.0%
Tax on result for the period	14,262	2,077
Tax value of non-deductible expenses	-2	-7
Taxes paid in Spain	0	-20,857
Utilization of Danish tax credit	3,577	4,812
Adjustment of deferred tax	3,647	3,496
Adjustment of tax from prior period	0	-959
Adjustment of deferred tax not recognized in the balance sheet	-17,907	-4,608
Total	3,577	-16,046

Taxation - balance sheet

	31 December 2017	30 June 2017
Component of the deferred tax asset are as follows:		
Property, plant and equipment	-803	-895
Net payments under finance lease	920	973
Research and development costs capitalized for tax purposes	-4,530	-6,663
Other current assets	374	-124
Deferred income	-667	-1,709
Share-based payments	-11,238	-10,978
Tax loss carry-forward	-129,393	-112,626
Total	-145,337	-132,022
Unrecognized deferred tax asset	145,337	132,022
Total	0	0

Income tax for the year includes a tax credit for research and development at the applicable tax rate under the Danish Corporate Income Tax Act. During the financial year 2016/17, the agreement with Almirall has triggered a payment of withholding tax in Spain. Nuevolution cannot utilize the possibility to set-off the payment of the withholding tax against payment of other taxes, consequently the payment of withholding tax in Spain has been recognized as corporate income tax in the income statement for 2016/17. For 2017 there was no income tax effect of Almirall.

The group has in previous years generated tax losses. As it is still uncertain whether deferred tax assets can be utilized, the assets has not been recognized in the annual report. Deferred tax assets not recognized for the period 1 July - 31 December 2017 were TSEK 145,337 (1 July 2016 - 30 June 2017: TSEK 132,022).

According to current tax legislation, tax losses carry-forward can be carried forward indefinitely.

Note 11: Corporate and deferred tax - continued

Parent Company

Taxation - income statement

TSEK	1 July 2017 - 31 Dec. 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
Result before tax	-7,205	-5,333
Corporate Income Tax rate in Sweden	22.0%	22.0%
Tax on result for the period	1,585	1,173
Tax on share based payment	-42	0
Adjustment of deferred tax	0	-22
Adjustment of deferred tax not recognized in the balance sheet	-1,543	-1,151
Total	0	0

Taxation - balance sheet

	31 December 2017	30 June 2017
Component of the deferred tax asset are as follows:		
Other current assets	0	-92
Tax loss carry-forward	-7,449	-5,772
Total	-7,449	-5,864
Unrecognized deferred tax asset	7,449	5,864
Total	0	0

The parent company has generated tax losses. As it is uncertain whether deferred tax assets can be utilized, such assets has not been recognized in the annual report.

According to current tax legislation, tax losses carry-forward can be carried forward indefinitely.

Accounting Policy

Tax for the year, which includes current tax on the year's taxable income and the year's deferred tax adjustments, is recognized in the income statement as regards the portion that relates to the net result for the year and is taken directly to equity as regards the portion that relates to entries directly in equity or other comprehensive income, respectively.

The current tax payable or receivable is recognized in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

The group recognizes tax credits relating to research and development costs in accordance with the Danish corporate tax act at the corporate income tax rate (22% for both 2017 and 2016/17) based on total research and development cost of up to DKK 25 million. Nuevolution A/S has an income tax year running from 1 July to 30 June, therefore the Company has recognized tax credits based on DKK 12.5 million, corresponding to the part of the income tax year that is included in the financial year from 1 July 2017 to 31 December 2017, in total TSEK 3,577. For the period 1 July 2016 to 30 June 2017, the Company recognized tax credit of TSEK 4,812.

In assessing current tax for the year, the applicable tax rates and legislation on the statement of financial position date are used.

Deferred tax is measured according to the statement of balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. The deferred tax is stated based on the planned utilization of the individual asset and the settlement of the individual liability, respectively.

Deferred tax assets, including the tax value of tax losses carry-forwards, are recognized in the balance sheet at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

MANAGEMENT'S JUDGEMENTS AND ESTIMATES

The Group recognizes deferred tax assets relating to tax losses carried forward when management assess that these tax assets can be offset against positive taxable income in the foreseeable future. The assessment is made at the reporting date and is based on relevant information, taking into account any impact from restrictions in utilization in local tax legislation.

The assessment of future taxable income is based on financial budgets approved by management as well as management's expectations regarding the operational development in the following years. Based upon this assessment no deferred tax assets relating to tax losses carried forward have been recognized as at 31 December 2017.

Note 12: Earnings per share

Group

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Net result	-61,252	-25,486
Average number of shares	42,858,236	42,858,236
Average number of shares-based instruments (Warrants), dilution	842,258	425,452
Average number of shares, diluted	43,700,494	43,283,688
Basic earnings per share (EPS), SEK	-1.43	-0.59
Diluted earnings per share (EPS-D), SEK*	-1.43	-0.59

*No dilution since the warrants are currently anti-dilutive.

Accounting Policy

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated according to IAS 33.

Basic net earnings per share (EPS)

Basic net earnings per share is calculated as the net result for the year divided by the weighted average number of outstanding shares.

Diluted net earnings per share (EPS-D)

Diluted net earnings per share is calculated as net result for the year divided by the weighted average number of outstanding shares adjusted for the dilutive effect of warrants.

Note 13: Investments in subsidiary

Parent Company

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Cost as of beginning of period	632,699	550,052
Additions	50,000	82,647
Cost as of end of period	682,699	632,699
Impairment loss as of beginning of period	0	0
Impairment for the period	0	0
Impairment loss as of end of period	0	0
Carrying amount as of end of period	682,699	632,699

Accounting Policy

Investment in subsidiaries consist of the investment in Nuevolution A/S and are measured at cost reduced by impairment write-down.

MANAGEMENT'S JUDGEMENTS AND ESTIMATES

Impairment test

In connection with the preparation of the financial statements for the parent company, Nuevolution AB, management has performed its annual impairment test of the carrying amount of the investment in Nuevolution A/S. Management considers the relationship between its market capitalization and its carrying value, among other factors, when reviewing for indicators of impairment. As at 31 December 2017, the market capitalization of the Group (less cash in Nuevolution AB) was below the carrying value of the investment in Nuevolution A/S, indicating a potential impairment of its investment in Nuevolution A/S.

Applying a value-in-use approach and based on the sum-of-the-parts discounted cash flow model (DCF model), Management has performed an impairment test of the carrying value of Nuevolution A/S. Key components comprise a risk-adjusted NPV (rNPV) of the collaborations with Amgen, Ammirall and BRIC, Nuevolution's five lead programs, the Chemetics platform and expenses not associated with collaborations, the lead programs and Chemetics platform, as well as Nuevolution A/S's cash position and leasing obligations.

Management has applied a Weighted Average Cost of Capital (WACC) of 12% after tax, except for the Chemetics platform where a WACC of 8% has been applied, and a USD/SEK currency exchange rate of 823.20. Success rates for clinical programs (Phase I to approval) in oncology and inflammation, derived from 'Clinical development success rates for investigational drugs', Michael Hay et al., Nature Biotechnology, January 2014', and success rates for discovery and pre-clinical programs, derived from 'How to improve R&D productivity: the pharmaceutical industry's grand challenge', Steven M. Paul et al., Nature Reviews - Drug discovery, March 2010, have formed the basis for the risk-adjustment.

The impairment test demonstrates that the sum-of-the-parts value-in-use at 31 December 2017 of SEK 745 million exceeds the carrying amount of SEK 683 million. Therefore, management assesses that there is no need for an impairment of its investment in Nuevolution A/S.

Besides the sensitivity related to the risk adjustments applied, the sum-of-the-parts value-in-use is most sensitive to the WACC and USD/SEK currency exchange rate. Thus, an increase in the WACC by 2% would result in a need of an impairment of SEK 33 million. A decline in USD/SEK currency exchange rate of 10% would lead to an impairment of SEK 14 million.

The company's sum-of-the parts value-in-use is particularly sensitive to assumptions in respect of the Company's ability to enter into partnerships with pharmaceutical companies based on the small molecule drug discovery platform technology, Chemetics®. Thus, the impairment model applies assumptions in respect of weighted average likelihood measured in % that the Company is entering into collaboration agreements in respect of product candidates in pipeline and on the terms similar to past collaboration agreements. While the Company expects to continue to enter into new partnership agreements, any delays or absence of such partnerships will reduce the sum-of-the parts value-in-use and potentially give rise to impairment of the investment in Nuevolution A/S.

MSEK	Impairment test		Sensitivity		
	rNPV	WACC	WACC	USD/SEK	USD/SEK
Sum-of-the-parts	745	-2%	+2%	-10%	+10%
		873	650	669	822

Note 14: Property, plant and equipment

Group

	Other fixtures, fittings, tool and equipment	Leasehold improvement	Total
TSEK			
Cost at 1 July 2017	34,713	12,453	47,166
Exchange rate adjustment	679	259	938
Additions	883	704	1,587
Cost at 31 December 2017	36,275	13,416	49,691
Depreciation and impairment at 1 July 2017	29,700	11,928	41,628
Exchange rate adjustment	579	238	817
Depreciation and impairment for the period	845	61	906
Depreciation and impairment at 31 December 2017	31,124	12,227	43,351
Carrying amount at 31 December 2017	5,151	1,189	6,340
Carrying amount of leased tools and equipment	4,038	0	4,038
Depreciation and impairment expenses are recognized as follows:			
Research and development expenses	845	35	880
Sales, general and administration expenses	0	26	26
Total depreciation and impairment expenses	845	61	906
Cost at 1 July 2016	38,207	12,118	50,325
Exchange rate adjustment	905	285	1,190
Additions	1,569	50	1,619
Disposals	-5,968	0	-5,968
Cost at 30 June 2017	34,713	12,453	47,166
Depreciation and impairment at 1 July 2016	33,279	11,552	44,831
Exchange rate adjustment	792	270	1,062
Depreciation and impairment for the year	1,597	106	1,703
Disposals	-5,968	0	-5,968
Depreciation and impairment at 30 June 2017	29,700	11,928	41,628
Carrying amount at 30 June 2017	5,013	525	5,538
Carrying amount of leased tools and equipment	4,266	0	4,266
Depreciation and impairment expenses are recognized as follows:			
Research and development expenses	1,597	96	1,693
Sales, general and administration expenses	0	10	10
Total depreciation and impairment expenses	1,597	106	1,703

All assets are located in Denmark

Accounting Policy

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Leased tangible fixed assets qualifying for assets held under finance lease contracts are measured as acquired fixed assets. Management has assessed that the purchase option will be utilized.

Cost comprises the purchase price, costs directly allocated to the acquisition, and costs for preparation until the date when the asset is available for use.

Cost of assets held under finance lease contracts are measured as the lower of fair value and the present value of future lease payments, calculated on the internal discount rate.

Depreciation is calculated on a straight-line basis based on the following expected useful life:

	<u>Year</u>
Leasehold improvements	5-10
Other fixtures and fittings, tools and equipment	3-5

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Impairment of fixed assets

If circumstances or changes in Nuevolutions operation indicate that the carrying amount of property, plant and equipment in a cash-generating unit may not be recoverable, management reviews the property, plant and equipment for impairment. The basis for the review is the recoverable amount of the assets, determined as the greater of the fair value less cost to sell or its value in use. Value in use is calculated as the net present value of future cash inflow generated from the asset. If the carrying amount of an asset is greater than the recoverable amount. An impairment loss is recognized in the income statement when the impairment is identified.

Note 15: Leasehold deposits

Group

	31 December 2017	30 June 2017
TSEK		
Deposit, rental	1,698	1,665
Total	1,698	1,665

Accounting Policy

Other non-current financial receivables are initially measured at fair value, and subsequently at amortized cost using the effective interest method less impairment.

Note 16: Trade receivables

Group

TSEK	31 December 2017	30 June 2017
Trade receivables, gross value	575	93
Trade receivables, impaired	0	0
Total	575	93

Age analysis of trade receivables:

- Not yet due	575	93
- Overdue by between 1 and 179 days	0	0
- Overdue by between 180 and 360 days	0	0
Total receivables with credit risk exposure	0	0

No loss on receivables has been recognized during the reporting periods.

Parent Company

TSEK		
Trade receivables - Group Companies	629	318
Total	629	318

No loss on receivables from group companies has been recognized during the reporting periods.

Accounting Policy

Trade receivables are initially measured at fair value, and subsequently at amortized cost using the effective interest method less impairment.

At each balance sheet date, the Company assesses whether there is objective evidence that a receivable or a group of receivables is impaired. An assessment of impairment of receivables is performed when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is finally established as uncollectible, it is written off against the allowance account for trade receivables.

Present value adjustment is not performed since the duration is short.

Note 17: Other current receivables and prepayments

Group

	31 December 2017	30 June 2017
TSEK		
VAT	2,758	795
Prepayments	1,617	1,818
Other financial assets	550	289
Total	4,925	2,902

Parent Company

TSEK		
VAT	957	164
Other receivables	11	0
Prepayments	229	602
Total	1,197	766

Accounting Policy

Other current receivables and prepayments are initially measured at fair value, and subsequently at amortized cost using the effective interest method less impairment.

Prepayments recognized under assets comprise expenses incurred relating to subsequent financial periods. Prepayments are measured at cost.

Note 18: Share capital

Group and Parent Company

	No. of shares	Share Capital TSEK
Balance at 1 July 2017	42,858,236	42,858
Balance at 31 December 2017	42,858,236	42,858
Balance at 1 July 2016	42,858,236	42,858
Balance at 30 June 2017	42,858,236	42,858

The share capital consists of 42,858,236 shares of SEK 1 nominal value each. No shares carry any special rights. The share capital is fully paid up.

Note 19: Allocation of the result

Parent Company

Unrestricted shareholder's equity in the parent company

TSEK	31 December 2017	30 June 2017
Share premium reserve	699,203	699,203
Loss brought forward	-18,795	-13,654
Loss for the period	-7,205	-5,333
Total	673,203	680,216

The Board of Directors proposes that the profits available for distribution and unrestricted reserves be allocated as follows:

TSEK		
Share premium reserve	699,203	699,203
Carried forward	-26,000	-18,987
Total	673,203	680,216

Note 20: Trade payables and other current liabilities

Group

TSEK	31 December 2017	30 June 2017
Trade payables	9,979	10,986
Other current liabilities	6,515	7,563
Total	16,494	18,549

Parent Company

TSEK		
Trade payables	3,895	1,671
Other current liabilities	20	20
Total	3,915	1,691

Accounting Policy

Trade payables are initially measured at fair value, and subsequently at amortized cost using the effective interest method. Carrying amount for Trade payables are presumed to correspond to the fair value since it is by nature short-term.

Other liabilities are measured at amortized cost, which usually corresponds to the nominal value.

Present value adjustment is not performed since the duration is short.

Note 21: Lease liabilities

The Group has financial leases for various items of tangible assets. Futures minimum lease payments under leases together with the present value of the net minimum lease payments are as follows:

Group

TSEK	31 December 2017	30 June 2017
Non-current lease liabilities	2,810	2,939
Current portion of long-term lease liabilities	1,375	1,482
Total	4,185	4,421

Finance lease obligations

TSEK	1 July 2017 - 31 December 2017 (6 months)		1 July 2016 - 30 June 2017 (12 months)	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
0-1 year	1,482	1,375	1,600	1,482
1-5 years	2,923	2,810	3,070	2,939
> 5 years	0	0	0	0
Total minimum lease payments	4,405	4,185	4,670	4,421
Less amounts representing finance charges	220	0	249	0
Total	4,185	4,185	4,421	4,421

The Group has entered into rent contracts, which all can be terminated at maximum of 6 months notice. Annual rent payment of TSEK 3,732 (2016/17: TSEK 3,677), where TSEK 3,247 (2016/17: TSEK 3,199) is included in research and development expenses and TSEK 485 (2016/17: TSEK 478) is included in sales, general and administrative expenses. The Group has an operational lease agreement of minor assets with an annual payment of TSEK 73 (2016/17: TSEK 0), where TSEK 63 (2016/17: TSEK 0) is included in research and development expenses and TSEK 10 (2016/17: TSEK 0) is included in sales, general and administrative expenses.

Parent Company

The parent company has not entered into finance leases and/or hire purchase contracts.

Accounting Policy

Financial lease liabilities regarding assets held under financial leases are recognized in the statement of financial position as liabilities and measured, at the inception of the lease, at the lower of fair value and present value of future lease payments, calculated by reference to the interest rate implicit in each lease.

On subsequent recognition, lease liabilities are measured at amortized cost. The difference between present value and nominal value of lease payments is recognized in the statement of comprehensive income over the term of the lease as a financial expense.

Note 22: Financial risk management and financial instruments

Group and Parent Company

The objective of Nuevolution AB (publ)'s financial management policy is to reduce the group's risk to fluctuations in currency exchange rates, interest rate risk and credit risk. The Board of Directors has adopted a policy for managing financial risks within the group. The Board of Directors is responsible for the group's long-term financing strategy as well as any acquisition of capital. The management of financial risks in the day-to-day operations is handled by the CFO together with the CEO.

Liquidity and financing risk

It is Nuevolution's aim to have adequate capital in relation to the underlying operation and research and development projects, so that it is always possible to provide sufficient capital to support operations and the groups long-term objectives..

Nuevolution receives upfront and milestone payments from its partners in USD and EUR. In addition, Nuevolution has entered financial lease and rent agreements in DKK.

Nuevolution's working capital as at 31 December 2017 is sufficient to support the Group's operating cash flow needs for at least the 12 months following the date of these consolidated financial statements. However, it is expected that Nuevolution in 2018 may need to attain additional funding to support working capital needs for 2019 and beyond in support of its long term strategy for growth of the company and its business. Management intends to finance its operations for 2019 and beyond by income from existing and/or new collaboration partners and potentially a capital markets transaction. Further, the Company will continue to revisit its strategic plans for 2018 and beyond. On this basis, the Board of Directors and management continues to view the Group as a going concern.

Below is a term-based analysis of the group's financial position:

31 December 2017

TSEK

	0-1 year	1-5 years	> 5 years	Total	Carrying amount
<u>Measured at amortized cost</u>					
Lease liabilities	1,482	2,923	0	4,405	4,185
Trade payables	9,979	0	0	9,979	9,979
Other current liabilities	6,515	0	0	6,515	6,515
Total financial liabilities	17,976	2,923	0	20,899	20,679
Cash	114,758	0	0	114,758	114,758
<u>Measured at amortized cost</u>					
Trade receivables	575	0	0	575	575
Deposits	0	0	1,698	1,698	1,698
Other current receivables	3,308	0	0	3,308	3,308
Total financial assets	118,641	0	1,698	120,339	120,339
Net	-100,665	2,923	-1,698	-99,440	-99,660

30 June 2017

TSEK

Measured at amortized cost	0-1 year	1-5 years	> 5 years	Total	Carrying amount
Lease liabilities	1,600	3,070	0	4,670	4,421
Trade payables	10,986	0	0	10,986	10,986
Other current liabilities	7,563	0	0	7,563	7,563
Total financial liabilities	20,149	3,070	0	23,219	22,970

Cash	179,595	0	0	179,595	179,595
<u>Measured at amortized cost</u>					
Trade receivables	93	0	0	93	93
Deposits	0	0	1,665	1,665	1,665
Other current receivables	1,084	0	0	1,084	1,084
Total financial assets	180,772	0	1,665	182,437	182,437
Net	-160,623	3,070	-1,665	-159,218	-159,467

Currency risk

As Nuevolution have income and expenses in different currencies, the Group is subject to currency risk. Increase or decrease in the exchange rate of foreign currencies can affect the Group's result and cash position positively or negatively.

Assets and Liabilities in foreign Currency

The most significant cash flows are in DKK, EUR and USD. Overall, Nuevolution hedges its currency exposure primarily by matching income and expenses in the same currency. In addition, Nuevolution is not using hedging instruments such as derivatives or future contracts.

Based on the amount of assets and liabilities denominated in DKK, EUR and USD as of 31 December 2017 a 1% change in the DKK to SEK exchange rate and a 10% change in both EUR to SEK exchange rate and USD to SEK exchange rate respectively will impact our net financial items by approximately:

TSEK	Cash position	Receivables	Liabilities	Net exposure	Percentage change in exchange rate *	Impact of change in exchange rate
31 December 2017						
DKK	75,400	10,825	-10,485	75,740	1%	757
EUR	3,886	0	-203	3,683	10%	368
USD	8	550	-1,979	-1,421	10%	-142
30 June 2017						
DKK	80,246	12,828	-12,135	80,939	1%	809
EUR	8,337	0	-113	8,224	10%	822
USD	16	47	-4,478	-4,415	10%	-442

*) The analysis assumes that all other variables, in particular interest rates, remain constant.

Interest Rate Risks

Nuevolution's interest rate risks are linked to leasing contracts and bank deposits. The interest rate for both interest-bearing debt and bank deposits are floating. An increase of the interest rate of 1% would impact the financial result by an amount of TSEK 1,451 (2016/17: TSEK 1,882) with a corresponding impact on the equity.

Credit Risk

Nuevolution is exposed to credit risk and losses on our bank deposits. The credit risk related to financial and other receivables is not significant. The group do not apply hedging or use of derivatives.

Bank Deposit

To reduce credit risk on our bank deposits, Nuevolution only places its cash deposits with highly rated financial institution. Nuevolution is currently using financial institution with a short-term rating from S&P of at least A-1. The total value of bank deposits amounts to TSEK 114,758 as of 31 December 2017 compared to TSEK 179,595 as of 30 June 2017.

For a more detailed description of the risks associated with the company, please see page 20.

Note 23: Adjustment to cash flow statement

Group

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Change in working capital		
Trade receivables	-482	283
Other receivables	-2,023	4,413
Trade payables	-1,007	-1,460
Prepayments from collaboration partners	999	957
Other current liabilities	-5,781	-5,155
Total	-8,294	-962
Investment in plant, equipment, fittings and tools		
Acquisition of plant, equipment, fittings and tools etc (note 14)	-1,587	-1,619
New financial lease agreements	417	904
Net investment in plant, equipment, fittings and tools	-1,170	-715
Parent Company		
Change in working capital		
Trade receivables, Group Company	-311	323
Receivable VAT	-793	4,193
Other receivables	-11	0
Prepayments	373	-347
Trade payables	2,224	1,330
Other current liabilities	0	-520
Total	1,482	4,979

Note 24: Specification of changes in leasing liabilities

Group

	30 June 2017	Cash flows			Non-cash changes		31 Dec. 2017
			Reclassifications	New leases	Foreign exchange movement		
TSEK							
Non-current lease liabilities	2,939	0	-562	417	16	2,810	
Current lease liabilities	1,482	-741	562	0	72	1,375	
Total liabilities from financing activities	4,421	-741	0	417	88	4,185	

Note 25: Share based payments

Group and Parent Company

Warrant Program 2015/2021

The program comprises 5,061,858 warrants, hereof 2,658,579 Series 1 warrants and 2,403,279 Series 2 warrants. The program had an initially term of five years. All warrants according to this warrant program have been granted, and have vested.

The exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 1 is SEK 17.50 and the exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 2 shall be SEK 11.25. Thus, if all warrants are fully subscribed for, the company's share capital will increase with SEK 5,061,858. The warrants may be exercised for subscription of shares from 31 August 2016 up until and including 31 August 2021.

Warrant Program 2016/2021

The program comprise 493,000 warrants, hereof 480,000 Series 1 warrants and 13,000 Series 2 warrants. During the period 1 July - 31 December 2017, 70,000 warrants have been granted.

The exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 1 is SEK 17.50 and the exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 2 is SEK 11.25. Each warrant entitles to subscription of one ordinary share in the company. Thus, if all warrants are fully subscribed for, the company's share capital will increase with SEK 493,000. The warrants granted to the participants are vesting over a period of four years, of which one quarter of the warrants shall be deemed vested on 31 October 2017, 2018, 2019 and 2020, respectively. Warrants of series 1 are only exercisable if the trading price of the company's share on Nasdaq First North Premier or Nasdaq Stockholm at the time of applying for subscription of shares corresponds to at least SEK 22.975. This condition has been reflected when determining the fair value of the warrants granted of series 1.

Development in the number of outstanding warrants:

	2015/21		2016/21		Total
	Serie 1	Serie 2	Serie 1	Serie 2	
Outstanding at 1 July 2017	2,667,239	2,403,279	0	0	5,070,518
Granted	0	0	70,000	0	70,000
Exercised	0	0	0	0	0
Expired	0	0	0	0	0
Cancelled	-8,660	0	0	0	-8,660
Transferred	0	0	0	0	0
Outstanding at 31 December 2017	2,658,579	2,403,279	70,000	0	5,131,858
Exercisable at 31 December 2017	2,658,579	2,403,279	17,500	0	5,079,358
Weighted average remaining contractual life					3.67

Number of warrant held by the Board of Directors	381,034	148,167	0	0	529,201
Number of warrant held by the CEO	0	1,911,113	0	0	1,911,113
Number of warrant held by member of Executive Management (CSO, CBO and CFO)	536,912	236,978	0	0	773,890
Number of warrant held by employees	1,740,633	107,021	70,000	0	1,917,654
Total outstanding warrants	2,658,579	2,403,279	70,000	0	5,131,858

	2015/21		2016/21		Total
	Serie 1	Serie 2	Serie 1	Serie 2	
Outstanding at 1 July 2016	2,684,558	2,403,279	0	0	5,087,837
Granted	0	0	0	0	0
Exercised	0	0	0	0	0
Expired	0	0	0	0	0
Cancelled	-17,319	0	0	0	-17,319
Transferred	0	0	0	0	0
Outstanding at 30 June 2016	2,667,239	2,403,279	0	0	5,070,518
Exercisable at 30 June 2017	2,667,239	2,403,279	0	0	5,070,518
Weighted average remaining contractual life					4.17
Number of warrant held by the Board of Directors	381,034	148,167	0	0	529,201
Number of warrant held by the CEO	0	1,911,113	0	0	1,911,113
Number of warrant held by member of Executive Management (CSO, CBO and CFO)	536,912	236,978	0	0	773,890
Number of warrant held by employees	1,749,293	107,021	0	0	1,856,314
Total outstanding warrants	2,667,239	2,403,279	0	0	5,070,518

Warrant Program 2015/2021 and 2016/2021

The fair value at the time of grant is based on the combination of a Black-Scholes model and a Monte-Carlo simulation model. The fair value is based on the following parameters:

	Warrant Program	
	2016/21	2015/21
	18 Dec. 2017	15 Dec. 2015
* Weighted average fair value of warrants granted:	5.78	9.53
* An option life of:	3.7 years	5.72 years
* A volatility of:	46%	65%
* A dividend pay-out ratio of:	0%	0%
* A risk-free interest rate of:	0.20%	0.30%
* A weighted average share price of:	17.30	13.69

The expected volatility is based on the historical volatility of health care and biotech companies listed on Nasdaq First North Premier. The exercise of the series 1 warrants is subject to a condition that the share price excises SEK 22.975. This condition has been factored in when determining the fair value of the warrants granted.

The expected maturity is based on management estimates.

Expected dividends per share is based on historical share dividends and management's expectation about future dividends.

The risk-free interest rate is based on five years Swedish government bonds.

If Warrant Program 2015/2021 and Warrant Program 2016/21 are fully exercised, the dilution effect will correspond to 10.6 percent and 1 percent respectively with a total dilutive effect of 11.5 percent based on the current number of outstanding shares.

The company has no other outstanding incentive programs.

Effect on income statement

The fair value of warrants programs effects the income statement as follows:

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
Warrant program 2011	-	3
Warrant program 2015/2021	-81	-156
Warrant program 2016/2021	267	0
Total	186	-153

The costs are set-off against equity.

The fair value are recognized as follows:

Research and development expenses	69	-156
Sales, general and administration expenses	117	3
Total	186	-153

The costs are set-off against equity.

Accounting Policy

Employees (including Board of Directors and Executive Management) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense as presented in either research and development expenses or sales, general and administrative expenses, together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

The fair value of the warrants is estimated at the grant date using a combination of a Black-Scholes model and a Monte-Carlo simulation model, taking into account the terms and conditions on which the warrants were granted.

Management's judgements and estimates

Estimating fair value for the Group's share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the respective grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the warrants, volatility dividend pay-out ratio and risk-free interest rate and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a combination of a Black-Scholes model and a Monte-Carlo simulation model for the warrant program 2015/21 and the warrant program 2016/21.

The assumptions and models used for estimating fair value for share-based payment transactions are discussed further above in the note 25.

Note 26: Pledges and guarantees

Group and Parent Company

A deposit of TSEK 50 was pledged with SEB as a guarantee to Euroclear Sweden AB in connection with the listing of Nuevolution AB (publ), in accordance with the rules of Euroclear. The parent company has issued a letter of support of SEK 20 million to secure the operation of its subsidiary Nuevolution A/S.

Note 27: Contingent assets and liabilities

Group and Parent Company

License and Collaboration Agreements

Nuevolution is entitled to potential milestone payments and royalties on successful commercialization of products developed under license and collaboration agreements with our partners. Since the size and timing of such payments are uncertain until the milestones are reached, the agreements may qualify as contingent assets. However, it is impossible to measure the value of such contingent assets, and, accordingly, no such assets have been recognized.

Pending commercial litigation

Nuevolution A/S is currently involved in one pending commercial litigation arising out of the normal conduct of its business (case against Henrik Pedersen). Nuevolution AB (publ) and the Group does not expect the pending commercial litigation to have a material impact on Nuevolution AB (publ)'s and the Groups financial position, operating profit or cash flow in addition to the amounts accrued.

Accounting Policy

Contingent assets and liabilities are assets and liabilities that arose from past events but whose existence will only be confirmed by the occurrence or non-occurrence of future events that are beyond Nuevolutions control.

Contingent assets and liabilities are not to be recognized in the financial statements, but are disclosed in the notes.

Note 28: Related parties

Group and Parent Company

Four major shareholders, SEB Venture Capital, Sunstone Capital, Industrifonden and SEB Utvecklingsstiftelse have significant influence over Nuevolution AB (publ). There are no related parties with controlling influence over the Company.

Nuevolution AB's related parties comprise the Company's board of Directors and Management as well as relatives to these persons. Related parties also comprise companies in which the individuals mentioned above have material interests.

Related parties furthermore comprise subsidiaries in which Nuevolution AB has controlling influence, see note 32.

Apart from salaries and warrants (see note 7 and 25), there were no significant transactions with Management or Board of Directors. In addition to board fees, board members Jutta Heim and Jeanette Wood also receive fees for consultancy services to the executive management.

Related party transactions

Information on transaction with related parties is stated below:

TSEK	Group		Parent Company	
	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
<i>Group Companies:</i>				
Sales of services	-	-	1,088	1,291
Granted warrants	-	-	186	0
Interest income	-	-	0	286
Interest expenses	-	-	0	0
<i>Consultancy fee etc. to member of Board of Directors:</i>				
Stig Løkke Pedersen (extraordinary board remuneration and consultancy fee)	0	200 *)	0	200 *)
Jeanette Wood	42	85	42	85
Jutta Heim	42	82	42	82
<i>Related parties with significant influence:</i>				
SEB (paid interest and fees)	208	194	116	16
SEB (deposit)	108,172	173,109	35,451	90,982

*) As approved on the ordinary shareholders meeting 5 October 2016.

During the period 1 July - 31 December 2017 there has been a capital increase in the subsidiary of TSEK 50,000 (1 July 2016 - 30 June 2017: TSEK 82,647). The parent company has issued a letter of support of SEK 20 million to secure the operation of its subsidiary Nuevolution A/S.

In addition to the above, there were no transactions with other related parties and shareholders during the period 1 July - 31 December 2017 and 1 July 2016 - 30 June 2017. All intra-group transactions etc. have been eliminated in accordance with the accounting policies. Please also refer to note 4, 7, 9 and 10.

Note 29: Fees to auditors appointed at the General Meeting

Group

	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)
TSEK		
Audit services	492	487
Tax and VAT services	57	314
Other non-audit services	621	662
Total	1,170	1,463

Parent Company

TSEK		
Audit services	341	217
Tax and VAT services	25	63
Other non-audit services	524	713
Total	890	993

Note 30: Significant events after balance sheet date

Group and Parent Company

On 3 January 2018, Nuevolution announced that it is to receive license fee payment of USD 750,000 from Janssen Biotech, which has exercised its option to license one of the research programs under the multi-target collaboration entered between the parties in October 2015. This payment was received in mid-February 2018. No further significant events of importance to the consolidated financial statements have occurred since 31 December 2017.

Accounting Policy

If Nuevolution obtains information after the balance sheet date, but prior to the date of the Board of Director's approval of the financial statements, about conditions that existed at the balance sheet date, Nuevolution assesses if the information affects the amounts that it recognizes in the financial statements.

Nuevolution will adjust the amounts recognized in its financial statements to reflect any adjusting events after the balance sheet date and update the disclosures that relate to those conditions in the light of the new information.

For non-adjusting events after the balance sheet date, Nuevolution will not change the amounts recognized in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Note 31: Exchange rates

Group and Parent Company

	Average Exchange Rates		Year-end Exchange Rates	
	1 July 2017 - 31 December 2017 (6 months)	1 July 2016 - 30 June 2017 (12 months)	31 December 2017	30 June 2017
SEK/DKK	130.53	130.99	132.22	129.63

Note 32: Companies in the Nuevolution Group

Name	Org. Nr.	Place	Ownership*	Equity	Net result
Nuevolution A/S	26029708	Copenhagen, Denmark	100%	77,729	-54,239

*Unchanged compared to 30 June 2017

Statement of assurance

The Board of Directors and the Executive Management declare that the consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB and adopted by the EU, and give a fair view of the Group's financial position, results of operations and cash flow. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position, results of operations and cash flow.

The Board of Directors' Report for the Nuevolution Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position, results of operations and cash flow and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 22 February 2018

EXECUTIVE MANAGEMENT

Alex Haahr Gouliaev
CEO

BOARD OF DIRECTORS

Stig Løkke Pedersen
Chairman of the Board

Lars Henriksson

Søren Lemonius

Fredrik Arp

Jutta Heim

Jeanette Wood

Our audit report was submitted 22 February 2018

Ernst & Young AB

Beata Lihammar
Authorized Public Accountant

Auditors' Report

To the general meeting of the shareholders of Nuevolution AB (publ), corporate identity number 559026-4304

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nuevolution AB (publ) for the year 2017-07-01-2017-12-31. The annual accounts and consolidated accounts of the company are included on pages 9-65 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises other information of the company on page 1-8 and page 69-85 (but does not include the annual accounts, consolidated accounts and our auditor's report thereon).

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nuevolution AB (publ) for the year 2017-07-01-2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions..

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm, 22 February 2018
Ernst & Young AB

Beata Lihammar
Authorized Public Accountant

Other information

Quarterly information

TSEK	2017					2016				
	1 Jan. - 31 March	1 April - 30 June	1 July - 30 Sept.	1 Oct. - 31 Dec.	2017	1 Jan. - 31 March	1 April - 30 June	1 July - 30 Sept.	1 Oct. - 31 Dec.	2016
	Unaudited					Unaudited				
Income Statement										
Revenue	1,538	5,857	1,574	3,253	12,222	5,964	3,065	1,797	110,971	121,797
Research and development expenses	-26,153	-28,485	-26,049	-26,644	-107,331	-21,896	-51,587	-23,015	-29,289	-125,787
Sales, general and administration expenses	-5,228	-6,282	-5,855	-10,893	-28,258	-5,740	-28,209	-6,516	-5,835	-46,300
Total operating expenses	-31,381	-34,767	-31,904	-37,537	-135,589	-27,636	-79,796	-29,531	-35,124	-172,087
Other operating income	64	91	73	80	308	-	-	-	-	-
Operating result (EBIT)	-29,779	-28,819	-30,257	-34,204	-123,212	-21,672	-76,731	-27,734	75,847	-50,290
Result before tax	-30,085	-28,923	-30,325	-34,504	-123,837	-22,599	-76,374	-27,362	76,930	-49,405
Result for the periods	-29,027	-27,280	-28,558	-32,694	-117,559	-20,880	-74,659	-25,605	56,426	-64,718
Comprehensive result for the periods	-29,434	-25,966	-28,291	-30,766	-114,457	-21,127	-74,003	-25,484	52,944	-67,670

Note: Revenue and other operating income have been restated in accordance with the change in presentation of the income statement.

FORWARD-LOOKING STATEMENTS

This financial report includes statements that are forward-looking, and actual future results may differ materially from those stated. In addition to the factors explicitly commented upon, other factors that may affect the actual future results are for example development within research programs, including development in preclinical and clinical trials, the impact of competing research programs, the effect of economic conditions, the effectiveness of the company's intellectual property rights and preclusions of potential second party's intellectual property rights, technological development, exchange rate and interest rate fluctuations and political risks.

The Share



The Nuevolution share has been listed on the Nasdaq First North Premier in Stockholm, Sweden since December 2015 under the ticker NUE.ST.

The company's share price increased by 1% in 2017 (30 June – 31 December). The share price reached an all-time high of SEK 24.00 on 29 September 2017, while the lowest price paid was SEK 14.7 on 13 September 2017 during the six-month period ended 31 December 2017. Nuevolution is included in both the Nasdaq First North Health Care index and the Nasdaq First North Sweden index, which rose by 2 and 2%, respectively, from 30 June to 31 December 2017.

Share trading metrics

	2017
	6 months
Total no. of shares traded, million	4.4
Average daily trading volume	34,479
Average daily trading value, TSEK	642

During the six-month period ended 31 of December 2017, we saw a decrease from a total of 3,580 to 3,389 (-191) shareholders. The reduction in total number of shareholders was mainly due to a reduction (-141) in number shareholders having

Analyst coverage

Jarl Securities	Niklas Elmhammer
Remium	Björn Rydell
Redeye	Mathias Spinnars
Edison	Daniel Wilkinson
	Susie Jana
ProInvestor	Helge Larsen

Brief facts, the Nuevolution share

Listing	Nasdaq First North Premier, Stockholm
Number of shares	42,858,236
Market capitalisation, year-end	SEK 711 million
Ticker	NUE
ISIN code	SE0007730650
Total number of shareholders	3,389

between 100-500 shares and to a lesser degree shareholders having between 500-2,000 shares. The Company was happy to see some profit taking realized by some investors during the period mid September to mid November, and appreciate the further build in position by others including new shareholders.

As such, the number of shareholders having more than 2,000 shares increased by 2% during the six month's period, which was mainly driven by an increase of 13% in number of shareholders having between 5-10,000 shares, and a 15% increase in number of shareholders having between 20-50,000 shares. Top4 shareholder's ownership was status quo throughout the period, while a minor net increase in accumulated ownership by Top5-100 shareholders was noted.

During the six-month's period from 1 July to 31 of December 2017, we noted that all shareholder's as a combined group having less than 5,000 shares each, reduced their total combined ownership by 182,555 shares, whereas the group of shareholder's having each, more than 5,000 shares increased their total combined ownership by 182,555 shares indicating further accumulation of ownership at the higher end of the ownership rank.

This trend is also consistent over the two-year period 31 December 2015 until 31 December 2017, where all shareholder's as a combined group having less than 4,000 shares each, reduced their total combined ownership by 1,591,647 shares, whereas the group of shareholder's having each, more than 4,000 shares increased their total combined ownership by 1,591,647 shares indicating further accumulation of ownership at the higher end of the ownership rank.

SHARE CAPITAL

The share capital at the end of the financial year 2017 was SEK 42.858 million divided between 42,858,236 shares. All shares carry equal voting rights as well as equal rights to the company's capital and profit.

DIVIDEND AND DIVIDEND POLICY

Historically, no dividends have been paid by the company and there are no plans for proposals on dividends to shareholders as it is the company's core strategy to focus on investments in broadening and maturing its pipeline assets; thereby realizing value for its shareholders in the market place.

SHAREHOLDING OF DIRECTORS AND SENIOR EXECUTIVES

The personal holdings of directors, senior executives and their related parties amounted to 336,462 shares in total in Nuevolution AB as of 31 December 2017. In addition, directors, senior executives and their related parties hold warrants corresponding to 3,214,204 shares.

LARGEST SHAREHOLDERS AS OF 29 DECEMBER 2017

Shareholder	Number of shares	Percent of capital
SEB Venture Capital	10,084,942	23.5
Sunstone Capital	8,930,580	20.8
Industrifonden	8,573,666	20.0
SEB Utvecklingsstiftelse	3,288,306	7.7
LMK Forward	1,159,000	2.7
SEB Pensionsstiftelse	1,142,858	2.7
Avanza Pensionförsäkrings AB	1,074,747	2.5
Nordnet Pensionförsäkrings AB	422,626	1.0
Claus Resen Steenstrup and family	367,952	0.9
Granit Småbolag	315,000	0.7
Peter Ragnarsson	312,000	0.7
Henry Dunkers Förvaltning	296,069	0.7
Stig Løkke Pedersen	212,334	0.5
Hans Engblom and family	202,045	0.5
Fynske Bank	191,497	0.4
Catella Bank S.A.	136,000	0.3
Carl Thorsén	120,141	0.3
TIBIA Konsult AB	120,000	0.3
BNY Mellon, Belgium	86,067	0.2
Arbejdernes Landsbank	73,953	0.2
Others	5,748,453	13.4
Total no. shares outstanding	42,858,236	100.0

The shareholdings by Nuevolution's Stig Løkke Pedersen (Chairman) (212,334) and Alex Haahr Gouliaev (CEO) (70,778) are unchanged compared with 30 June 2017.

Corporate Governance Report

GENERAL

Nuevolution AB (publ), the “Company”, is a limited liability company with its registered office in Stockholm, Sweden. The Company is listed on First North Premier, a multilateral trading facility (MTF) operated by Nasdaq Stockholm AB. The Company has chosen to apply the Swedish Corporate Governance Code (last revised in December 2016), the “Code”, even though it formally only applies to Swedish limited liability companies whose shares are admitted to trading on a regulated market in Sweden (currently Nasdaq Stockholm and NGM Equity). The same applies to the provisions in the Swedish Annual Accounts Act (Sw. årsredovisningslagen (1995:1554)) on corporate governance reporting which also apply only to companies whose shares are admitted to trading on a regulated market, but which the Company on a voluntarily basis has chosen to apply even though not formally obliged to. The Company has therefore prepared this corporate governance report in accordance with the applicable provisions in the Swedish Annual Accounts Act and the Code.

APPLICATION OF AND DEVIATION FROM THE CODE

Nuevolution has applied the Code since the annual general meeting (AGM) on 12 October 2017. The Company has during 2017 deviated from point 3 of Code rule 10.3 because this specific rule had not been implemented prior to the AGM. The Company intends to comply with this rule in the future and will at least three weeks before the AGM on 28 May 2018

publish the outcome of the Remuneration Committee’s monitoring and evaluation of programs for variable remuneration for the executive management, as well as monitoring and evaluation of the application of the guidelines for remuneration of the board and executive management.

The Company has during 2017 deviated from Code rule 9.7, which requires a vesting period of no less than three years for share-price related incentive programs with the 2016/21 warrant program. This warrant program was adopted before the company applied the Code and was considered to be the best incentive program at the time of approval by the Board of Directors.

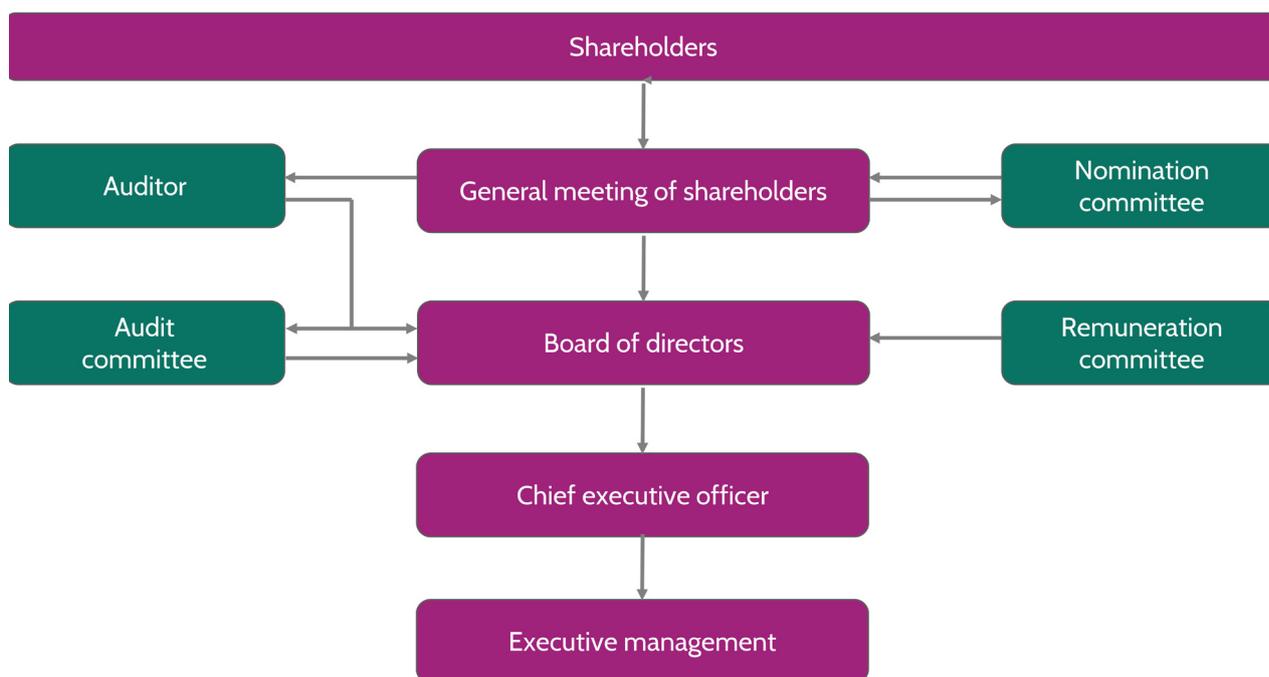
CORPORATE GOVERNANCE AT NUEVOLUTION

The governance and control of Nuevolution is divided among shareholders attending the annual shareholders’ meeting, the Board of Directors and the Chief Executive Officer. An overview of the organization, governance and control is provided below.

SHAREHOLDERS

Shareholder’s voting rights

Nuevolution AB (publ)’s shares have been listed on First North Premier, Stockholm (NUE.ST) since 17 December 2015. The share capital was SEK 42.858 million at 31 December 2017 (30 June 2017: 42.858), divided between 42,858,236 shares.



All shares carry equal voting rights and there is no limit to the number of votes our shareholders may use at a general meeting. The Company's market capitalization, based on the closing price at 31 December 2017, was approximately SEK 711 million (SEK 707 million at 30 June 2017).

Number of shareholders

Nuevolution AB (publ) had 3,389 shareholders as per 31 December 2017 (3,580 as per 30 June 2017). The larger shareholders, which control more than 10% of the share capital and votes, are comprised of SEB Venture Capital with 23.5% of the share capital and votes, Sunstone Capital with 20.8% of the share capital and votes and Industrifonden with 20.0% of the share capital and votes.

General meeting of shareholders

According to the Swedish Companies Act (*Sw. aktiebolagslagen (2005:551)*), the shareholders' meeting is the Company's ultimate decision-making body. At the shareholders' meeting, the shareholders exercise their voting rights in key issues, such as the adoption of income statements and balance sheets, appropriation of the Company's results, discharge from liability of members of the board of directors and the CEO, election of members of the board of directors and auditors and remuneration to the board of directors and the auditors.

The annual shareholders' meeting (AGM) must be held within six months from the end of the financial year in Stockholm. In addition to the annual shareholders' meeting, extraordinary shareholders' meetings (EGM) may be convened. According to the articles of association, shareholders' meetings are convened by publication of the convening notice in the Swedish National Gazette (*Sw. Post- och Inrikes Tidningar*) and on the Company's website. At the time of the notice convening the meeting, information regarding the notice shall be published in Svenska Dagbladet.

Shareholders who wish to participate in a shareholders' meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day falling five workdays prior to the meeting, and notify the Company of their participation no later than on the date stipulated in the notice convening the meeting. Shareholders may attend the shareholders' meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the shareholders' meeting in several different ways as indicated in the notice of the meeting. A shareholder may vote for all Company shares owned or represented by the shareholder. Shareholders who are represented by proxy must issue a dated power of attorney for said proxy.

Shareholders who wish to have a matter brought before the shareholders' meeting must submit a written request to the board of directors. Such request must normally be received by the board of directors no later than seven weeks prior to the shareholders' meeting.

Extraordinary general meeting 2017

An extraordinary general meeting (EGM) was held on 11 De-

cember 2017 in Stockholm. A total of seven shareholders or their proxies were present, representing 75.2 percent of the number of shares and votes. The minutes from the EGM can be found on Nuevolution's website at www.nuevolution.com. The resolution that was passed is as follows:

It was determined, in accordance with the nomination committee's proposal, that the board of directors shall consist of six ordinary board members with no deputy members. It was resolved, in accordance with the nomination committee's proposal, for the time until the end of the next annual general meeting, to elect Fredrik Arp as member of the board of directors. The board of directors hereinafter consists of Stig Løkke Pedersen (Chairman), Søren Lemonius, Lars Henriksen, Professor Dr. Jutta Monica Heim, Dr. Jeanette Wood and Fredrik Arp, for the time until the end of the next annual general meeting.

It was determined, in accordance with the nomination committee's proposal, that the fees to the board of directors on a full year basis shall be paid in a total amount of SEK 1,520,000. It was noted that the resolution entails an increase on a full year basis of SEK 200,000 for the additional member of the board of directors. It was resolved that the remuneration shall be adjusted in respect of the change of financial year which was resolved by the annual general meeting held on 12 October 2017 and, with regard to the additional member of the board, that he was elected by the extraordinary general meeting.

Annual general meeting 2017

An AGM was held on 12 October 2017 in Stockholm. A total of 19 shareholders or their proxies were present, representing 76.5 percent of the number of shares and votes. The minutes from the AGM can be found on Nuevolution's website at www.nuevolution.com. The resolutions that were passed were as follows:

Dain Hård Nevonen from Vinge law firm was elected as Chairman of the general meeting. The AGM resolved to adopt the income statement and balance sheet for Nuevolution AB (publ) and the Group¹ for the financial year 2016/2017. Furthermore, it was resolved that the Company's results shall be carried forward and thus that no dividend shall be distributed. The AGM also resolved to discharge the Board members and the managing director from liability.

The AGM resolved that the number of Board members, as appointed by the annual general meeting, should be five without deputies. Stig Løkke Pedersen, Søren Lemonius, Lars Henriksen, Jutta Monica Heim and Jeanette Wood were re-elected as Members of the Board. Stig Løkke Pedersen was re-elected as Chairman of the Board.

Furthermore, the AGM resolved that the remuneration to the Board of Directors shall be paid in a total amount of not more

¹ Nuevolution AB (publ) and Nuevolution A/S

than SEK 1,320,000, to be allocated as follows: The Chairman shall receive SEK 400,000 and other members, who are not employed by the Company, shall receive SEK 200,000 each. The remuneration for work in the committees of the Board of Directors shall be distributed with SEK 50,000 to the Chairman of the Audit Committee and SEK 25,000 to the other member, and SEK 30,000 to the Chairman of the Remuneration Committee and SEK 15,000 to the other member. Remuneration to the auditors shall be paid in accordance with approved invoices within the auditor's quotation.

The proposal from the nomination committee to adopt principles for the appointment of the nomination committee for the annual general meeting 2018 was resolved.

The AGM resolved, in accordance with the Board's proposal, to authorize the Board of Directors, whether on one or several occasions before the next annual general meeting and whether with or without pre-emption rights for the shareholders, against cash payment or against payment through set-off or in kind, to issue new ordinary shares and warrants and/or convertibles with right to subscribe/convert to ordinary share to an amount not exceeding in total 20 percent of the total number of outstanding ordinary shares in the Company following utilization of the authorization. The purpose of the authorization is to provide the Board with flexibility in its work to secure that the Company, in a suitable way, can be provided with capital for the financing of the business, to enable a broadening of the ownership of the Company, increase the liquidity in, and trading volume of, the share, and to be used in strategic partnerships.

Finally, the AGM resolved, in accordance with the Board's proposal, to adopt new Articles of Association, which include the change of fiscal year to 1 January to 31 December.

Annual general meeting 2018

The AGM 2018 is to take place on 28 May 2018 at Advokatfirman Vinge's offices, Norrlandsgatan 10, Stockholm. Notice to attend the AGM will be published on Nuevolution's website www.nuevolution.com.

NOMINATION COMMITTEE

Companies applying the Code shall have a nomination committee. According to the Code, the shareholders' meeting shall appoint the members of the nomination committee or resolve on procedures for appointing the members. The nomination committee shall, pursuant to the Code, consist of at least three members of which a majority shall be independent in relation to the Company and the Group Management. In addition, at least one member of the nomination committee shall be independent in relation to the largest shareholder in terms of voting rights or group of shareholders who cooperates in terms of the Company's management.

According to the resolution at the AGM in 2017, the Nomination Committee shall be composed of representatives of the three largest shareholders listed in the shareholders'

register maintained by Euroclear Sweden as of 31 October 2017, as well as the Chairman of the Board. Should one of the three largest shareholders refrain from appointing a representative to the nomination committee, the right shall pass to the shareholder that, excluding these three shareholders, has the largest shareholding in the company. The Chairman of the Board of Directors shall convene the nomination committee. The Chairman of the nomination committee shall be the member representing the largest shareholder, unless the nomination committee unanimously appoints another member. The Chairman of the Board cannot be appointed as committee chair.

If the shareholder that appointed a member of the nomination committee is no longer one of the three largest shareholders, the member appointed by such shareholder shall offer to leave the committee and the shareholder that has become one of the three largest shareholders has the right to appoint a representative to the committee. However, and unless special circumstances exist, no changes shall be made in the composition of the nomination committee if there is only a marginal change in ownership or if the change occurs later than three months prior to the annual shareholders' meeting. In the event that a member leaves the nomination committee before its work is completed, the shareholder who appointed the member shall appoint a new member. If this shareholder is no longer one of the three largest shareholders, a new member is appointed according to the above procedure. Shareholders who have appointed a representative to the nomination committee have the right to dismiss such member and appoint a new representative as a member of the committee.

Changes in the nomination committee's composition shall be announced immediately. The nomination committee's term of office shall extend until a new nomination committee is appointed. The nomination committee shall perform the duty of the nomination committee in accordance with the Code.

The Nomination Committee consists of: David Sonnek (SEB Venture Capital), Peter Besson (Sunstone Capital), Peter Sobocki (Industrifonden) and Stig Løkke Pedersen (Chairman of the Board of Nuevolution AB). David Sonnek has been appointed Chairman of the committee.

The Nominating Committee shall report its work at the AGM.

THE BOARD OF DIRECTORS

THE BOARD'S RESPONSIBILITY, DUTIES, AND DELEGATION OF DUTIES

The Board of Directors is the second-highest decision-making body of the Company after the shareholders' meeting. As prescribed by the Swedish Companies Act, Nuevolution AB (publ)'s Board of Directors is responsible for the Company's organization and the administration of the Company's affairs. The Board shall continuously assess the financial and operational situation of both the Company and the Group. The Board shall also ensure that the Company's organization is designed in such a manner that the bookkeeping, asset man-

agement and the Company's economic situation in general are controlled in a reassuring manner. Each year, in connection with the Board meeting following the election of the Board, and in conjunction with other Board meetings if necessary, the Board shall adopt a work plan.

Members of the Board of Directors are normally appointed by the annual shareholders' meeting for the period until the end of the next annual shareholders' meeting. According to the Company's articles of association, the members of the Board of Directors elected by the shareholders' meeting shall be not less than three members and not more than ten members with no deputy members.

According to the Code, the Chairman of the Board of Directors is to be elected by the shareholders' meeting and have a special responsibility for leading the work of the Board of Directors and for ensuring that the work of the Board of Directors is efficiently organized.

The Board of Directors applies written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year. Among other things, the rules of procedure govern the practice of the Board of Directors, functions and the division of work between the members of the Board of Directors and the CEO. At the inaugural board meeting, the Board of Directors also adopts instructions for the CEO, including instructions for financial reporting.

The Board of Directors meets according to an annual predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues which cannot be postponed until the next ordinary board meeting. In addition to the board meetings, the Chairman of the Board of Directors and the CEO continuously discuss the management of the Company.

As of 31 December 2017, the Company's Board of Directors consists of six ordinary members elected by the shareholders' meeting,

The Board has established two working committees, the Audit Committee and the Remuneration Committee, in accordance with the recommendations in the Swedish Corporate Governance Code.

Audit committee

The Audit Committee is a sub-committee of the Board and does not release the Board from any responsibility or liability. The Board has the overall and ultimate responsibility, and retains its sole right, to resolve the more important matters within the framework of the Committee.

The Committee shall perform the tasks set out in the Swedish Companies Act, applicable EU rules and regulations and the Swedish Corporate Governance Code. This includes, among other things, acting on instructions from the Board, to:

- monitor the Company's financial reporting, evaluate its auditing and submit recommendations and proposals to ensure the integrity of the reporting
- monitor the efficiency of the Company's internal controls, regulatory compliance and risk management, in general as well as, in particular, in respect of the financial reporting
- continuously meet with the Company's auditor and keep itself informed regarding the audit of the annual report and group accounts and the conclusions from the quality control carried out by the Supervisory Board of Public Accountants (Sw. Revisorsinspektionen)
- inform the Board and the nomination committee of the outcome of the auditor's audit and explain how the audit contributed to the integrity of financial reporting and what the role of the Committee was in that process
- review and monitor the impartiality and independence of the auditor and, in conjunction therewith, pay special attention to whether the auditor provides the Company with services other than auditing services (and approve, where applicable, guidelines for the purchase of such non-audit services)
- assist in conjunction with the preparation of proposals to the annual shareholders' meeting's resolution regarding election and remuneration of the auditor, including administering the selection procedure

The Audit Committee is to comprise not less than two Board members appointed by the Company's Board of Directors. The majority of the Members of the Committee shall be independent of the Company and its executive management. At least one of the Members who are independent of the Company and its executive management is also to be independent of the Company's major shareholders. At least one of the Members shall have accounting or auditing competence. The Members may not be employed by the Company.

At 31 December 2017, the Audit committee consisted of Lars Henriksson as Chairman of the Committee and Stig Løkke Pedersen as Member of the Committee. Stig Løkke Pedersen is independent of the Company, as well as its executive management and major shareholders.

The Committee shall hold at least four ordinary Committee meetings during each financial year. The meetings shall be held in connection with the publication of the Company's interim reports. In fiscal 2017 (six-month period), the Committee met twice, and Lars Henriksson and Stig Løkke Pedersen were present at both meetings.

Remuneration committee

The Remuneration Committee is a sub-committee of the Board and does not release the Board from any responsibility or liability. The Board has the overall and ultimate responsi-

bility, and retains its sole right, to resolve the more important matters within the framework of the Committee.

The duties of the Committee are, acting on instructions from the Board, to:

- prepare the Board's decisions on issues concerning principles for remuneration, remunerations and other terms of employment for the executive management
- monitor and evaluate programs for variable remuneration, both ongoing and such that have been completed during the year, for the executive management
- monitor and evaluate the application of the guidelines for remuneration to the executive management established by the annual shareholders' meeting, as well as the current remuneration structures and remuneration levels in the Company.

The Remuneration Committee is to comprise not less than two Board members appointed by the Company's Board of Directors. The members of the Committee are to be independent of the Company and its executive management. However, the Chairman of the Board may chair the Committee.

At 31 December 2017, the Remuneration committee consisted of Søren Lemonius as Chairman of the Committee and Stig Løkke Pedersen as Member of the Committee. Søren Lemonius and Stig Løkke Pedersen are independent of the Company and its executive management. In fiscal 2017 (six-month period), the Committee met once, and Søren Lemonius and Stig Løkke Pedersen were present at this meeting.

Composition of the board and its committees and directors' independence

As of 31 December 2017, the Board of Directors currently consisted of six directors: Stig Løkke Pedersen, Søren Lemonius, Lars Henriksson, Jutta Monica Heim, Jeanette Wood and Fredrik Arp. The Board's assessments of the directors' independence in relation to the Company, its executive management and the Company's largest shareholders can be found in the table below, which shows that Nuevolution AB (publ) complies with the requirement for independence in the Swedish Corporate Governance Code.

2017	Born	Position	Elected	Independence of management	Independent in relation to major shareh	Independent in relation to the Company	Audit Committee	Remuneration Committee	R&D Committee
Stig Løkke Pedersen	1961	Chairman	2015/2001	Yes	Yes	Yes	Member	Member	
Søren Lemonius	1965	Member	2015/2007	Yes	No	Yes		Chairman	
Lars Henriksson	1961	Member	2015	Yes	No	Yes	Chairman		
Jutta Heim	1951	Member	2015/2013	Yes	Yes	Yes			Chairman
Jeanette Wood	1952	Member	2015	Yes	Yes	Yes			Member
Fredrik Arp	1953	Member	2017	Yes	Yes	Yes			

Work of the board

The Board of Directors held four meetings in fiscal 2017 (six-month period). The attendance of Board members is shown in the table 'Attendance at Board meetings' below. The main issues covered at Board meetings in fiscal 2017 were: the annual report 2016/17, year-end report 2016/17, the interim report for the three-month period ended 30 September 2017, approval of corporate policies, internal governance documents, internal control, evaluation of the CEO and Board of Directors, remuneration of the CEO and other executive managers, appointment of advisors for listing shares at a regulated market, strategy and goals, plan for the auditors.

Attendance at Board meetings

Stig Løkke Pedersen, Chairman	4 of 4
Søren Lemonius	4 of 4
Lars Henriksson	4 of 4
Jutta Heim	3 of 4
Jeanette Woods	4 of 4
Fredrik Arp*	0 of 1

* Fredrik Arp joined the Board of Directors on 11 December 2017

Evaluation of the work of the board

According to the Board Wheel (work plan for the Board of Directors), the Chairman of the Board's responsible for ensuring that the work of the board is evaluated annually. In 2017, this evaluation was performed by the Board under the direction of Stig Løkke Pedersen, Chairman of the Board.

Remuneration to the board of directors

Fees and other remuneration to the members of the Board of Directors, including the Chairman, are resolved by the shareholders' meeting. At the annual shareholders' meeting held on 12 October 2017, it was resolved that the fee to the Chairman of the Board of Directors should be SEK 400,000 and that the fee to the other members should be SEK 200,000. Moreover, it was resolved that the fee to the Chairman of the audit committee shall be SEK 50,000, the fee to the other member of the remuneration committee shall be SEK 25,000, the fee to

Remuneration of Board of Directors, 1 July 2017 - 31 December 2017 (6 months)

TSEK	Directors' fee	Variable compensation	Share-based payments	Pension costs	Other social security costs	Total
Stig Løkke Pedersen, Chairman of the Board of Directors, member of Audit and remuneration committee	220	0	0	0	0	220
Lars Henriksson, Board member and chairman of Audit committee	125	0	0	0	98	223
Søren Lemonius, Board member and chairman of remuneration committee	115	0	0	0	0	115
Jutte Heim, Board member	100	0	0	0	0	100
Jeanette Wood, Board member	100	0	0	0	0	100
Frederik Arp, Board member*	0	0	0	0	0	0
Total	660	0	0	0	98	758

* Elected to the Board of Directors on 11 December 2017.

the Chairman of the remuneration committee shall be SEK 30,000 and the fee to the other member of the remuneration committee shall be SEK 15,000. Further, it was resolved that the remuneration shall be adjusted in accordance with the change of the company's financial year to be the calendar year, which was resolved on 12 October 2017. The members of the Board of Directors are not entitled to any benefits following termination of their assignments as directors of the board. At the extraordinary shareholders' meeting held on 11 December 2017, it was further resolved that the additional board member Fredrik Arp shall receive SEK 200,000 on a full-year basis. Further, it was resolved that the remuneration shall be adjusted in accordance with the change of the company's financial year to the calendar year, which was resolved on 12 October 2017.

Remuneration to the Board of Directors during the 2017 financial year

The table below presents an overview of remuneration to the Board of Directors elected by the shareholders for the 2017 financial year.

Consultancy agreements

Jeanette Monica Wood and Jutta Heim have entered into consultancy agreements with Nuevolution A/S according to which Jeanette Wood and Jutta Monica Heim receives an annual fee of USD 8,000 each for providing consultancy services to the executive management. The services provided under the consultancy agreements only relate to the Company's various science projects.

The ceo and other executive management

The CEO is subordinated to the Board of Directors and is responsible for the everyday management and operations of the Company. The division of work between the Board of Direc-

tors and the CEO is set out in the rules of procedure for the Board of Directors and the CEO's instructions. The CEO is also responsible for the preparation of reports and compiling information for the board meetings and for presenting such materials at the board meetings.

According to the instructions for the financial reporting, the CEO is responsible for the financial reporting in the Company and consequently must ensure that the Board of Directors receives adequate information for the Board of Directors to be able to evaluate the Company's financial condition.

The CEO must continuously keep the Board of Directors informed of developments in the Company's operations, the development of sales, the Company's result and financial condition, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

The CEO and executive management are presented on pages 83-85.

Current employment agreements for the executive management

Decisions with regards to the current remuneration levels and other conditions for employment for the members of the executive management have been resolved by the Board of Directors.

The table below presents an overview of remuneration to the members of executive management for the 2017 financial year.

The CEO is entitled to a notice period of 12 months, if the employment is terminated by the Company. Upon termination by the CEO the Company is entitled to a notice period of six months. The CEO and the Company have not agreed

Remuneration of Management, 1 July 2017 - 31 December 2017 (6 months)

TSEK	Base salary	Variable compensation	Share-based payments	Pension costs	Other social security costs	Total
CEO	1,219	0	0	122	1	1,342
Other Executive Management (CSO, CBO and CFO)	2,635	-164	0	35	4	2,510
Total	3,854	-164	0	157	5	3,852

upon any severance fee in addition to the base salary as set out above.

Other members of the executive management are entitled to a notice period of six months, if the employment is terminated by the Company. Upon termination by such employee, the Company is entitled to a notice period of three to six months. The employees are not entitled to any severance fees in addition to their base salaries as set out above.

The CEO, other members of the executive management and certain other employees are participants in incentive programs.

The CEO is the only employee in the executive management for whom the company pays a separate pension contribution based on employment terms in 2001. Such pension contribution is either paid to the Company's own pension scheme or a pension scheme decided by the CEO. In addition, the Company's employees, including the other individuals of the executive management, are obligated to pay a pension contribution to the mandatory company pension scheme. For most of the employees, such contribution is 5 percent of their base salary and the amount is deducted from their base salary and paid into the Company pension scheme. The Company contributes 2 percent to employees' and other management member's pension.

BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL AND RISK MANAGEMENT WITH RESPECT TO FINANCIAL REPORTING

Internal control and risk management with respect to financial reporting is a central component of Nuevolution's corporate governance. In accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for the company's internal control. Internal control and risk management with respect to financial reporting are aimed at providing reasonable assurance that external financial reports are reliable. This relates to interim reports, year-end reports and annual reports. The control framework also ensures that external financial reporting is prepared in accordance with the law, applicable accounting standards (domestic and IFRS) and other requirements for listed companies.

The Company's Internal control and risk management are based on Internal Control - Integrated Framework published

in 2013 by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO). According to COSO, internal control is a process with five components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The control environment forms the basis of internal control and risk assessment within Nuevolution and consists of the values and the culture communicated and acted on by the Board and management, as well as the organization structure, decision-making procedures, authorities and responsibility. This includes several internal policy documents, which have been adopted by the Board of Directors, and a Code of Conduct signed by all employees.

The Board of Directors has overall responsibility for internal control and reporting and has appointed an Audit Committee with the task and responsibility of monitoring Nuevolution's financial reporting and monitoring the effectiveness of this process. See the section "Audit Committee" for more information.

Risk assessment

A structured risk assessment and risk management enable identification of significant risks that affect the internal control relating to financial reporting and where these risks are found. The aim of risk management is to minimize the number of risk factors within the financial reporting. The management has also identified and evaluated risks arising in the company's operations and assessed how these risks can be mitigated.

Within the Board, the Audit Committee bears the prime responsibility for regularly assessing the company's risks. The Board of Directors has delegated the operative responsibility for risk assessment and internal control to the management group. Nuevolution's management group carries out an annual systematic risk assessment, and reports it to the Board of Directors, which approves the company's final risk assessment.

Control activities

In accordance with the internal control policy, the CFO is responsible for financial reporting, including sufficient internal control and monitoring activities. Together with the accounting department and others, the CFO must ensure that the

process descriptions and internal framework are set up, and is responsible for reporting the status of work referring to internal control and risk management within Nuevolution to the Group CEO and Audit committee.

To ensure good internal control referring to financial reporting the company has set up control activities for the key financial processes, aimed at prevention, discovery and correction of errors and non-conformities. Areas that are controlled include payroll, invoices and purchases, financial statement close process, budget and estimate creation, compliance with laws and other requirements of listed companies, segregation of duties, adoption of accounting standards and other areas containing material elements of assessment.

Information and communication

The Board of Directors has established an information policy for external information provision that is to ensure that the market receives relevant, reliable, correct and current information on the company's progress and financial position. The Board of Directors has also established an insider policy aimed at safeguarding the integrity of information provision.

The company's Fraud memo stipulates control activities to prevent fraud. Control activities regarding third party operations, such as IT, are carried out annually.

Financial information is regularly provided in the form of:

- Year-end and interim reports
- Annual reports
- Press releases regarding important news and events that may have a significant impact on the valuation of the company and the share price
- Presentations and telephone conferences for investors, financial analysts and media

Monitoring

The CFO has the operative responsibility for monitoring risk

management and internal control referring to financial reporting. The main processes and control activities are regularly evaluated to ensure functionality and effectiveness. The results are reported to the Board of Directors and the Audit Committee.

The Board of Directors and Audit Committee discuss all interim reports, year-end reports and annual reports before they are published.

Taking into account the company's current size and operations, the Board of Directors has decided not to have a separate internal audit function but it annually assesses the need of such a function.

AUDITOR

Nuevolution's auditors audit the annual accounts, the consolidated accounts and the Company's bookkeeping. The auditors work according to the audit plan and report to the Audit Committee. The auditors participate at the AGM in order to present the audit report.

The Company's auditor is Ernst & Young and the auditor-in-charge is Beata Lihammar. The AGM 2017 resolved to remunerate the auditors in accordance with approved invoices within the auditor's quotation.

Board of Directors

Stig Løkke Pedersen (born 1961)

Chairman of the Board (since 2001)

Independent in relation to the Company

Independent in relation to major shareholders

Member of Nuevolution's Nomination Committee, Audit and Remuneration Committee

Education: Master's degree in economics from the University of Aalborg.

Experience: Stig has more than 30 years' experience in the pharmaceutical industry, working for Ciba-Geigy from 1986 to 1992 in various managerial positions in Denmark, Switzerland and South Africa, and holding a number of executive positions with H. Lundbeck A/S, from 1992 to 2011, including the position of Chief Commercial Officer (CCO) from 2006 to 2011. He was appointed Executive Vice President and Board member of Management at the company in 2003 and held that position until he left Lundbeck in 2011. Since then, Stig has been active in a number of different roles and responsibilities as an investor and Board member, and as an executive in various companies and partnerships.

Current assignments: Stig Løkke Pedersen is Executive Chairman of the Board of moksha8 Ltd, Chairman of the Board of Nuevolution AB and A/S, Chairman of the Board of SSI Diagnostica A/S, NGI A/S and Transmedica A/S. He is a Board member of several companies including Index Pharmaceuticals AB, MSI Ltd, SkyBrands A/S, AntibiotX A/S and Broen-Lab A/S. He is also CEO of H&L Invest ApS and an Operational Partner in the private equity fund Catacap.

Previous assignments: Stig was previously Chairman of the Board of the following companies: Chemometec A/S, Tytex A/S, Vernalis AG, R5 A/S, Microlytic A/S, Ergolet ApS and x3 Capital A/S, and was Executive Vice President of H. Lundbeck A/S.

Number of shares: 212,334 (212,334)

Number of warrants: 242,476 warrants series 1 and 148,167 warrants series 2



Søren Lemonius (born 1965)

Member of the Board of Directors (since 2006), Investor Representative (Sunstone Life Science Ventures)

Independent in relation to the Company

Not independent in relation to major shareholders

Chairman of Nuevolution's Remuneration Committee

Education: Master's Degree in Experimental Cell Biology from the University of Odense.

Experience: Søren is a Founding Partner of Sunstone Life Science Ventures. Søren has 18 years' experience from corporate management in R&D-intensive companies. He has previously worked as Innovation Manager at food diagnostics company FOSS Analytical and prior to joining Sunstone Capital, he served as Chief Technology Officer at Danionics – an electronics component company – where he participated in developing the company from a private venture-backed technology firm into a €27 million revenue listed company.

Current assignments: Managing Partner at Sunstone Life Science Ventures. Board Member of Euro Diagnostica AB, Galecto Biotech AB, Nuevolution AB and A/S and Sunstone Capital A/S. Observer on the Board of Directors of Symphogen. Board Member and Managing Director of several Sunstone entities.

Previous assignments: Chairman of the Board of Biomonitor A/S. CEO and Board Member and Chairman of Chempaq A/S. Board Member of Atonomics A/S, Evolva Biotech A/S and TD Vaccines A/S. Managing Director of Chempaq Patent Holding ApS, Strategic Advisor to DONG A/S.

Number of shares: Sunstone Capital 8,930,580; 20.8% (8,930,580; 20.8%)

Number of warrants: 0 (0)



Lars Henriksson (born 1961)

Member of the Board of Directors (since 2015), Investor Representative (Industrifonden)
Independent in relation to the Company
Not independent in relation to major shareholders
Chairman of Nuevolution's Audit Committee

Education: Master of Science in Industrial Engineering and Management, 1985.

Experience: Working on investments in the life sciences industry at Industrifonden from 2003 to 2017. Prior to becoming an Investment Manager, Lars gained extensive international experience through his years as a strategy, financial and business consultant followed by a CFO assignment within a VC-backed telecommunications company.

Current assignments: Senior advisor to Industrifonden and operating an independent strategy and business consulting firm. Board Member of Nuevolution AB and A/S and Chairman of the Audit Committee of Nuevolution AB. Board Member of ZtraBiz Advisory AB and Deputy Board Member of Calvinus AB.

Previous assignments: Board member of Trialbee AB, Advanced MR Analytics AB, CellaVision AB (publ), Diashunt Intressenter AB, SHS Intressenter AB, BioInvent International AB (publ). Deputy Board member of Oncopeptides AB*, Carmel Pharma AB, RxEye AB and Boule Diagnostics AB**.

*Oncopeptides AB became a publicly-listed company on February 22, 2017

**Boule Diagnostics AB became a publicly-listed company on June 23, 2011

Number of shares: Industrifonden 8,573,666; 20.0% (8,573,666; 20.0%)

Number of warrants: 0 (0)



Jutta Heim (born 1951)

Member of the Board of Directors (since 2013), Scientific Advisor to the Board
Independent in relation to the Company
Independent in relation to major shareholders
Chairman of Nuevolution's R&D Committee

Education: PhD from the University of Tübingen.

Experience: Dr. Jutta Heim is Professor of Biotechnology at the University of Basel. She worked for more than 20 years at CibaGeigy/Novartis in Switzerland and the US, where she was involved in the successful development and launch of anti-thrombotic and fibrinolytic products. At Novartis, she established a molecular genetics department in oncology, became the company's Senior Scientific Expert in Molecular Biology and a Member of the Research Management Board. Dr. Heim completed her career at Novartis by becoming head of the Novartis Lead Discovery Center, with worldwide responsibility. From 2004 to 2009, she served as CSO at Basilea Pharmaceutica Ltd., a Swiss biopharmaceutical company focusing on anti-infectives, inflammation and oncology. From 2009 to 2013, she served as CTO and CSO at Evolva SA, where she led the company's discovery activities and strengthened the development of its technology platform.

Current assignments: Board Member of Nuevolution AB and A/S, Chairman of the R&D Committee of Nuevolution AB, Member of the Advisory Board of Stiftung für Wissenschaftliche Forschung Universität Zürich. Board Member of Evolva SA and of AntibioTx A/S. Chair of the Scientific Advisory Committee, GARDP/DNDI.

Previous assignments: CSO and CTO at Evolva SA, CSO at Basilea Pharmaceutica Ltd, Head of Novartis Lead Discovery Center.

Number of shares: 0 (0)

Number of warrants: 69,279 warrants series 1.



Jeanette Wood (born 1952)

Member of the Board of Directors (since 2015), Scientific Advisor to the Board
Independent in relation to the Company
Independent in relation to major shareholders
Member of Nuevolution's R&D Committee

Education: PhD in Pharmacology from the University of Otago.

Experience: More than 30 years of drug discovery experience in Big Pharma and biotech companies in senior leadership positions and with a track record of novel drugs progressed to clinical trials and to the market. Author of more than 100 peer-reviewed publications and numerous patents. During her career, Jeanette has held positions as Vice President of Oncology Research at AstraZeneca UK, CSO at Genkyotex AG CH, Head of Biology at S*Bio Pte Ltd, SG, and a number of leadership research roles within Novartis AG / Ciba-Geigy AG CH. She has also served as a part-time lecturer at universities in New Zealand, Switzerland, Singapore and Korea.

Current assignments: Board Member of Nuevolution AB and A/S, Member of the R&D Committee of Nuevolution AB, Senior Scientific Advisor to the Board.

Previous assignments: CSO at Genkyotex AG.

Number of shares: 0 (0)

Number of warrants: 69,279 warrants series 1.



Fredrik Arp (born 1953)

Member of the Board of Directors (since 2017)
Independent in relation to the Company
Independent in relation to major shareholders

Education: Sc. Econ and Honorary Doctor of Economics at Lund's University.

Experience: Fredrik Arp is among Sweden's most experienced business executives. In his most recent operational role (2005-08) he was managing director of Volvo Cars. He was CEO and managing director of Trelleborg AB (publ) from 1999 to 2005. Prior to Trelleborg, Fredrik held positions at PLM AB (1996-1999), Trelleborg Industrier AB (1989-1996) and Boliden Kemi AB (1988-1989). Fredrik Arp has considerable experience in medical technology, such as former board member of Getinge AB (publ) and Medioplast AB as well as in his role as chairman in Nolato AB (publ).

Current assignments: Chairman of Nolato AB, Chairman of the Advisory board at Lund's School of Economics and Management, Board member in Vattenfall AB and Chairman of the Audit Committee and Board member of Swedfund International.

Previous assignments: President and CEO of Volvo Car Corporation (2005-2008), CEO of Trelleborg AB (1999-2005), CEO of PLM AB (1996-1999), CEO of Trelleborg Industrier AB (1989-1996) and CEO of Boliden Kemi AB (1988-1989). Chairman of Qioptiq, Hilding Anders AB, Thule AB, Parques Reunidas, Munksjö AB, Bröderna Edstrand AB and Ahlsell AB, Chairman of Innovation and Chemical Industries in Sweden, Vice Chairman of Getinge AB, Board member of Perstorp AB, Board member of Confederation of Swedish Enterprise, Board member Technogym SpA.

Number of shares: 50,000

Number of warrants: 0 (0)



Executive Management

Alex Haahr Gouliaev

Chief Executive Officer (since 2005), Co-Founder of Nuevolution (2001)

Education: MSc (1994) and PhD (1996) in Chemistry, University of Southern Denmark, Aarhus University and Department of Pharmacy, University of Copenhagen.

Experience: Nuevolution deal track record as CEO: (Deals: 16, Revenues: 535 MSEK, Cap. Raises: ~580 MSEK) Scientific expertise in drug discovery chemistry, pharmacology and technology development

2005 to date: CEO, Nuevolution
2001-2005: Co-Founder, EVP Chemistry, Nuevolution
1996-2001: Senior. Scientist, Director of Chemistry, Management and Board Member, NeuroSearch

Number of shares: 70,778 (70,778) through holding company ATZ Holding ApS

Number of warrants: 1,911,113 warrants series 2

Background: I am 51 years of age and married for 20 years. My wife and I are fortunate to have two children; a son (age 21) and a daughter (age 12).

My interest in science was triggered at age 7, when my older brother introduced me to astronomy, although during my teenage years, my interests for a time period also included potentially becoming a legal attorney. High School took me back to natural sciences, made me excited about chemistry & biology, and keen on starting my studies to become a scientist. Three years into my chemistry and biology studies, I craved to learn about medicine, but in particular how medical molecules work in the human body. Following the medical doctor's course in pharmacology, and a grant allowing me to conduct animal pharmacology studies for one year, it was clear to me, that life sciences seeking discovery and development of new medicines was the dream field of interest to me. During the remainder of my studies, I focused on my skills as an organic synthetic and medicinal chemist, while keeping close ties to biology and medicine. After completion of my Ph.D., my wish came through, when I was offered employment at NeuroSearch, one of Denmark's first true-life science biotech companies. During my six years stay, I had the opportunity to be involved in and lead projects from early stage optimization through to candidate selection, synthetic route optimization and outsourcing of kilogram scale production of the active pharmaceutical ingredient, I was entrusted with the leadership of Neurosearch's Chemistry Department, and enjoyed being part of management and having the confidence from my colleagues as one of their employee board of directors' representative.

In 2001, I left Neurosearch to co-found Nuevolution with a dream of revolutionizing discovery of small molecule (tablet) based medicines, and to participate in the establishing of a life science company with a business model having lower operational and financial risk than what is the standard of the industry. On a daily basis, I involve myself in all aspects of our operations including our technology and drug discovery activities to influence our direction and to be optimally dressed for our business promotions and contract negotiations. I take great pride in making sure that everything we do is of high quality, and that we continue to keep our shareholders well informed as we have been doing for nearly 16 years. I feel very fortunate to be part of all of this.

My ambitions: To continue the build of Nuevolution making it a highly valuable company, which develops and eventually potentially markets multiple novel medicines for efficient and safe treatment of severe diseases, to maintain Nuevolution's high standards for quality & innovation and to safeguard Nuevolution as an attractive working place and powerhouse for ambitious and skilled scientists and business professionals.



Dr. Thomas Franch

Chief Scientific Officer (since 2012), key scientist since company foundation (2001)

Education: MSc and PhD in Molecular Biology from the University of Southern Denmark. Studied at the Institute of Biochemistry and Molecular Biology (BMB) at the University of Southern Denmark and at Uppsala University.

Experience:

2012 to date: Chief Scientific Officer at Nuevolution
2005-2012: Chief Technology Officer at Nuevolution
2001-2005: Joined Nuevolution with multiple responsibilities including Project Manager and Scientific Officer
1999-2001: CEO of RNA Tech Aps

Number of shares: 1,300 (1,300)

Number of warrants: 311,755 warrants series 1 and 229,334 warrants series 2.

Background: I am 47 years of age and live with my wife and our two sons, age 14 and age 12.

When I commenced my studies in 1989, Molecular Biology as a scientific discipline was novel and still considered a bit provocative. However, to me, the advent of ground-breaking techniques such as molecular cloning, DNA sequencing and the Polymerase Chain Reaction (PCR) offered exciting new opportunities for biological studies and new applications. I was always intrigued by inventions and the applied sciences where scientific knowledge is put into general use or providing new ways for innovative applications. During my Ph.D work I noticed that Nature have evolved a unique mechanism for making regulatory RNA molecules bind each other with high speed for efficient gene regulation. To apply this principle in a therapeutic setting, I co-founded RNA Tech Aps in 1999. Here, we successfully applied the knowledge gained from Nature's principle to enhance the binding kinetics of artificial antisense molecules inhibiting a cancer target called the Telomerase.

When I was approached by Nuevolution in early 2001, I immediately knew that this unexplored concept of using nucleic acids to encode chemical compounds for drug-target screening was huge and could likely be the future of drug discovery. Obviously, I did not hesitate to join the company.

During my 16 years at Nuevolution, I have had the opportunity to head our Chemetics® Platform technology developments, our Biology department as well as multiple Pharma and Biotech partnerships. Most importantly, Nuevolution has provided me the privilege to work with some very clever and dedicated people that strive to develop and mature the platform technology, streamline our drug discovery operations and further build an exciting company with a great pipeline.

My ambitions: It is my ambition to make Nuevolution a premier and world-class Biotech company, where the successful business is founded on true innovation, scientific excellence and hard work.



Ton Berkien

Chief Business Officer (since 2014)

Education: BEc from the Saxion University of Applied Science (Netherlands), and an LSid from PwC/Harvard Business School/IMD.

Experience:

2014 to date: CBO, Nuevolution
2007-2013: Senior Director of Corporate Development/M&A, Takeda (Nycomed 2007-11)
2003-2007: Director of Competitive Intelligence, Ferring Pharmaceuticals
2001-2003: Senior Manager Corporate Finance, PwC
1993: Sc Economics, University of Deventer

Number of shares: 1,400 (1,400)

Number of warrants: 138,558 warrants series 1 and 3,822 warrants series 2.



Background: I was born (1968) and raised in Nijmegen, The Netherlands and I am married. Together with my Swedish wife, we have two sons in the age of 16 and 18. We have our residence in Sweden.

During my working period at Takeda and Nycomed, I was overall responsible for leading merger & acquisition efforts as well as asset acquisition transactions, in the US (Bradley Pharmaceuticals), China (Techpool), Colombia (Farmacol), (Eastern-) Europe (assets from Sanofi/Zentiva) and Brazil (Multilab), deals with an accumulated value exceeding EUR 800 million.

During 2003-2007, I was Director of Competitive Intelligence at Ferring Pharmaceuticals (Denmark), where I was responsible for corporate competitive intelligence project management mainly in the R&D and commercial organization. Furthermore, I was involved, as Director Portfolio Planning, in managing and supporting Portfolio Planning within the R&D organization. Earlier, I held Senior Manager positions at PricewaterhouseCoopers (Sweden), Rijnconsult, KPMG and was market research analyst at Gilde Investment Management (The Netherlands).

Throughout my career, I have gained extensive experience in corporate finance, venture capital / management buy-outs, business development, competitive and corporate intelligence and strategic consultancy. I have a Dutch nationality. I have furthermore a strong passion for basketball, which I played on a national level in The Netherlands, as well as other activities like road cycling and MTB.

My ambitions: It is my ambition to work hard to see this exciting company realize its growth ambitions towards a profitable business, addressed in financial strength and eventually patient benefit.

Henrik D. Simonsen

Chief Financial Officer (since 2015)

Education: MSc in Economics, University of Copenhagen.

Experience:

2015 to date:	CFO, Nuevolution
2012-2015:	Director responsible for life science, SEB Corporate finance
2004-2011:	Senior Analyst, Life Science, SEB Equity
1990-2004:	Senior Analyst, Life Science, Nordea Securities
1992:	MSc in Economics, University of Copenhagen

Number of shares: 650 (650)

Number of warrants: 86,599 warrants series 1 and 3,822 warrants series 2.

Background: I was born in 1963 and raised in Copenhagen and Roskilde, Denmark and I am married. We have two children at age 11 and age 8.

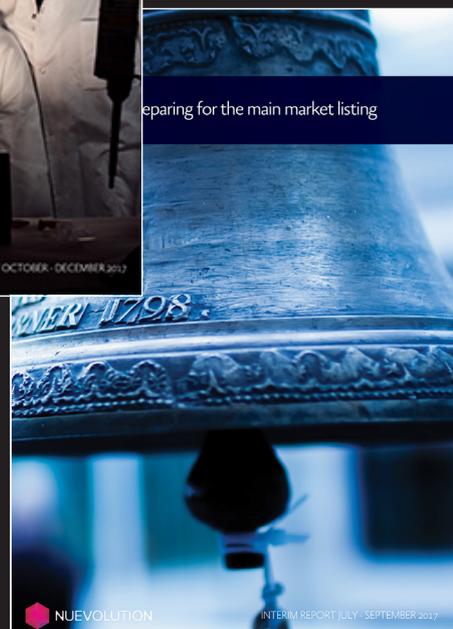
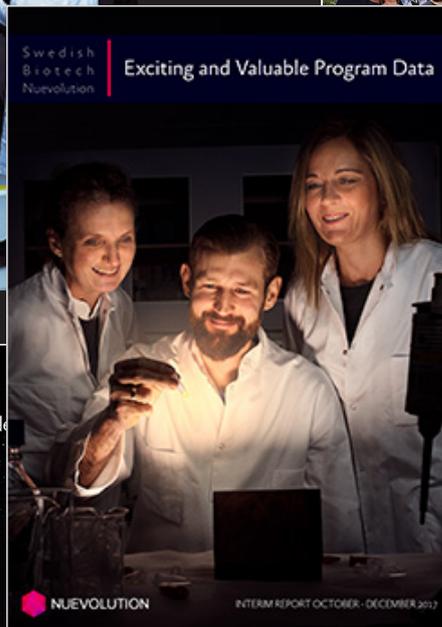
Albeit an economist by training, the healthcare industry caught my interest early in my professional career, as I began to cover and track European and US pharmaceutical and biotech stocks as an equity analyst at Nordea Securities and SEB Equity. Having followed the sequencing of the human genome, the introduction of breakthrough medicine and diagnostics have been very fascinating and inspiring.

Drug discovery remains challenging, but also fascinating and can be extremely rewarding for shareholders when successful. Nuevolution's Chemetics® technology can overcome challenges inherent in drug discovery and revolutionize the discovery and development of small molecule medicines. For this reason, I joined Nuevolution.

My ambitions: I am committed to realizing the maximum potential of our technology and business strategy thereby creating significant value for our shareholders.



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