# Swedish biotech Nuevolution: Major partnership with Almirall

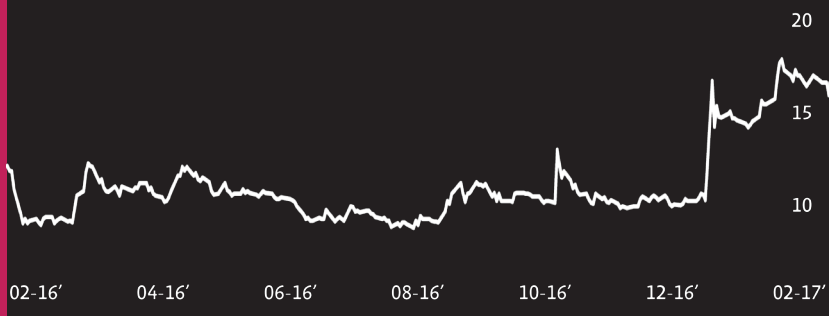
NUEVOLUTION

SECOND QUARTER 2016/17

## Company & Stock Information

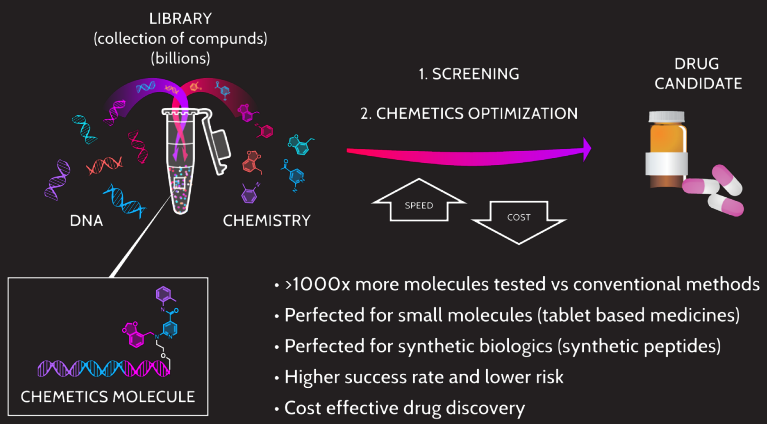
**Company:** Nuevolution AB (publ)
**Established:** 2001
**Industry:** Health Care, Biotech
**Website:** www.nuevolution.com
**Market:** Nasdaq First North Premier, Stockholm
**Ticker:** NUE.ST
**Number of shares:** 42,858,236
**Market value (02.02.2017):** SEK 681.4 million
**Share price range (12M):** 8.45-18.80 SEK/share
**Share price (02.02.2017):** 15.90 SEK/Share
**Major shareholders:** SEB Venture Capital, Sunstone Capital, Industrifonden and SEB Utvecklingsstiftelse

## Stock Performance (YTD)




**Analysts:** Jarl Securities, Remium, Edison and more will follow

## Technology Platform




- >1000x 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

## Business Model

Focus on pipeline build & progression

Focus on revenue generation & risk mitigation

Multiple programs - High upside, lower risk

**Focus on Drug Discovery Programs**
A. Nuevolution owned clinical & pre-clinical programs
B. Partnering of select programs

**Achievements to date**
17 agreements with partners (incl. Merck, Novartis, GSK, Boehringer Ingelheim, Janssen, Amgen, Almirall)
Realized revenues: Approx. SEK 525 million

## Focus

**Multiple-Shots-at-Goal:**
Constant pursuit of 15+ programs, optimizing chances for success with room for failures

**Severe Chronic Inflammatory Diseases:**
Develop efficacious, safer, tablet based medicines

**Immuno-Oncology (Cancer):**
Activate immune system to fight cancers

**Cancer (Patient Specific):**
Offer personalized medicines

## Pipeline

| Programs | Indication | Discovery | Preclinical | Phase I | Partner |
|---|---|---|---|---|---|
| RORγt inverse agonist | Dermatology/PsA | | | | Almirall |
| RORγt inverse agonist | Other | | | | Nuevolution |
| BRD BD 1 | Inflammation | | | | Nuevolution |
| Cytokine X | Inflammation | | | | Nuevolution |
| RORγt agonist | Immuno-oncology | | | | Nuevolution |
| GRP78 | Oncology | | | | Nuevolution, CRT, ICR |
| 15+ research programs | Oncology, Immunology, Immuno-oncology | | | | Nuevolution |
| **Research collaborations** | | | | | |
| Amgen | Oncology, Neuroscience | | | | Amgen |
| Janssen | Oncology, Inflammation, Infectious diseases | | | | Janssen |
| IFD | Hematological cancers | | | | BRIC |

## News & Events

**Oct. 4**, Nuevolution enters into collaboration with Amgen

**Dec. 2**, Nuevolution receives R&D funding from Innovation Fund Denmark

**Dec. 12**, Nuevolution enters into collaboration with Almirall regarding RORγt inhibitor program

**Feb. 9**, Remium lunch meeting, Stockholm

**Feb. 21**, Redeye After work event, Stockholm

**Mar. 21**, DK Aktionærforening's InvestorDagen, Copenhagen

**Mar. 28**, Aktiespararna evening meeting, Göteborg

**Mar. 31**, Aktiespararna evening meeting, Burlöv

## Management & Contact

CEO Alex Gouliaev, Ph.D.
CFO Henrik Simonsen, M.Econ
CSO Thomas Franch, Ph.D.
CBO Ton Berkien, B.Econ.

Phone: +45 7020 0987
E-mail: info@nuevolution.com

**DISCLAIMER**
Photo series (page 1,4 and 6/7) by Thomas Rønn, TR MEDIA: "The drug discovery & development relay" featuring Nuevolution staff Cristina Delgado, Sanne Schrøder Glad, Thomas Franch and Alex Haahr Gouliaev. Photo scenes are fictitious, and solely intended as metaphors for Nuevolution's recent successful business development activities.

# Deals worth potentially up to SEK 7.9 billion secured during quarter

Summary of second quarter 2016/17 (October-December 2016)

- Second quarter: Net sales amounted to SEK 111.0 million (11.2). First half: SEK 112.8 million (12.3).
- Second quarter: Operating costs were SEK 35.1 million (39.1). First half: SEK 64.7 million (65.8).
- Second quarter: Operating result was SEK 75.8 million (-27.9). First half: SEK 48.1 million (-53.5).
- Second quarter: Net result amounted to SEK 56.4 million (-25.6). First half: SEK 30.8 million (-49.5).
- Second quarter: Earnings per share (EPS) was SEK 1.32 (-0.81). First half: SEK 0.72 (-1.64).
- Net cash amounted to SEK 142.9 million as per December 31, 2016 (258.4) excluding upfront payment in cash from Almirall agreement entered in mid-December 2016.
- October 2016: Nuevolution-Amgen multi-target research collaboration. Nuevolution eligible to receive up to USD 410 million (SEK 3.5 billion) in licensing fee, development and sales milestone payment per development program as well as tiered royalties on future sales.
- December 2016: Nuevolution-Almirall global strategic collaboration for development and commercialization of Nuevolution's RORγt inhibitor program for treatment of inflammatory skin diseases and disorders and psoriatic arthritis. Nuevolution receives EUR 11.2 million (SEK 109.2 million) upfront before Spanish withholding tax, and up to EUR 442 million (SEK 4.3 billion) in milestone payments as well as tiered royalties on future sales.
- December 2016: Nuevolution and Prof. Kristian Helin, University of Copenhagen, receive a DKK 16.4 million (SEK 21.6 million) grant from Innovation Fund Denmark to identify small molecules for NSD proteins, hyper-activated in certain cancers.
- In the BET inhibitor program, a preclinical study in a second mouse model of human lupus has been initiated, and is expected to report results in mid-2017. The results of an ongoing preclinical study in Idiopathic Pulmonary Fibrosis (IPF) is expected to be reported in the second quarter of 2017.

**Events occured after December 31, 2016:**

In mid-January 2017, Nuevolution received the upfront payment in the Almirall collaboration.

*"Second quarter 2016/17 was an important one for the company with execution of the agreements with Amgen and Almirall and for obtaining the Innovation Fund Denmark research grant for our collaboration with Professor Kristian Helin, University of Copenhagen. I am most pleased to see that we secured such strong partnerships during the quarter, and I am excited to see the research and development of programs progress together with our partners"* said Alex Haahr Gouliaev, CEO.

# Message from the CEO

*Dear shareholder, Dear reader*

A number of important goals were realized during the quarter. In connection with Nuevolution's IPO in December of 2015, we had announced that we would seek to establish at least one risk sharing/pre-sale research collaboration, and seek out-licensing of at least one internal program within 18 months. After ten and twelve months, respectively, we announced two major agreements of significant strategic importance.

In December 2016, we announced a strategic collaboration with Almirall for the development and commercialization of Nuevolution's novel RORγt inhibitor program for treatment of inflammatory skin diseases and disorders as well as for treatment of psoriatic arthritis. By relaying the further development within dermatology and psoriatic arthritis to Almirall, we have secured a very experienced and dedicated partner in this field for the program, and we look forward to a most fruitful collaboration, and successful progress of the further development.

In October, we announced the major research collaboration with Amgen. A multi target research collaboration, where Amgen has an exclusive option to obtain all rights to successfully developed programs. This agreement represents a key element in Nuevolution's strategy to reduce the business risk of the investments that Nuevolution undertakes in its research and development of new medicines, while at the same time offer a significant upside for successful programs. Besides the business aspects of this agreement, this collaboration combines the synergies of Nuevolution's powerful platform and strong experience in the field of small molecules (tablet-based medicines) with the significant biology and disease expertise as well as development experience and capacity of Amgen. Research has already been initiated, and we are looking forward to continue this exciting collaboration with Amgen's scientists.

Furthermore, in December we announced that Nuevolution in collaboration with professor Kristian Helin, Biotech Research and Innovation Center (BRIC) at University of Copenhagen, will pursue discovery and development of therapeutics directed towards specific cancer types for which there is no efficient treatment today. Through our collaboration with Professor Helin, our project will obtain access to frontier research in this field.

With more than 15 programs running continuously in research, we expect to present promising results from our pipeline during 2017, and we remain committed to apply our unique high performance drug discovery platform for discovery of tablet based medicines in the search of new medicines for treatment of cancer and chronic inflammatory diseases, and to work adamantly for creation of shareholder value through development of our own programs, while we will also continue our strategy to capitalize on our research on a continuous basis and seek to mitigate risk.

We believe that we have already good progress in realization of our goal to establish three or four partnerships and realize one or two programs for our own clinical development during the period 2016-2018.

We are all set, committed and look forward to continuing the execution of our strategy and value creation for Nuevolution during 2017.

We hope to meet with you at one of the events during the quarter.

Stockholm, February 8, 2017

Alex Haahr Gouliaev, CEO
Nuevolution AB (publ)

# REGAINING CONTROL IN SEVERE CHRONIC INFLAMMATORY DISEASES

## *Targeting RORγt*

IMMUNE SYSTEM

Through evolution, man has developed defenses against certain diseases; a defense system called the "immune system". The immune system can be described as composed of three elements, a physical barrier, an active response system and an adaptive memory system. Together these elements form an effective protection against specific diseases.

However, this complex system carries an inherent risk of malfunction and may get out of control. This is also the case for the immune system.

AUTOIMMUNITY

One malfunction of the immune system that may lead to disease, is when the immune system starts to react against the body it is designed to protect. We know these diseases as "autoimmune" diseases and examples include multiple sclerosis, rheumatoid arthritis, psoriasis, inflammatory bowel diseases, lupus and type 1 diabetes. In the case of an autoimmune condition, the immune system starts to destroy affected organs and other tissues leading to lifelong morbidity and in severe cases, death.

Increased insight into the mechanisms behind autoimmunity supports the search for therapies that may help patients affected by autoimmune diseases. Therapies improving the life of the millions of patients worldwide remains however a challenging task. Nuevolution focus on several of these serious diseases, and have made significant progress in the hope of developing therapies with the potential of improving quality of life for patients.

PSORIASIS

An autoimmune disease like e.g. psoriasis occurs when an immune response is directed towards the body's own tissue, manifested by skin lesions that may cover significant parts of the body surface. Furthermore, the condition of psoriasis may expand by triggering psoriatic arthritis in up to 30% of psoriatic patients.

$TH_{17}$

Only within recent years has it has become clear which underlying biological mechanisms drives the detrimental processes of psoriasis and a range of other autoimmune diseases. A part of the adaptive immune system is composed of cells called T cells, and these serve in the protection of our body. However, these T cells becomes a serious liability if they react against healthy tissue and organs in the body, and overactive T cells of the type termed $TH_{17}$ appears to be particularly extensive in chronic autoimmune diseases.

IL17A

The impact of $TH_{17}$ cells has been known for little more than a decade, yet it is evident that controlling the action of $TH_{17}$ cells is a very efficient strategy in addressing several chronic diseases. $TH_{17}$ cells secrete a signaling molecule called IL17A that acts as an alarm signal to multiple cell-types of the immune system, which subsequently initiate the inflammatory response in body.

RORγt

For the treatment of the $TH_{17}$ driven autoimmune diseases, one biological target stands out for this purpose – namely RORγt. RORγt is a regulatory protein that "turns on or off" the activity of $TH_{17}$ cells and their production of the IL17A protein.

By inhibiting the function of RORγt, it is possible to block the action of $TH_{17}$ cells thereby regaining the control of a malfunctioning immune system, which may be relevant in several serious chronic autoimmune diseases including Psoriasis and Psoriatic arthritis. Nuevolution, and now also in collaboration with Almirall within the field of dermatology and psoriatic arthritis, is pursuing an oral (tablet-based) drug addressing the medical need of $TH_{17}$ driven-diseases, which should offer clear benefits in patient compliance by easier and more convenient route of administration compared to antibodies, as well as increased patient safety and potential for reduced cost of medicines.

# Business & partnering activities

## HIGHLIGHTS

- On December 12, 2016, Nuevolution announced a strategic collaboration with Almirall to develop RORγt inhibitors for treatment of dermatological diseases and psoriatic arthritis
- On October 4, 2016, Nuevolution announced a strategic partnership with Amgen concerning development of programs in oncology and neuroscience

### ALMIRALL COLLABORATION

On December 12, 2016, Nuevolution announced a strategic collaboration with Almirall to develop RORγt inhibitors for treatment of inflammatory skin diseases and psoriatic arthritis.

As part of the agreement, the parties will also establish a research collaboration for the identification of additional RORγt inhibitors, with an exclusive option for Almirall to use within dermatology and psoriatic arthritis. Nuevolution will maintain all the rights to develop programs in other therapy areas. Almirall will be responsible for funding of its further research as well as pre-clinical, clinical, regulatory and commercial activities. Nuevolution will be responsible for funding of any of its own research.

Nuevolution is entitled to receive an upfront payment of EUR 11.2 million (SEK 109.2 million[1]) before Spanish withholding tax, and is eligible to receive development and regulatory milestone payments of up to in total maximum of EUR 172 million (SEK 1.7 billion) provided successful development, and tiered commercial sales milestones of up to in total maximum of EUR 270 million (SEK 2.6 billion). Nuevolution would further be entitled to receive tiered royalties on future net sales.

[1] Exchange rate 1.00 EUR – 9.7488 SEK

**ABOUT ALMIRALL**

Almirall is a global specialty pharmaceutical company focusing on medicines for the treatment of dermatological and autoimmune disorders. The company has a leadership position in dermatology (number four position in the US as well as in Europe). The company generated total revenues of EUR 769 million in 2015, of which ca. 50% was derived from dermatology.

Almirall's products are available in over 70 countries on five continents, through 13 affiliates and through a strategic partnership network. Almirall's commercial dermatology capabilities mainly focus on the detailing of products to dermatologists, prescribing drugs in areas such as psoriasis and psoriatic arthritis.

Internal R&D at Almirall focus on 15 dermatology indications, in particular targeting the major diseases of psoriasis, atopic dermatitis, acne, and rosacea.

The collaboration between Almirall and Nuevolution seeks to offer tablet-based efficacious and safe medication compared to currently available injectable antibodies. Almirall obtains rights to develop and commercialize Nuevolution's RORγt inhibitors in dermatology, a disease area where psoriasis is among the leading indications, and psoriatic arthritis.

Almirall

*"Nuevolution and Almirall join forces on the RORγt inhibitor program."*

## PSORIASIS

Psoriasis is a common, non-mortal chronic skin disease, with no clear cause or cure. Psoriasis can occur at any age, however is most common in the age group 50–69 years. The reported prevalence of psoriasis in countries ranges between 0.09% and 11.4%, making psoriasis a disease with at least several hundred million people affected worldwide[1].

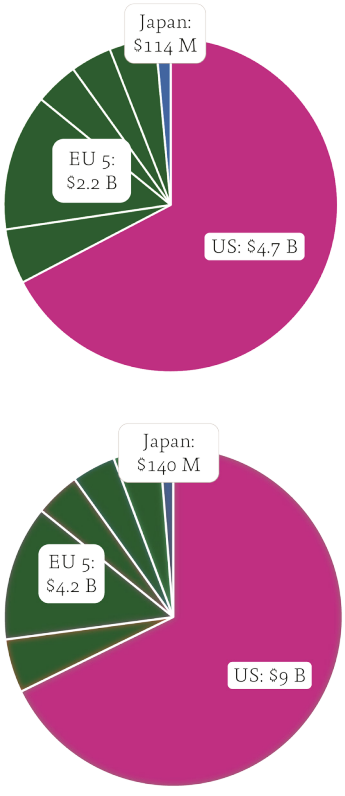
The global medical dermatology market was valued in 2015 at ca. USD 25 billion and is growing yearly at nearly 10%[2], according to the IMS Health. A similar growth is applicable for the global psoriasis (PsO) market sales, with forecasts by Global Data of growth from USD 7.0 billion in 2015 to 13.2 billion in 2024, as shown in the diagram below. Despite the large market opportunity, relatively little R&D innovation within dermatology has been pursued until recently. A number of new medicines have recently received regulatory approvals for psoriasis, such as Otezla (apremilast) and Cosentyx (secukinumab), indicating stronger innovative development and an attractive market opportunity going forward. Lifecycle management remains extensive in the dermatology market, with companies developing new formulations, applications and combinations of existing products. This represents further opportunities for growth, since it may significantly prolong the sales from an established product, even in the face of generic competitors.

## PSORIATIC ARTHRITIS

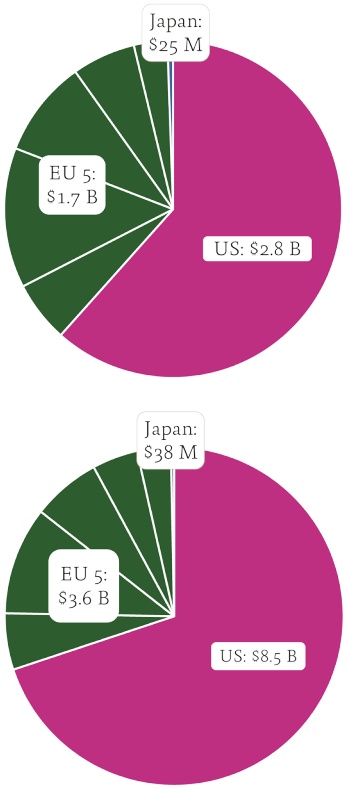
In addition to the skin, psoriasis can be associated with an inflammatory arthritis, psoriatic arthritis (PsA), which involves the joints of the spine and other joints. In psoriatic arthritis, similar market characteristics apply. Presently the market is dominated by the use of the "first generation" injectable biological (TNFalpha inhibitors) treatment options. Although these treatment options provide good efficacy, the safety profile and in particular the high pricing for present treatment options are a concern for the physicians. Small molecule treatments, may provide an attractive treatment option for dermatologists and rheumatologists, not the least for patients who are refractory to current treatment, i.e. patients who cannot self-inject, or those for whom infusion therapy is too inconvenient. Since up to 30% of patients with psoriasis will have or may develop psoriatic arthritis[3], the dermatologist in disease treatment is an important physician detailing of products to the patient.

Market sales in psoriatic arthritis are also expected to see healthy growth in the upcoming years, from USD 4.5 billion in 2015 to USD 12.1 billion in 2024 (compounded annual growth of 11.5%), according to Global Data.

**PSORIASIS MARKET**




**PSORIATIC ARTHRITIS MARKET**




**2015**

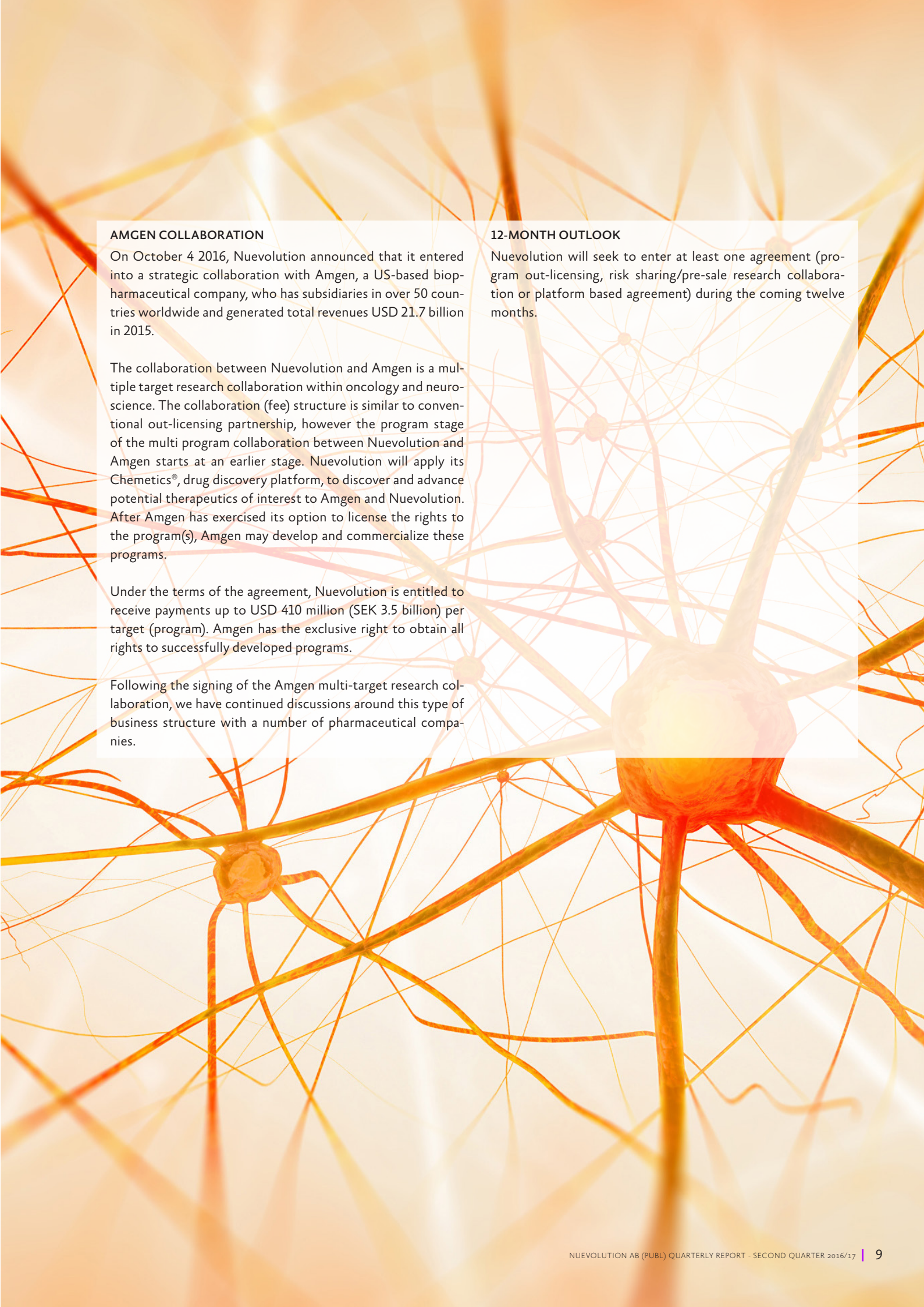
**2024**

Source: Global Data, 2016

[1] WHO: http://apps.who.int/iris/bitstream/10665/204417/1/9789241565189_eng.pdf

[2] Jefferies research, 18 August 2016

[3] Gladman DD, Antoni C, Mease P, et al. Psoriatic arthritis: epidemiology, clinical features, course, and outcome. Ann Rheum Dis. 2005; 64:14-17.



## AMGEN COLLABORATION

On October 4 2016, Nuevolution announced that it entered into a strategic collaboration with Amgen, a US-based biopharmaceutical company, who has subsidiaries in over 50 countries worldwide and generated total revenues USD 21.7 billion in 2015.

The collaboration between Nuevolution and Amgen is a multiple target research collaboration within oncology and neuroscience. The collaboration (fee) structure is similar to conventional out-licensing partnership, however the program stage of the multi program collaboration between Nuevolution and Amgen starts at an earlier stage. Nuevolution will apply its Chemetics®, drug discovery platform, to discover and advance potential therapeutics of interest to Amgen and Nuevolution. After Amgen has exercised its option to license the rights to the program(s), Amgen may develop and commercialize these programs.

Under the terms of the agreement, Nuevolution is entitled to receive payments up to USD 410 million (SEK 3.5 billion) per target (program). Amgen has the exclusive right to obtain all rights to successfully developed programs.

Following the signing of the Amgen multi-target research collaboration, we have continued discussions around this type of business structure with a number of pharmaceutical companies.

## 12-MONTH OUTLOOK

Nuevolution will seek to enter at least one agreement (program out-licensing, risk sharing/pre-sale research collaboration or platform based agreement) during the coming twelve months.

# Program activities

**HIGHLIGHTS**

- In the BET inhibitor program, a preclinical study in a second mouse model of human lupus has been initiated, and is expected to report results in mid-2017. The results of the ongoing preclinical study in Idiopathic Pulmonary Fibrosis (IPF) are expected to be reported in the fourth quarter of fiscal 2016/17.

- In December 2016, Nuevolution and Professor Kristian Helin, BRIC, University of Copenhagen, received a DKK 16.4 million (SEK 21.6 million) grant from Innovation Fund Denmark to identify small molecules for NSD proteins, hyper-activated in certain cancers.

## THREE-YEAR RESEARCH GRANT FROM IFD

In collaboration with the world-renowned group of Professor Kristian Helin at Biotech Research and Innovation Center (BRIC), University of Copenhagen, Nuevolution will initiate a three-year project starting January 2017, and sponsored by Innovation Fund Denmark (IFD), with the purpose of identifying novel medicines for a group of methylases named NSDs. They represent key enzymes in a number of leukemias. The three-year project has a budget of DKK 24.4 million (SEK 32.2 million) and Innovation Fund Denmark contributes with DKK 16.4 million (SEK 21.6 million) in financial support to the involved parties. Nuevolution will contribute with in-kind investments, and is to receive up to DKK 5.2 million (SEK 6.8 million) in funding over the project period.

## RORγt INVERSE AGONIST PROGRAM

In December 2016, our RORγt inverse agonist (inhibitor) program was partnered with Almirall for co-development of the program in dermatology and psoriatic arthritis. The transfer of project information to Almirall has commenced. In addition to the Almirall partnered activities, Nuevolution is pursuing the use of its RORγt inhibitors outside dermatology with proof-of-concept studies (PoC) in mice ongoing in the third quarter of fiscal 2016/17.

## BET BROMODOMAIN INHIBITOR PROGRAM

We continue to progress our BET program through testing our selective lead compound NUE7770 within the human autoimmune diseases of Lupus and Idiopathic Pulmonary Fibrosis (IPF). In the second fiscal quarter 2016/17, the compound was tested for efficacy in a pristane-induced (chemical) mouse model for human Lupus. A clear positive dose-response of NUE7770 was observed after 10 weeks following pristane induced injury resulting in reduced levels of antibodies against double-stranded DNA, and nuclear components and with efficacy better than the non-selective competitor compound JQ-1 at 30 mpk and efficacy on par with prednisolone when dosed at 100 mpk/bid.

Based on the promising data in the pristane model, a second Lupus model, MRL/lpr (genetic mouse model), was initiated with expected proof-of-concept data available in mid-2017. Positive results from both the pristane and MRL/lpr model would, collectively, support the utility of a BET-BD1 selective compound for treatment of the human lupus disease.

Furthermore, the bleomycin-induced IPF study is currently ongoing with data expected during fourth quarter of fiscal 2016/17.

Collectively, we believe the efficacy observed in the pristane-induced model and the lack of adverse effects observed in the 14-day mouse toxicology study on NUE7770 support a new mechanism of action for potential treatment of Lupus, and a benign safety profile compared to other third party non-selective inhibitors of the BET proteins.

## AMGEN COLLABORATION

Our collaboration with Amgen was initiated during the second quarter of fiscal year 2016/17 and the screening and early hit identification look promising for the first collaboration target. The next program targets will initiate during the third quarter of fiscal 2016/2017.

## EARLY PROJECTS

Several early drug discovery projects are progressing, and data collection in multiple programs is required for the prioritization of the programs. It is the expectation that Nuevolution can promote one to two additional projects into further optimization during the second half of fiscal 2016/17.

# Investor activities

## HIGHLIGHTS

- In the second quarter of 2016/17, Nuevolution participated in four investor events in Sweden and Denmark (organised by Aktiespararna, Dansk Aktionærforening and Økonomisk Ugebrev) and gave a presentation at the European investor conference: Biotech and Money – INV€$TIVAL SHOWCASE, London. We maintain high focus on communication with both existing and potential new investors, and work towards further strenghtening of the investor base in preparation of a future uplisting of the company.

We cherish the support from our shareholders, and wish to keep our shareholders well informed about our progress. During 2016, we therefore participated in 14 investor conferences/events and following the release of our quarterly reports and major press releases, we hosted audio conferences allowing for Q&A. We will continue this close dialogue with our shareholders during 2017.

Nuevolution is covered by analysts from Jarl Securities, Remium and Edison (see: http://nuevolution.com/investors/stock-information/#2) with most recent reports from Edison, Remium and Jarl Securities in January covering Nuevolution's agreement with Almirall. Further analyst coverage will be added during the third quarter of fiscal 2016/17.

We maintain high focus on communication with both existing and potential new investors, and seek to further strengthen the investor base in preparation of a future uplisting of the company.

## MEET US

The following events where Nuevolution's executive management will present have been scheduled for the first half of 2017:

**February 9:** Remium Nordic lunch meeting, Stockholm

**February 21:** Redeye After work event, Stockholm

**March 21:** InvestorDagen, Dansk Aktionærforening, Copenhagen

**March 28:** Aktiekväll, Aktiespararna, Gothenburg

**March 31:** Aktiespararna, Burlöv

**April 6-7:** LifeSci Industry & Investor Conference, New York

**June 12:** Småbolagsdagen, Redeye/Aktiespararna, Stockholm

**June 13:** InvestorDagen, Dansk Aktionærforening, Aarhus

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# FINANCIAL REPORT

**Group - Key ratios**

| TSEK, if not stated otherwise | Q2 2016/17 | Q2 2015/16 | H1 2016/17 | H1 2015/16 | Year 2015/16 |
|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | |
| Revenue | 110,971 | 11,196 | 112,768 | 12,285 | 21,314 |
| Research and development expenses | -29,289 | -19,967 | -52,304 | -42,224 | -115,707 |
| Sales, general and administration expenses | -5,835 | -19,148 | -12,351 | -23,544 | -57,493 |
| Operating result | 75,847 | -27,919 | 48,113 | -53,483 | -151,886 |
| Net financial items | 1,083 | 601 | 1,455 | 548 | -22 |
| Net result | 56,426 | -25,603 | 30,821 | -49,458 | -144,997 |
| Comprehensive result for the year | 52,944 | -26,150 | 27,460 | -48,957 | -144,087 |
| **BALANCE SHEET** | | | | | |
| Non-current assets | | | 9,639 | 9,883 | 14,079 |
| Current assets | | | 244,515 | 288,551 | 220,886 |
| Total assets | | | 254,154 | 298,434 | 234,965 |
| Share capital | | | 42,858 | 42,858 | 42,858 |
| Equity | | | 225,362 | 242,734 | 198,055 |
| Non-current liabilities | | | 3,418 | 3,339 | 3,482 |
| Current liabilities | | | 25,374 | 52,361 | 33,428 |
| Net working capital (NWC) | | | 86,505 | -32,808 | -24,718 |
| Investment in intangible and tangible assets | | | 1,340 | 2,869 | 4,094 |
| **CASH FLOW** | | | | | |
| Cash flow from operating activities | -25,235 | -678 | -55,029 | -24,015 | -81,450 |
| Cash flow from investing activities | -214 | 2 | -651 | -110 | -555 |
| Cash flow from financing activities | -334 | 239,765 | -582 | 239,587 | 240,942 |
| Total cash flow | -25,783 | 239,089 | -56,262 | 215,462 | 158,937 |
| **FINANCIAL RATIOS** | | | | | |
| Basic earnings per share (EPS), SEK | 1.32 | -0.81 | 0.72 | -1.64 | -3.98 |
| Diluted earnings per share (EPS-D), SEK | 1.32 | -0.81 | 0.72 | -1.64 | -3.98 |
| Shareholders' equity per share, SEK | 5.26 | 5.66 | 5.26 | 5.66 | 4.62 |
| Period-end share market price | | | 14.45 | 14.20 | 9.00 |
| Equity ratio (%) | | | 89 | 81 | 84 |
| Number of shares outstanding, average, million shares | 42.9 | 31.7 | 42.9 | 30.1 | 36.5 |
| Number of shares outstanding, end-period, million shares | 42.9 | 42.9 | 42.9 | 42.9 | 42.9 |
| Average number of employees (FTE) | | | 44 | 43 | 43 |
| Number of employees (FTE) at period-end | | | 43 | 42 | 44 |

# Financial report

## GROUP

### REVENUES

Consolidated revenue for the second quarter of 2016/17 increased to SEK 111.0 million compared to SEK 11.2 million in the second quarter of 2015/16. Revenue in the second quarter of 2016/17 stem from the upfront payment of SEK 109.2 million (EUR 11.2 million) from Almirall S.A. and deferred income from the drug discovery collaboration with Janssen Biotech, whereas revenue in the same quarter last year came from the technology transfer agreement with Novartis and upfront payment in the Janssen Biotech collaboration.

Total revenue in the first half of 2016/17 amounted to SEK 112.8 million compared with SEK 12.3 million in the first half of 2015/16. Revenue in first half of 2016/17 came from the upfront payment from Almirall S.A. and deferred income from the Janssen Biotech collaboration, where revenue in first half of 2015/16 came from the agreement with Novartis and upfront payment from Janssen Biotech.

### EXPENSES

Total expenses amounted to SEK 35.1 million in the second quarter of 2016/17 against total expenses of SEK 39.1 million in the same quarter last year, which included SEK 14.8 million in IPO expenses. This increase was led by an increase in research and development (R&D) expenses of SEK 9.3 million, consisting of primarily API cost (production of kilogram scale material) for the RORγt inverse agonist program, increased personal costs (including bonus payments to employees, but not executive management) and costs for external Contract Research Organizations (CROs), and an increase in sales, general and administrative (SG&A) expenses of SEK 1.5 million (adjusted for IPO expenses in the second quarter of 2015/16), mainly led by costs of being a listed company.

Total expenses amounted to SEK 64.7 million in the first half of 2016/17 against total expenses of SEK 65.8 million in the first half of 2015/16, which included SEK 14.8 million in IPO expenses. This increase was led by an increase in research and development (R&D) expenses of SEK 10.1 million, consisting of primarily API costs for the RORγt inverse agonist program, increased personal costs, costs for external Contract Research Organizations (CROs), and fees for newly issued patents and an increase in sales, general and administrative (SG&A) expenses of SEK 3.6 million, adjusted for IPO expenses in the second quarter of 2015/16, mainly led by costs of being a listed company.

### PROFIT & LOSS

During the second quarter of 2016/17, the group showed an operating profit of SEK 75.8 million against a loss of SEK 27.9 million in the second quarter of 2015/16. Net financial items amounted to an income of SEK 1.1 million in the second quarter of 2016/17, positively impacted by currency gains, against an income SEK 0.6 million in the same quarter last fiscal year. The result before tax was SEK 76.9 million in the second quarter of 2016/17 against a loss of SEK 27.3 million in the same quarter last year. A net profit of SEK 56.4 million was recorded in the second quarter of 2016/17, following the Spanish withholding taxation of the Almirall upfront payment, against a net loss of SEK 25.6 million in the same quarter last fiscal year. Earnings per share (EPS) was SEK 1.32 in the second quarter of 2016/17 against an EPS of SEK -0.81 in the second quarter of 2015/16.

In the first half of 2016/17, the group showed an operating profit of SEK 48.1 million against a loss of SEK 53.5 million in the first half of 2015/16. Net financial items amounted to an income of SEK 1.5 million in the first half of 2016/17, positively impacted by currency gains, against an income SEK 0.5 million in the first half last year. The result before tax was SEK 49.6 million in the first half of 2016/17 against a loss of SEK 52.9 million in the first half last year. A net profit of SEK 30.8 million was recorded in the first half of 2016/17, following the Spanish withholding tax of the Almirall upfront payment and Danish R&D tax credit, against a net loss of SEK 49.5 million in the first half of 2015/16. Earnings per share (EPS) was SEK 0.72 in the first half of 2016/17 against an EPS of SEK -1.64 in the first half of 2015/16.

## CASH FLOW AND INVESTMENTS

The total cash flow for the second quarter of 2016/17 showed an outflow of SEK 25.8 million against an inflow of SEK 239.1 million in second quarter of 2015/16, due to the proceeds from the IPO in December 2015.

In the second quarter of 2016/17 cash flow from operating activities amounted to an outflow SEK 25.2 million against an outflow of SEK 0.7 million in the second quarter of 2015/16. The outflow in the quarter is mainly due the change in net working capital, which includes the receivable from Almirall. Investments in equipment in the second quarter of 2016/17 amounted to SEK 0.2 million compared to SEK 0.0 million in the second quarter of 2015/16.

Cash-flow from financing activities in the second quarter of 2016/17 amounted to an outflow of SEK 0.3 million against an inflow SEK 239.8 million in the second quarter of 2015/16, due to the proceeds from the IPO.

The total cash flow for the first half of 2016/17 was an outflow of SEK 56.3 million against an inflow of SEK 215.5 million in first half of 2015/16, due to the proceeds from the IPO.

In the first half of 2016/17 cash flow from operating activities amounted to an outflow SEK 55.0 million against an outflow of SEK 24.0 million in the first half of 2015/16. The outflow in the first half is mainly due the change in net working capital, which includes the receivable from Almirall. Investments in equipment in the first half of 2016/17 amounted to SEK 0.7 million compared to SEK 0.1 million in the first half of 2015/16.

Cash-flow from financing activities in the first half of 2016/17 amounted to an outflow of SEK 0.6 million against an inflow SEK 239.6 million in the first half of 2015/16, due to the proceeds from the IPO.

## EQUITY AND NET CASH

As of December 31, 2016, the group equity amounted to SEK 225.4 million against SEK 242.7 million at December 31, 2015, which mainly relates to the proceeds from the initial public offering of shares in connection with the listing on Nasdaq First North Premier in December 2015.

On December 31, 2016, cash and cash equivalents amounted to SEK 147.7 million compared to SEK 262.9 million at December 31, 2015. Net cash amounted to SEK 142.9 million as per December 31, 2016, against SEK 258.4 million at December 31, 2015.

## NUMBER OF SHARES

At December 31, 2016, the total number of outstanding shares in Nuevolution AB (publ) was 42,858,236, unchanged from June 30, 2016.

## PARENT COMPANY

The parent company, Nuevolution AB (publ), was founded on 28 August 2015 by a deposit of share capital amounting to SEK 50,000. The parent company had inter-company revenue in the second quarter 2016/17 of SEK 0.3 million and no revenue in the second quarter of 2015/16. The parent company incurred total costs of SEK 1.6 million in the second quarter of 2016/17 and had costs of SEK 14.8 million in the second quarter of 2015/16, all related to the IPO. The operating loss amounted to SEK 1.3 million for the second quarter of 2016/17 against an operating loss of SEK 14.8 million in the second quarter of 2015/16. A net loss of SEK 1.2 million was recorded in the second quarter of 2016/17 against a net loss of SEK 14.8 million in the second quarter of 2015/16.

The parent company's cash and net cash amounted to SEK 92.3 million at December 31, 2016 against SEK 250.1 million as per December 31, 2015. Shareholders' equity amounted to SEK 726.0 million at December 31, 2016 against SEK 725.3 million as per December 31, 2015.

The group consists of Nuevolution AB (publ) (reg. no. 559026-4304), Nuevolution A/S (reg. no. 26029708) and Oveun AB (reg. no. 556923-7273). Nuevolution A/S is the operating company within in the group.

Nuevolution AB (publ) incorporated Nuevolution A/S through a non-cash issue on November 13, 2015.

## EVENTS OCCURRED AFTER DECEMBER 31, 2016

In mid-January 2017, Nuevolution received the upfront payment from the collaboration with Almirall, resulting in a cash inflow of EUR 9.1 million (SEK 86.5 million), net of Spanish withholding tax.

# Other information

## LARGEST SHAREHOLDERS AS OF 30 DECEMBER 2016

| 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 | 3,329,658 | 7.8% |
| LMK Forward | 1,335,000 | 3.1% |
| SEB Pensionsstiftelse | 1,142,858 | 2.7% |
| Avanza Pensionförsäkrings AB | 981,738 | 2.3% |
| Nordnet Pensionförsäkrings AB | 434,490 | 1.0% |
| Midroc Finans AB | 385,000 | 0.9% |
| Henry Dunkers Förvaltning | 300,000 | 0.7% |
| Claus Resen Steenstrup and family | 251,090 | 0.6% |
| Stig Løkke Pedersen | 212,334 | 0.5% |
| Hans Engblom and family | 174,992 | 0.4% |
| Fynske Bank | 165,572 | 0.4% |
| SEB Life Intl. | 162,462 | 0.4% |
| Peter Ragnarsson | 160,000 | 0.4% |
| Handelsbanken Liv | 153,850 | 0.4% |
| Granit Småbolag | 153,774 | 0.4% |
| TIBIA Konsult AB | 120,000 | 0.3% |
| Alex Haahr Gouliaev | 70,778 | 0.2% |
| Others | 5,735,452 | 13.4% |
| **Total no. shares outstanding** | **42,858,236** | **100.0%** |

The shareholdings by Nuevolution's Stig Løkke Pedersen (Chairman) and Alex Haahr Gouliaev (CEO) are unchanged compared with June 30, 2016.

## FINANCIAL CALENDAR

| REPORT | DATE |
|---|---|
| Q3 2016/17 (January-March 2017) | 17 May 2017 |
| Q4 2016/17 (April-June 2017) | 6 September 2017 |
| Annual report (2016/17) | September 2017 |

## CERTIFIED ADVISOR

Nuevolution's Certified Adviser is Redeye AB (as of December 1, 2016).

**For more information, please contact:**

Alex Haahr Gouliaev, CEO
Phone: +45 7020 0987
Email: ahg@nuevolution.com

Henrik D. Simonsen, CFO
Phone: +45 3913 0947
Email: hs@nuevolution.com

This information is information that Nuevolution AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Market Act. The information was sent for publication, through the agency of the contact persons set out above, on Wednesday 8 February, 08:30 (CET).

**Group - Condensed interim consolidated income statement**

1 July 2016 - 31 December 2016

| | Q2 2016/17 TSEK | Q2 2015/16 TSEK | H1 2016/17 TSEK | H1 2015/16 TSEK | Year 2015/16 TSEK |
|---|---|---|---|---|---|
| Revenue | 110,971 | 11,196 | 112,768 | 12,285 | 21,314 |
| Research and development expenses | -29,289 | -19,967 | -52,304 | -42,224 | -115,707 |
| Sales, general and administration expenses | -5,835 | -19,148 | -12,351 | -23,544 | -57,493 |
| **Operating result** | **75,847** | **-27,919** | **48,113** | **-53,483** | **-151,886** |
| Financial income | 1,423 | 1,216 | 2,396 | 1,335 | 1,925 |
| Financial expenses | -340 | -615 | -941 | -787 | -1,947 |
| **Result before tax** | **76,930** | **-27,318** | **49,568** | **-52,935** | **-151,908** |
| Tax | -20,504 | 1,715 | -18,747 | 3,477 | 6,911 |
| **Net result for the period** | **56,426** | **-25,603** | **30,821** | **-49,458** | **-144,997** |
| | | | | | |
| **Net income attributable to stockholders of the parent company** | **56,426** | **-25,603** | **30,821** | **-49,458** | **-144,997** |
| | | | | | |
| Basic earnings per share (EPS), SEK | 1.32 | -0.81 | 0.72 | -1.64 | -3.98 |
| Diluted earnings per share (EPS-D), SEK | 1.32 | -0.81 | 0.72 | -1.64 | -3.98 |

**Group - Condensed interim consolidated statement of comprehensive income**

| | | | | | |
|---|---|---|---|---|---|
| **Net result for the period** | **56,426** | **-25,603** | **30,821** | **-49,458** | **-144,997** |
| Other comprehensive income | | | | | |
| Foreign exchange differences | -3,482 | -547 | -3,361 | 501 | 910 |
| **Total net comprehensive result for the period** | **52,944** | **-26,150** | **27,460** | **-48,957** | **-144,087** |

## Group - Condensed interim consolidated statement of financial position

| | 31 Dec. 2016 TSEK | 31 Dec. 2015 TSEK | 30 June 2016 TSEK |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible fixed assets | 5,995 | 4,935 | 5,494 |
| Financial fixed assets | 3,644 | 4,948 | 8,585 |
| **Total non-current assets** | **9,639** | **9,883** | **14,079** |
| | | | |
| **Current assets** | | | |
| Current receivables, non-interest bearing | 96,833 | 25,651 | 14,931 |
| Cash and cash equivalents | 147,682 | 262,900 | 205,955 |
| **Total current assets** | **244,515** | **288,551** | **220,886** |
| | | | |
| **TOTAL ASSETS** | **254,154** | **298,434** | **234,965** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | **225,362** | **242,734** | **198,055** |
| | | | |
| **Non-current interest bearing liabilities** | **3,418** | **3,339** | **3,482** |
| | | | |
| **Current liabilities** | | | |
| Current liabilities, interest bearing | 1,368 | 1,135 | 1,222 |
| Current liabilities, non-interest bearing | 14,458 | 25,796 | 19,484 |
| Accrued expenses and deferred income | 9,548 | 25,430 | 12,722 |
| **Total current liabilities** | **25,374** | **52,361** | **33,428** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | **254,154** | **298,434** | **234,965** |

**Group - Condensed interim consolidated statement of cash flows**

1 July 2016 - 31 December 2016

| | Q2 2016/17 TSEK | Q2 2015/16 TSEK | H1 2016/17 TSEK | H1 2015/16 TSEK | Year 2015/16 TSEK |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Result before tax | 76,930 | -27,318 | 49,568 | -52,935 | -151,908 |
| Adjustment for amortization and depreciation of plant and equipment | 425 | 376 | 839 | 633 | 1,328 |
| Adjustment for non-cash effect of the share-based payments | 0 | 33 | -153 | 33 | 48,528 |
| Financial income | -1,423 | -1,216 | -2,396 | -1,335 | -1,925 |
| Financial expenses | 340 | 615 | 941 | 787 | 1,947 |
| **Cash flow before change in working capital** | **76,272** | **-27,510** | **48,799** | **-52,817** | **-102,030** |
| Change in working capital | -109,017 | 25,632 | -111,223 | 27,683 | 19,594 |
| **Cash flow from operations** | **-32,745** | **-1,878** | **-62,424** | **-25,134** | **-82,436** |
| Interest received | 34 | 57 | 92 | 57 | 134 |
| Interest paid | -228 | -67 | -401 | -148 | -358 |
| Income taxes received | 7,704 | 1,210 | 7,704 | 1,210 | 1,210 |
| **Cash flow from operating activities** | **-25,235** | **-678** | **-55,029** | **-24,015** | **-81,450** |
| | | | | | |
| **Investing activities** | | | | | |
| Investments in tangible fixed assets | -214 | 2 | -651 | -110 | -504 |
| Investments/divestments of financial assets | 0 | 0 | 0 | 0 | -51 |
| **Cash flow from investing activities** | **-214** | **2** | **-651** | **-110** | **-555** |
| | | | | | |
| **Financing activities** | | | | | |
| New share issue | 0 | 250,050 | 0 | 250,050 | 250,050 |
| Issue expenses | 0 | -9,945 | 0 | -9,945 | -7,989 |
| Repayments of lease liabilities | -334 | -340 | -582 | -518 | -1,119 |
| **Cash flow from financing activities** | **-334** | **239,765** | **-582** | **239,587** | **240,942** |
| | | | | | |
| **Cash flow for the period** | **-25,783** | **239,089** | **-56,262** | **215,462** | **158,937** |
| Currency translation differences | -2,292 | 286 | -2,011 | 1,188 | 768 |
| Cash and cash equivalents, beginning of period | 175,757 | 23,525 | 205,955 | 46,250 | 46,250 |
| **Cash and cash equivalents, end of period** | **147,682** | **262,900** | **147,682** | **262,900** | **205,955** |

The statement of cash flows cannot be derived using only the published financial data.

**Group - Condensed interim consolidated statement of changes in equity**

1 July 2016 - 31 December 2016

| TSEK | 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 | 30,821 | 0 | 30,821 |
| Other comprehensive income | 0 | 0 | 0 | -3,361 | -3,361 |
| **Total comprehensive income** | **0** | **0** | **30,821** | **-3,361** | **27,460** |
| **Transactions with owners** | | | | | |
| Share based payments | 0 | 0 | -153 | 0 | -153 |
| **Total transaction with owners** | **0** | **0** | **-153** | **0** | **-153** |
| **Total changes in equity** | **0** | **0** | **30,668** | **-3,361** | **27,307** |
| **Equity at 31 December 2016** | **42,858** | **699,203** | **-514,186** | **-2,513** | **225,362** |

1 July 2015 - 31 December 2015

| TSEK | Share capital | Share premium | Retained earnings | Currency translation reserve | Total equity |
|---|---|---|---|---|---|
| **Equity at 1 July 2015** | **352,922** | **0** | **-301,307** | **-62** | **51,553** |
| Result for the period | 0 | 0 | -49,458 | 0 | -49,458 |
| Other comprehensive income | 0 | 0 | 0 | 501 | 501 |
| **Total comprehensive income** | **0** | **0** | **-49,458** | **501** | **-48,957** |
| **Transactions with owners** | | | | | |
| Impact from reverse acquisition | -324,350 | 324,350 | 0 | 0 | 0 |
| Share issue | 14,286 | 235,764 | 0 | 0 | 250,050 |
| Costs related to the share issue | 0 | -9,945 | 0 | 0 | -9,945 |
| Share based payments | 0 | 0 | 33 | 0 | 33 |
| **Total transaction with owners** | **-310,064** | **550,169** | **33** | **0** | **240,138** |
| **Total changes in equity** | **-310,064** | **550,169** | **-49,425** | **501** | **191,181** |
| **Equity at 31 December 2015** | **42,858** | **550,169** | **-350,732** | **439** | **242,734** |

**Parent - Condensed interim income statement**
1 July 2016 - 31 December 2016

| | Q2 2016/17 TSEK | Q2 2015/16 TSEK | H1 2016/17 TSEK | H1 2015/16 TSEK | Year 2015/16 TSEK |
|---|---|---|---|---|---|
| Revenue | 322 | 0 | 645 | 0 | 645 |
| Research and development expenses | 0 | 0 | 0 | 0 | 0 |
| Sales, general and administration expenses | -1,640 | -14,830 | -3,272 | -14,830 | -62,753 |
| **Operating loss** | **-1,318** | **-14,830** | **-2,627** | **-14,830** | **-62,108** |
| Financial income | 171 | 47 | 290 | 47 | 47 |
| Financial expenses | -10 | 0 | -24 | 0 | -56 |
| **Loss before tax** | **-1,157** | **-14,783** | **-2,361** | **-14,783** | **-62,117** |
| Tax | 0 | 0 | 0 | 0 | 0 |
| **Net loss for the period** | **-1,157** | **-14,783** | **-2,361** | **-14,783** | **-62,117** |

**Parent - Condensed interim statement of financial position**

| | 31 Dec. 2016 TSEK | 31 Dec. 2015 TSEK | 30 June 2016 TSEK |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible fixed assets | 0 | 0 | 0 |
| Financial fixed assets | 632,699 | 500,000 | 550,052 |
| **Total non-current assets** | **632,699** | **500,000** | **550,052** |
| | | | |
| **Current assets** | | | |
| Current receivables, interest bearing, Group Company | 1,513 | 0 | 0 |
| Current receivables, non-interest bearing | 239 | 0 | 5,253 |
| Cash and cash equivalents | 92,286 | 250,100 | 173,983 |
| **Total current assets** | **94,038** | **250,100** | **179,236** |
| | | | |
| **TOTAL ASSETS** | **726,737** | **750,100** | **729,288** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | **726,046** | **725,321** | **728,407** |
| | | | |
| **Long term liabilities** | **0** | **0** | **0** |
| | | | |
| **Current liabilities** | | | |
| Current liabilities, interest bearing | 0 | 0 | 0 |
| Current liabilities, non-interest bearing | 691 | 20,765 | 881 |
| Accrued expenses and deferred income | 0 | 4,014 | 0 |
| **Total current liabilities** | **691** | **24,779** | **881** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | **726,737** | **750,100** | **729,288** |

# Notes to the interim condensed consolidated financial statements

## Note 1: Accounting policies

**BASIS OF PREPARATION**
The Interim Report for the group and parent company comprises summary consolidated financial statements of Nuevolution AB (publ). The interim consolidated financial statement include the Company's wholly-owned Danish and Swedish subsidiaries, Nuevolution A/S and Oveun AB, respectively.

**ACCOUNTING POLICIES**
The Interim Condensed Report for the group has been prepared in accordance with the International Financial Reporting Standard IAS 34 "Interim Financial Reporting" as adopted by EU and additional Swedish disclosure requirements for the financial statements of listed companies. The parent company prepares its interim report in compliance with Sweden's Annual Account Act. The Interim Report has not been reviewed or audited by Nuevolution's external auditors.

With the purpose of bringing the presentation of the income statement in line with and be comparable with other biotech companies (peer group), the presentation of the condensed consolidated income statement has been changed from presentation by nature to presentation by function. This change results in reliable and more relevant information about the financial performance, but has no impact on the net result, financial position, cash flow or earnings per share. The comparative figures in the income statement have been restated retrospectively.

Except of the change in presentation of the income statement, the accounting policies are consistent with those applied to the Annual Report for 2015/16, prepared in accordance with the International Financial Reporting Standards (IFRS). For a full description of accounting policies, see Annual Report for 2015/16 page 64-66 and notes to the income statement and statement of financial position.

**FINANCIAL INSTRUMENTS**
For financial instruments there are no material differences between fair value and carrying amounts of the financial assets and liabilities.

**NEW STANDARDS AND INTERPRETATIONS**
The Group has for the first time applied standards and interpretations, which are effective for the financial year 2016/17. These standard and interpretations have no significant impact on the Group.

## Note 2: Critical accounting estimates and judgments

In preparing the Interim Report, certain provision under IFRS require management to make judgments, which may significantly impact the group's financial statements. The most significant judgments include, among other things, revenue recognition. For additional descriptions of significant judgments and estimates, refer to note 2, 4 and 9 in the 2015/16 annual report.

## Note 3: Risk

All business operations in Nuevolution involve risk. Risk management is essential and integral part of the company's operation and strategy. Please refer to the annual report for 2015/16, page 29-30, 49-51 and note 3 page 67 for detailed description of risks and risk management.

# Note 4: Warrant program

Nuevolution AB (publ) established warrant programs as an incentive for members of the Executive Management, Board of Directors, other members of group managements and the group's employees.

The warrant activity in the first half of 2016/17 and 2015/16, respectively, is outlined below.

| | Warrant program 2011* | | Warrant program 2015/21 | |
|---|---|---|---|---|
| | H1 2016/17 | H1 2015/16 | H1 2016/17 | H1 2015/16 |
| Outstanding warrants 1 July | 3,644,269 | 3,644,269 | 5,087,837 | 0 |
| Granted | 0 | 0 | 0 | 0 |
| Exercised | 0 | 0 | 0 | 0 |
| Expired/lapsed/cancelled | -3,644,269 | 0 | -17,319 | 0 |
| Outstanding warrants 31 December | 0 | 3,644,269 | 5,070,518 | 0 |

*The warrant program 2011 is related to Nuevolution A/S, which lapsed in July 2016.

A detailed description of the warrant programs can be found in the annual report for 2015/16, page 76-78.

At the annual general meeting in October 2016, shareholders approved a new warrant program ("Warrant program 2016/2021"), with two series, addressed to new members of the group management and other new employees of the company. Up to 493,000 warrants may be issued under this program and the exercise price for both series is similar to "Warrant program 2015/21". The fair value of the warrants, expected to be granted until the general meeting in October 2017, is an amount of up to SEK 1.0 million, using the so-called Black&Scholes model (based on a risk-free interest rate of -0.53 percent, assumed volatility of 45 percent and estimated maturity of the warrants of 4.9 years, exercise price of SEK 17.50 and a threshold of SEK 22.975). The costs of this program will be recognized as non-cash expenses in the consolidated income statement over the service period. Further details of "Warrant Program 2016/2021" can be found on www.nuevolution.com in the Investor section and General meetings.

# Note 5: Related parties

Information on trading with subsidiaries and members of the Board of Directors during the period is provided below:

| | Q2 2016/17 TSEK | Q2 2015/16 TSEK | H1 2016/17 TSEK | H1 2015/16 TSEK |
|---|---|---|---|---|
| **Consultancy fee etc. to member of Board of Directors:** | | | | |
| Stig Løkke Pedersen (extraordinary board remuneration and consultancy fee)* | 0 | 0 | 200 | 0 |
| Jeanette Wood (consultancy fee) | 24 | 29 | 40 | 45 |
| Jutta Heim (consultancy fee) | 22 | 28 | 38 | 51 |
| **Related parties with significant influence:** | | | | |
| SEB (paid interest and fees) | 60 | 17 | 33 | 21 |
| SEB (deposit) | | | 141,230 | 259,521 |

*As approved on the ordinary shareholder meeting 5 October 2016.

Transactions with subsidiaries have been eliminated in the consolidated financial statements in accordance with the accounting policies.

Except as set out above, no transactions were made during the period with members of the Board of Directors, Executive Management, senior officers, significant shareholders or any other related parties.

## Note 6: Contingent liabilities

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) does not expect the pending commercial litigation to have a material impact on Nuevolution AB (publ)'s financial positon, operating profit or cash flow in addition to the amounts accrued.

# Statement of assurance

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

Stockholm, February 8, 2017

EXECUTIVE MANAGEMENT

Alex Haahr Gouliaev
CEO

BOARD OF DIRECTORS

Stig Løkke Pedersen
Chairman of the Board

Lars Henriksson
Board member

Søren Lemonius
Board member

Jutta Heim
Board member

Jeanette Wood
Board member

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This Interim Report has not been audited or reviewed by the company's auditors

Nuevolution AB (publ)
Rønnegade 8, 2100 Copenhagen, Denmark
Registration number: 559026-4304
E-mail: info@nuevolution.com

NUEVOLUTION