Reaching New Horizons

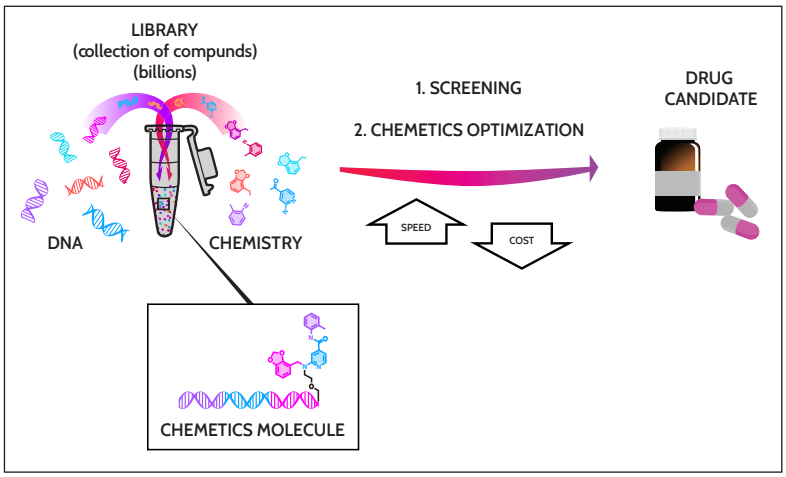
NUEVOLUTION

ANNUAL REPORT 2016/17

Stock

Market: Nasdaq First North Premier, Stockholm
Ticker: NUE.ST
Number of shares: 42,858,236
Market value (30.06.2017): SEK 707 million
Share price range (12M): 8.50-20.30 SEK/share
Share price (30.06.2017): 16.50 SEK/share
Major shareholders: SEB Venture Capital, Sunstone Capital, Industrifonden and SEB Utvecklingsstiftelse

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

News flow

Oct. 4, 2016, Nuevolution announces strategic collaboration with Amgen in oncology and neuroscience

Dec. 2, 2016, Nuevolution receives research grant and enters collaboration with BRIC

Dec. 12, 2016, Nuevolution enters into collaboration with Almirall regarding RORγt inhibitor program

Jan. 23, 2017, Publication of a scientific article in collaboration with Nobel laureate Robert J. Lefkowitz

Feb. 14, 2017, Nuevolution scales its compound collection to 40 trillion using Chemetics®

Mar. 6, 2017, Additional technology access fee payment from drug discovery collaboration with Janssen Biotech

Jun. 16, 2017, Nuevolution presents positive animal results in lupus from its BET selective program

20+ program pipeline

Programs	Indication	Discovery	Preclinical	Phase I	Partner
ROR γt inhibitor	Dermatology/PsA				Almirall
ROR γt inhibitor	Other indications				NUEVOLUTION
BRD BD 1	Inflammation				NUEVOLUTION
Cytokine X	Inflammation				NUEVOLUTION
ROR γt agonist	Immunooncology				NUEVOLUTION
GRP78	Oncology				NUEVOLUTION CANCER RESEARCH UK 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				BRIC

Disease focus

Internal pipeline focus on indications within:

- Oncology
- Immuno-oncology
- Severe inflammatory indications

17 deals to date

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

Business goals

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

Revenue stream

App. SEK 525 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 70-71..

The Grand Plan - Reaching New Horizons

Ascending on a Proven Path for Value Creation

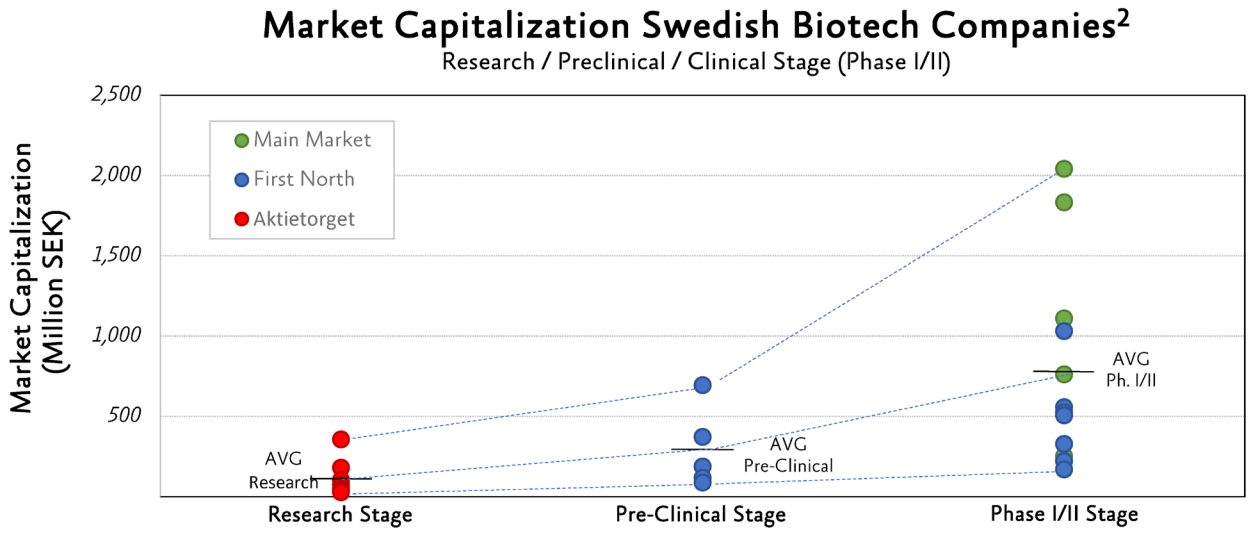
It is our long-term ambition to realize a valuable portfolio of multiple clinical as well as pre-clinical programs. Some programs will be kept internally for Nuevolution's own further development and additional value creation, whereas other programs will be partnered for realization of revenue.

The following three important goals will therefore receive maximum priority going forward:

- **Progression of at least one program to become Clinical Development ready**
- **Strengthening of the shareholder base with international and/or institutional investors**
- **During fiscal year 2017/18, move Nuevolution from Nasdaq First North Premier to Nasdaq Stockholm's Main Market**

We believe that these three steps combined form a strong foundation for bringing Nuevolution to new horizons in terms of value proposition, business opportunities and growth potential[1].

Considering Nuevolution's strong ambition to transition from being a pre-clinical stage company to become a company with multiple clinical stage programs, we feel confident that these three goals represent the optimal strategy aiming for creation of shareholder value, and this would also seem to be supported by general market trends, as illustrated by the following graph[2] showing company value as a function of company market place and development stage.



We believe that we are progressing well with our ambition to realize these goals.

[1] **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 108).

[2] **Stockholm listed companies included in analysis:** Research Stage: Alzinova (AT), Annexin Pharmaceuticals (AT), Combigene (AT), Gabather (AT), Idogen (AT), Initiator Pharma (AT), Toleranzia (AT), WNT Research (AT). Pre-Clinical Stage: A1M Pharma (FN), Kancera (FNP), Nuevolution (FNP), Sprint Bioscience (FNP), Xintela (FN). Phase 1 - 2 Stage: Cantargia (FN), Diamyd Medical (FN), Immunicum (FNP), InDex Pharma (FN), IrLab (FNP), PledPharma (FN), Vicore Pharma (FN), Alligator Bioscience (MM), Bioinvent (MM), NeuroVive (MM), Saniona (MM), Wilson Therapeutics (MM). Market Capitalization: Information from Nasdaq Nordics and AktieTorget on August 7, 2017. Abbreviations: AVG Average, AT Aktietorget, FN Nasdaq Stockholm First North, FNP Nasdaq Stockholm First North Premier, MM Nasdaq Stockholm Main Market.

Progression to Clinical Development ready program status, is being pursued by multiple research programs. Nuevolution's collaboration with Almirall (announced in December 2016) for the further development of its RORγt inhibitor program (inflammation) for the treatment of dermatological diseases and psoriatic arthritis is progressing well. The same program is being explored by Nuevolution outside these therapeutic areas to realize further development and/or deal opportunities. In addition, Nuevolution's bromodomain BET BD1 selective inhibitor program (inflammation) has demonstrated promising activity in various animal inflammatory models, including for the severe disease Lupus, while also exhibiting a benign safety profile, and the bromodomain BET BD1 selective inhibitor program is progressing towards candidate selection. Besides this, multiple additional programs are proceeding positively and according to plan, offering the potential for additional development and deal opportunities.

In line with the strategy laid out in connection with our IPO in December 2015, and with multiple opportunities progressing positively, we are therefore optimistic about reaching our goal of having both own and partnered programs in clinical development, while also realizing revenues from programs in continuation of our 'multiple-shots-at-goal' and risk mitigation strategy.

Strengthening of the shareholder base with institutional and international investors will support the company's long-term growth potential, and It will help broadening of the ownership base – which are both of great importance to shareholders and investors in general. Since its IPO in 2015 and in support of realizing this goal, Nuevolution has promoted the company internationally to a large number of potential investors. We therefore feel encouraged and hopeful that we may announce the achievement of this goal.

The Main Market listing will ease the possibility and increase attraction for institutions and international investors to invest, which will go hand-in-hand with increased interest from research analysts, thereby further increasing interest in Nuevolution. It has been and is a major ambition of us to move Nuevolution from Nasdaq First North Premier to the Nasdaq Stockholm Main Market, and our internal preparations to execute this transition are on-going with focused efforts.

Nuevolution took several steps during 2016/17 to prepare for its intended move of the company stock to Nasdaq Stockholm's Main Market. Nuevolution has established fully operational Nomination, Audit and Remuneration Committees and, in addition, the company's report for the third quarter 2016/17 was reviewed by its auditors in accordance with the Swedish Corporate Governance Code. Furthermore, a pre-audit of the company's Main Market listing readiness reviewing corporate governance, the control framework, the company's tax position, and its legal and investor relations, among others, is ongoing.

It is our goal to move our listing from Nasdaq First North Premier to Nasdaq Stockholm Main Market during the fiscal year 2017/18.

In support of these goals, we have engaged Swedish law firm Vinge and Carnegie Investment Bank to assist the company.

Chairman

Stig Løkke Pedersen

MESSAGE FROM THE CHAIRMAN

Dear shareholders, Dear Reader

During my 30 years in the pharmaceutical industry, I have held a number of managerial positions, initially with Ciba-Geigy (now Novartis) in Denmark, Switzerland and South Africa, followed by 20 years in senior executive positions with H. Lundbeck, including nine years in executive group management and six years as Chief Commercial Officer. Throughout all these years, I noted how challenging conventional drug discovery was and is - being costly, slow and, quite often, with a disappointing outcome.

I joined Nuevolution to become its Chairman because I found the company's drug discovery concept to be potentially revolutionary in its attempt to produce high-quality lead and drug candidates at record speed and at significantly lower cost. The idea was intriguing; combining biology and chemistry and letting 'Nature take care' of the optimization of compounds.

Having followed the company throughout all its years, it has pleased me so much to see how it has developed and refined its technology and successfully validated it in numerous partnerships, thereby generating in total more than half a billion SEK in revenues. This fact alone is not only a strong testimony to the power of Nuevolution's drug discovery skills and approach, but also to the ability of the company to monetize successfully on its assets.

During my time as Chairman, we have carefully adjusted the strategy as the company has matured, focusing on the next important value-creating step and ensuring proper execution. Initially, when the company was purely a technology company, it was our primary concern to ensure it received venture capital financing for technology development. Strong financial support was secured during those years, in particular from SEB and Sunstone Capital, allowing us to refine the technology so that it was ready for commercialization.

Then followed a second phase, in which the company validated its technology. Over a number of years, Nuevolution developed successfully and according to plan, closing 15 research collaborations and securing about SEK 415 million in revenues during that period. These revenues meant that the company could successfully operate around break-even, while it continued the refinement and expansion of its drug discovery platform.

Following multiple successful partnerships, the board concluded that the company had clearly demonstrated its ability to successfully solve drug discovery projects, even in projects where Big Pharma had themselves given up.

It was now time to move the company further up on 'the value creation ladder, by establishing an internal project pipeline through the application of its platform. To kick-start this third part of our strategy, we were very happy to announce Industrifonden as a new shareholder and investor and, based on the capital injection for the new strategy, the company successfully matured one program, with additional prospective programs in progress.

The board then supported management's proposal to pursue multiple programs in parallel – a 'multiple-shots-at-goal' strategy, thereby reducing risk. To finance this further expansion of the strategy, the company successfully completed an IPO in 2015, raising SEK 250 million, allowing us to expand the number of programs pursued as well as to progress them up to candidate stage. During this fourth phase of our strategy, we apply a hybrid business model in which revenue generation comes from the out-licensing of some programs, while the company, in parallel, prepares additional programs for its own clinical development.

Looking at the fiscal year 2016/17, I would like to point out the two major transactions made by the company. The agreements with Amgen and Almirall represent a true 'blue stamp' – a validation of the technology and our business strategy – not only because of the significant monetary aspect of these agreements, but also because the outside world now fully understands that Nuevolution has a unique technology and a high-value business model; a business model that is based on the company's ability to systematically generate leads and drug candidates again and again in new, high-value drug target areas, with the prospect for the company's shareholders being the future rapid build-up of value.

During each of the four phases described above, Nuevolution and its team have performed very successfully. I am therefore convinced and comfortable that we will manage well in the further build-up and maturation of our pipeline. I see this phase as a fifth phase in the company's development; progressing our own programs into clinical development while still broadening the portfolio of preclinical assets, with some of these assets being partnered for continued revenue generation.

As Chairman of the Board, I am very pleased to have Lars Henriksson of Industrifonden and Søren Lemonius of Sunstone Capital as Board members representing shareholder interests. Both have successfully overseen the development of numerous high-tech companies. Our two doctors of science, Jutta Heim and Jeanette Wood, have had impressive carriers at Novartis and AstraZeneca, respectively, as well as CSO positions in several biotech companies. Together they represent the competences needed at board level in a drug discovery and development company.

I believe that the Board, together with the experienced and successful management team and the company's dedicated and competent staff, has the skill sets needed for further successful development of Nuevolution and for the realization of significant value for our shareholders.

Besides the plan to bring our own programs into clinical development, we have also spent the past year in preparing the company for an up-listing to the main market, and I am

expecting us to further expand our board in further support of our ambitious strategy. From the Board's perspective, I would like to point out that we already have all the relevant sub-committees in place and fully operational, including the Nomination Committee, the Audit Committee and the Remuneration Committee.

In the 2015/16 Nuevolution Annual Report, I communicated the hope that the business year 2016/17 could very well bring significant business results. The team performed successfully, closing two major deals with Almirall (worth up to SEK 4.4 billion plus royalties) and a multi-program collaboration with Amgen (worth up to SEK 3.5 billion plus royalties per program). In the forthcoming fiscal year, I 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.

On behalf of the Board, I would like to conclude by thanking all the employees of Nuevolution for doing an outstanding job during another intense business year. I look forward to continuing to follow the company's progress closely, both as Chairman and as a shareholder.

Stockholm, 18 September 2017

Stig Løkke Pedersen
Chairman

CEO

Alex Haahr Gouliaev

MESSAGE FROM THE CEO

Dear shareholder, Dear reader,

It has been a very successful and productive year for the company with major achievements on multiple fronts including execution of major agreements and realization of significant revenues, pipeline program progress and technology achievements. The results of the year support our long-term ambition to realize 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 revenues.

The next major value-creating goals that we will strive to realize with focused efforts are:

- Progression of at least one program to become Clinical Development ready
- Strengthening of the shareholder base with international and/or institutional investors
- During fiscal year 2017/18, move Nuevolution from Nasdaq First North Premier to Nasdaq Stockholm's Main Market

Together forming the further foundation for bringing Nuevolution to new horizons in terms of value proposition, business opportunities and growth potential.

We will be seeking to complete these developments without deviating from our general multiple-shots-at-goal and risk mitigation strategy. In the light of the successful execution of our strategies in the past and a very productive year on multiple fronts, I feel that we have good reasons to be optimistic also for the time to come.

MULTIPLE SHOTS-AT-GOAL

Nuevolution is a biotech company that has significant focus on risk mitigation and continuous revenue generation, while at the same time having a major focus on shareholder value creation. The next step on this journey will include clinical development of own and partnered programs.

Nuevolution's Chemetics® technology platform not only offers a higher chance of success for each individual program, but also enables the company to cost-effectively run multiple programs in parallel. This multiple-shots-at-goal research strategy allows Nuevolution to reduce the company's overall research risk, while at the same time offering more options for doing deals and for identifying which programs Nuevolution should progress into the clinic.

Nuevolution continue to apply its Chemetics® drug discovery platform in the search for highly effective new medicines within the fields of oncology, immuno-oncology and inflammatory diseases.

CHEMETICS® DRUG DISCOVERY PLATFORM

During fiscal year 2016/17, we made significant breakthroughs in two important technology areas:

In February, we reported the successful completion and validation screening of our biggest collection of molecules to date. This new screening library consists of 40 trillion, i.e. a 4 with 13 zeroes of molecules – a size of screening library that we only dreamt about 16 years ago when Nuevolution was founded. We believe this represents the largest synthetic drug discovery library in the world, with a size corresponding to about 20 million times the size of a typical Big Pharma screening collection. Our new library is now being employed in several projects, with the expectation that it will further increase the probability of success for tough disease targets. Despite the size of this library, it can be handled by one person, literally with one hand, as all the molecules are present in just one test tube.

Second, and almost simultaneously, we reported a publication in collaboration with Nobel Laureate Professor Robert Lefkowitz presenting a breakthrough in the application of Nuevolution's technology against the important class of targets named GPCRs, which are involved in signaling across cell membranes.

BUSINESS DEVELOPMENT

A number of important goals were realized during the year. In connection with Nuevolution's IPO in December 2015, we had announced that we would seek to establish two deals within 18 months. After ten and twelve months, respectively, we signed two major agreements of significant strategic importance.

In December 2016, we announced a strategic collaboration with Almirall (worth up to SEK 4.4 billion plus royalties) for the development and commercialization of Nuevolution's novel RORγt inhibitor program for the treatment of inflammatory skin diseases and disorders, as well as for the treatment of psoriatic arthritis. By transferring the further development process for this drug candidate within the dermatology and psoriatic arthritis fields to Almirall, we have secured a very experienced and dedicated partner for the program.

In October, we announced our major research collaboration with Amgen, a multi target research collaboration in which Amgen has an exclusive option to obtain all rights to successfully developed programs (with a potential value of up to SEK 3.5 billion plus royalties for per program licensed by Amgen). By securing our potential program licensee upfront, this agreement represents a key element in Nuevolution's strategy to reduce the business risk of the investments that the company undertakes in its research and development of new medicines, while at the same time offering a significant upside for successful programs. In addition to 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 of Amgen as well as its development experience and capacity.

Furthermore, in December we announced that Nuevolution, in collaboration with Professor Kristian Helin, Biotech Research and Innovation Center (BRIC) at the University of Copenhagen, will pursue the discovery and development of therapeutics directed towards specific cancer types for which there is currently no effective treatment. By collaborating with Professor Helin, Nuevolution will obtain access to frontier research relevant for these specific cancer disease targets.

Finally, during the financial year, we also announced a further expansion of our collaboration with Janssen Biotech and payments related to this collaboration.

DRUG DISCOVERY & DEVELOPMENT PIPELINE
During fiscal year 2016/17, we made significant progress in our drug discovery programs, for example with our anti-inflammatory program targeting the RORγt nuclear hormone receptor being partnered with Almirall for uses within dermatology and psoriatic arthritis. Since the initiation of the collaboration, Almirall's and Nuevolution's teams have enjoyed a successful scientific partnership in progressing the program. Likewise, in the collaboration with Amgen, we reached cell-based proof-of-concept for the two first programs, and the research collaboration is continuing to progress programs according to plan.

We believe we are well under way with execution of our strategy and, after two major deals during the financial year, we are now also focusing on bringing our own programs forward into clinical development and on progressing multiple internal programs in the realization of this objective.

In the search for secondary indications for our anti-inflammatory RORγt inhibitor program outside of the Almirall collaboration, we have now obtained positive data in two animal models of Inflammatory Bowel Disease (IBD) and we will continue to explore opportunities within the inflammatory Th17-related diseases area before selecting the next indication for our RORγt inhibitor program. It is the plan to reach this conclusion during 2017.

The bromodomain BET BD1 selective inhibitor program (inflammation), successfully completed a number of significant biological studies. We have solidified the on-target mechanism of action in animals, obtained efficacy at the disease biomarker level in an animal fibrosis model, and demonstrated efficacy in two animal models of the severe auto-immune disease Lupus, and we have shown a benign toxicity profile both *in vitro* and *in vivo*. Chemistry optimization towards final candidate compound is ongoing, and we expect to reach a conclusion for the best first indication for the program during 2017 following further biological studies.

Several other programs also progressed very well during the year as reported later in this annual report by our Chief Scientific Officer Thomas Franch.

TEAM
Internally, 43 full-time employees from 11 nations are working 'hard and smart' with focused efforts in our teams and in collaboration with a large number of external contract research organizations (CROs) to deliver the next successful results for Nuevolution. Externally, we are supported by a number of key specialists in the areas of importance to Nuevolution, including in the sciences as well as in corporate matters. In support of the three important goals of the Grand Plan outlined above, we have engaged Swedish law firm Vinge and Carnegie Investment Bank to assist the company in realization its goals.

CORPORATE GOVERNANCE
In addition to the recent engagements of Vinge and Carnegie Investment Bank to support the company in realizing its goals, Nuevolution also took several steps during 2016/17 to prepare for its intended move of the company stock to Nasdaq Stockholm's Main Market. Nuevolution has established fully operational Nomination, Audit and Remuneration Committees and, in addition, the company's report for the third quarter 2016/17 was reviewed by its auditors in accordance with the Swedish Corporate Governance Code. Also, a pre-audit of the company's Main Market listing readiness reviewing corporate governance, the control framework, the company's tax position, and its legal and investor relations, among others, is ongoing.

It is our goal to move our listing from Nasdaq First North Premier to Nasdaq Stockholm Main Market during the fiscal year 2017/18.

Overall, I believe that we can look back at 2016/17 and conclude that it was a very productive and successful year. I am looking forward to continuing on a positive trajectory for the further development of Nuevolution in the realization of our major strategic goals and for reaching new horizons in terms of value proposition, business opportunities and growth potential.

Finally, I would like to thank our shareholders for their support and continued interest during the year. We very much hope to meet you and discuss with you at many of the events where we will be present during the coming year. Also, but not the least, I would like to thank all of my colleagues, the employees of Nuevolution for their continued and dedicated efforts and with a constant focus on realizing our key objectives.

Stockholm, 18 September 2017

Alex Haahr Gouliaev
Chief Executive Officer

Group - Key ratios

TSEK, if not stated otherwise	2012/13*	2013/14*	2014/15*	2015/16	2016/17
INCOME STATEMENT					
Revenue	14,343	79,458	29,801	21,314	120,318
Research and development expenses	-44,405	-64,411	-78,166	-115,707**	-107,587
Sales, general and administration expenses	-8,152	-8,142	-16,526	-57,493**	-23,216
Total operating expenses	-52,557	-72,553	-94,692	-173,200**	-130,803
Operating loss	-38,214	6,905	-64,891	-151,886	-10,485
Net financial items	-314	-624	2,836	-22	1,045
Result for the year	-37,098	7,408	-54,732	-144,997	-25,486
Total comprehensive income	-37,098	7,408	-54,794	-144,087	-27,940
BALANCE SHEET					
Non-current assets	6,445	5,328	11,485	14,079	11,935
Current assets	31,426	58,160	60,174	220,886	189,720
Total Assets	37,871	63,488	71,659	234,965	201,655
Share capital	265,622	277,815	352,922	42,858	42,858
Equity	22,658	31,654	51,553	198,055	169,962
Non-current liabilities	1,702	1,372	1,451	3,482	2,939
Current liabilities	13,511	30,462	18,655	33,428	28,754
Net working capital (NWC)	-9,550	34,716	-5,125	-24,718	-23,167
Investment in intangible and tangible assets	1,872	320	1,109	4,094	1,619
CASH FLOW					
Cash flow from operating activities	-31,056	-35,038	-19,475	-81,450	-23,215
Cash flow from investing activities	-1,418	-321	-1,120	-555	-724
Cash flow from financing activities	-8,811	-310	74,868	240,942	-1,253
Total Cash flow	-41,285	-35,669	54,273	158,937	-25,192
FINANCIAL RATIOS					
Basic earnings per share (EPS), SEK	-1.64	0.33	-2.26	-3.98	-0.59
Diluted earnings per share (EPS-D), SEK	-1.64	0.33	-2.26	-3.98	-0.59
Shareholders' equity per share, SEK	1.00	1.40	1.80	4.62	3.97
Year-end share price	N/A	N/A	N/A	9.00	16.50
Equity ratio (%)	60	50	72	84	84
Number of shares outstanding, average, million	22.573	22.573	24.216	36.469	42.858
Number of shares outstanding, end-period, million	22.573	22.573	28.573	42.858	42.858
Diluted number of shares outstanding, average, million	22.573	22.573	28.573	36.469	43.284
Average number of employees (FTE)	33	39	41	43	45
Number of employees (FTE) at year-end	36	39	43	44	47

The key figures and financial ratios have been stated in accordance with "Recommendations and Ratios 2015" 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 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 changes in the number of outstanding shares of the former parent, Nuevolution A/S, in those periods. Please refer to note 2 Accounting Policies.

*)The Nuevolution AB (publ) group was established 13 November 2015, consequently the comparison number 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 non-cash non-recurring expenses related to the warrant program of SEK 48.5 million.

NUEVOLUTION - 11 NATIONS vs HUMAN DISEASES

Sweden

Argentina

Denmark

Poland

Croatia

Spain

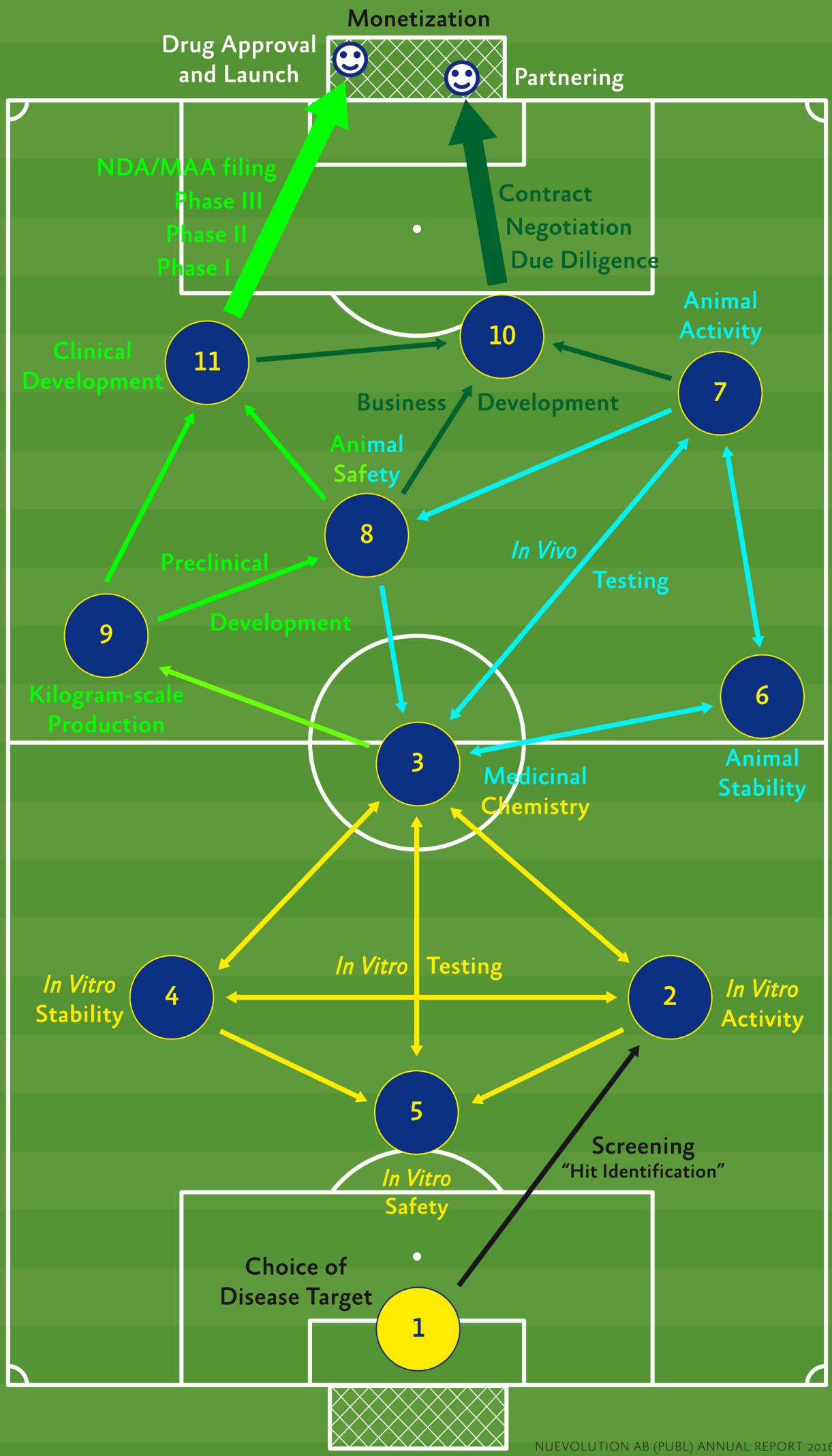
Faroe Islands

The Netherlands

Latvia

Slovakia

Italy



Nuevolution's Unique Approach to Drug Discovery

From Idea to Monetization

To win a football match you need to score goals, and since every shot at goal will not be successful, it is important to create as many opportunities as possible within the time limits of the match. Good team play is crucial for success, and every player has different tactical responsibilities.

The goal in the life science biotech industry is deal-making/partnering and later product sales, when a new efficacious and safe medicine is approved to the benefit of patients and company shareholders.

In the Drug Discovery & Development process, team play is also crucial and each player (research discipline) has a unique and important tactical role. At approval, one single molecule (the ball that made the goal) becomes the approved active pharmaceutical ingredient (API) in the new medicine. This will be a molecule that shows superiority when compared to other molecules with regards to exhibiting low toxicity/side effects at concentrations and doses where it elicits the effect that is intended, while at the same time offering appropriate duration of action by having sufficient stability against metabolism/degradation.

Put very simplistically, these three core parameters: **activity, stability** and **safety** need to be confirmed as being appropriate for a molecule both *in vitro* (in test tubes, cells etc.), *in vivo* (in animals) and in humans (Phase I-III clinical studies). As such, every test molecule (ball) is passed around between players (research disciplines) to determine its properties. Most molecules do not have the required properties, and Medicinal Chemistry (3) has the role as a *Playmaker* to constantly provide/synthesize additional new alternative molecules, thereby seeking the identification of better molecules, i.e. start the game again with a new ball that is passed around.

Our Chemetics® technology allows Nuevolution to put multiple balls in play simultaneously, allowing us to identify promising molecules amongst trillions of molecules from our screening libraries, as well as by having an extremely efficient process for synthesis of new alternative molecules, thereby increasing our odds for identification of an optimal molecule, which can be played forward to score the goal (a successful program).

The overall process therefore consists of a high number of iterations (ball passes) back and forth between Chemistry (molecule synthesis) and Biology (data generation). At Nuevolution, we seek to apply a research tactic similar to the football style of play known as *Tiqui-taca/Tiki-taka*, i.e. fast play with precise passes of each ball between mobile players, thereby ensuring rapid and optimal data generation to guide Medicinal Chemistry. We are able to do this because of our powerful technology platform for both screening and compound synthesis providing us with more molecules faster, as well as through flexible internal access to assays and external support on a need basis from a wide range of providers of biology assays and animal models.

We have a very goal-oriented aggressive playing style, where the ball is passed often to Business Development (10) to make a shot at goal for partnering and program monetization, and we have on-going activities to reach our own clinical studies (11). The highly iterative process of Drug Discovery & Development may simplistically be outlined as follows:

Process: Hit Identification (1-2)
A protein target or a cellular mechanism identified as being the cause of a human disease is selected (1) by Nuevolution for screening using our Chemetics® platform. In the screening process, we identify the most promising first molecules (termed *Hits*) that exhibit the intended activity (2), e.g. target binding or cell-based activity.

Process: Hit Optimization (2-3-4-5)
If Hit molecules already show good *in vitro* activity (2), i.e. they are potent, they are submitted to *in vitro* (e.g. liver cells) stability (4) testing and *in vitro* safety testing (5) (tests for unwanted activity against other targets or cell types than the intended one). Based on data, Nuevolution Medicinal Chemistry (3) will rapidly synthesize tens or hundreds of new molecules that have slightly different (modified) structures, but are still similar/related to the original Hits. These are then submitted to *in vitro* activity (2), stability (4) and safety testing (5). At some point, better molecules may be obtained and are often termed *Optimized Hits*. In the process, crystal structures (3D visualisation) of molecules bound to the target protein (like a 3D key and lock model) may be obtained. Such information will help to further guide Medicinal Chemistry to where modification of molecules is possible without destroying the ability of the molecules to interact (e.g. block/inhibit or stimulate) with the target.

Process: Hit-to-Lead Optimization (2-3-4-5-6-7-(8))
Optimized Hits will then be tested for stability in animals (6) to determine, for example, plasma/tissue concentration as a function of time after dosing of the animals. This is called pharmacokinetic (PK) studies. Molecules will also be submitted to testing for activity in animal disease models (7), which are considered predictive and relevant for the human disease. The animal studies for activity will also provide some insight into tolerability, i.e. preliminary safety properties (8). Based on the further data generated, Medicinal Chemistry will synthesize even further new molecules, which are both tested *in vitro* (2-4-5) and *in vivo* (6-7). The information guiding Medicinal Chemistry about how molecule structure impacts activity is often called Structure Activity Relationship (SAR), whereas information guiding Medicinal Chemistry about how molecule structure impacts stability, safety and other properties is often called Structure Property Relationship (SPR).

At some point, molecules showing good properties in both *in vitro* assays (activity, stability and safety) and *in vivo* animal models (stability & activity (and tolerability)) may have been obtained and are often termed *Leads* or *Lead Compounds/ Molecules*.

Process: Lead-to-Optimized Lead-to-Candidate Nomination (2-3-4-5-6-7-8)

Medicinal Chemistry (3) should preferably provide multiple Leads. Such Leads are then tested more thoroughly in a much wider range of cell types for potential unwanted activity and against a wider range of other targets (*in vitro* safety (5)), and will also be characterized in further *in vitro* activity assays to further support the understanding of their mechanism of action (2). Further *in vivo* stability (6) and activity (7) models are also conducted, and Medicinal Chemistry (3) will still provide additional molecules in the process of fine-tuning properties.

The best molecules may be termed *Optimized Leads* or a "*Pre-Candidate*" depending on how much additional testing is outstanding. The best (one or very few molecules) may be submitted to a non-regulatory animal safety study (8), where the Optimized Lead/Pre-Candidate will be dosed to animals for a longer period and at high doses (typically one, two or four weeks) and studies will be concluded by autopsy and safety assessment using a range of parameters. If the Optimized Lead/ Pre-Candidate can be concluded to have low toxicity/side effects at concentrations and doses where it elicits the effect that is intended, while at the same time offering appropriate duration of action both *in vitro* and *in vivo*, and the estimated Human Predicted Dose (HPD) is considered acceptable, then such a molecule may be nominated to become the "*Preclinical Candidate*", the "*Development Candidate*" or just the "*Candidate*". Additional molecules with slightly different property profiles and different structures may still be produced by Medicinal Chemistry (3) to become *Backup Compounds*.

Patents are usually filed to assure Freedom-to-Operate (FTO) and exclusivity on valuable molecules before appointing the Candidate compound intended for preclinical safety testing and human clinical studies.

Process: Pre-clinical Safety Studies (8-9)

During this phase, the Candidate molecule is synthesized and provided in large amounts in high purity in accordance with regulatory requirements (9) (GMP, regulatory Good Manufacturing Practice rules apply) and is then submitted to a regulatory toxicology study (8) (GLP, regulatory Good Laboratory Practice rules apply). Two animal species (often mouse/rat and dog/pig/monkey) are dosed with the Candidate molecule for typically 4 to 16 weeks to assess safety. A No Observable Adverse Effect Level (NOAEL) is established representing the exposure limit for the first-in-human trial and is intended to provide a good safety margin.

If the Candidate molecule passes this phase successfully, then an application for allowance of human clinical studies may be submitted to the authorities (termed IND Investigational New Drug application in the US, or CTA Clinical Trial Application in Europe).

Process: Clinical Studies (9-11-8 + 2-5 + 7)

The clinical studies consist of Phase I, II and III studies, which may be further sub-divided. However, clinical study designs today are less rigid than this classical division, but still seek to establish safety in healthy human volunteers (Phase I) and safety and efficacy in patients (Phases II and III). Phase III studies especially will include a large patient population, may include longer duration of treatment, comparison to current standard-of-care medication, and may include many other study parameters. Additional *in vitro* studies may still be performed to identify or optimize biomarkers, i.e. biological substances that are predictive for the disease and can be used for diagnosis as well as for monitoring efficacy of treatment. In addition, animal studies will continue to be performed to expand the safety margin, for example, in order to allow for longer treatment of humans or the testing for potential teratogenicity (fetus safety during pregnancy), or to validate biomarkers, and for much more.

Process: Approval

Provided that clinical studies were successful, and that a safe and efficacious new medicine has been validated in human clinical studies, the company may then submit an application for approval of the new medicine for the indications that were validated by the clinical studies (e.g. New Drug Application (NDA) submitted to the Food and Drug Agency (FDA) in the US and Marketing Authorization Application (MAA) submitted to the European Medicines Agency (EMA) in Europe). Following launch of the new medicine, the manufacturer and authorities will conduct pharmacovigilance, i.e. an overview of the drug's performance by reviewing drug safety reports from patients and health care providers involved in disease treatment.

Nuevolution 2016/17 Results

Nuevolution's strong and ambitious team and our Tiki-taka style of play delivered very well during 2016/17; scoring two important goals through agreements with Almirall and Amgen, we expanded our Janssen collaboration, we received a research grant from Innovation Fund Denmark, announced a massive expansion of our technology platform and the applicability of it, and matured our pipeline programs such that several balls are now in attack played to Business Development (10) for shots at goal or to be passed to Clinical Development (11). We feel optimistic about our matches in the coming year 2017/18.

CSO

Thomas Franch

MESSAGE FROM THE CSO

"Fiscal year 2016/17 saw tremendous progress and significant scientific achievements in both our drug discovery programs and within our Chemetics® platform technology. Our anti-inflammatory program targeting the RORγt nuclear hormone receptor was partnered with Almirall in December for uses within dermatology and psoriatic arthritis. Since the initiation of the collaboration, Almirall's and Nuevolution's teams have enjoyed a great scientific partnership while progressing the program. With a world-renowned dermatology company like Almirall, we have a perfect partner that has the RORγt program prioritized high, and that is fully committed to moving the program forward to first-in-human studies.

We believe we are well under way with our strategy and, after two major deals during the financial year, we are now also focusing on bringing our own programs forward into clinical development and on progressing multiple internal programs to realize this objective.

A progressive pipeline and technology is a pre-requisite in order to support and leverage our aggressive multiple shots at goal strategy. As the head of Nuevolution R&D, I am very pleased with the scientific progress and achievements during the year meeting our objectives both in late-stage and early-stage discovery programs, in our Chemetics® platform developments and in our partnerships. I look forward to continue this fruitful R&D strategy to secure shareholder value from our preclinical and future clinical programs."

Thomas Franch, Chief Scientific Officer

Pipeline report

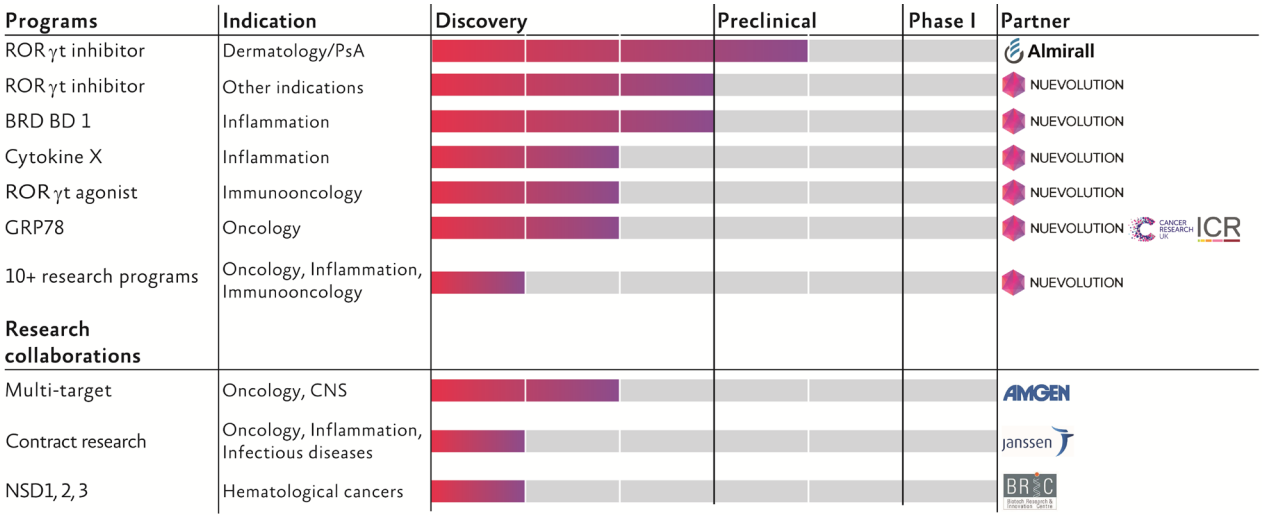


Figure 1. Nuevolution program pipeline

PARTNERSHIP: ALMIRALL

The Almirall and Nuevolution collaboration on RORγt inhibitors for dermatology and psoriatic arthritis, which was entered in December 2016, has progressed very well in 2016/17 and in accordance with the work plan agreed between Almirall and Nuevolution.

RORγt INHIBITOR PROGRAM – FURTHER POTENTIAL THERAPEUTIC APPLICATIONS

While Almirall and Nuevolution collectively progress their joint RORγt inhibitor program within dermatology, Nuevolution is aggressively pursuing novel applications for the RORγt inhibitor in other inflammatory diseases of high unmet medical need. Inflammatory bowel diseases, such as ulcerative colitis (UC) and Crohn's disease, (CD) are strongly debilitating diseases that are significantly underserved with existing treatments. See separate text box on IBD (p. 20).

During the year, we conducted several standard mouse model studies of inflammatory bowel disease with positive outco-

INFLAMMATORY BOWEL DISEASE (IBD)

IBD is a group of chronic inflammatory conditions impacting the gastrointestinal tract. Crohn's Disease and Ulcerative Colitis are among the most prevalent inflammatory bowel diseases, impacting approximately 3 million people in the United States, Europe and Japan. Today's treatment options are based on antibiotics and anti-inflammatory drugs, immunosuppressive drugs, such as steroidal treatment and biological treatment options. However, the low-priced antibiotics, steroidal treatments and immune-suppressants come with burdensome side effects, whereas the biological treatment option is very expensive and only applicable in patients with severe inflammatory impact. In addition, some of these biological drugs (anti-TNF) are associated with non-responsiveness or the development of immunogenicity, meaning that the patient will not respond to such treatment. These so-called refractory patients, often severely impacted by the disease, will need to find other treatment options. Targeted therapy through the availability of novel (small molecule) oral drugs may provide the patient with effective, safe and easy to take medication.

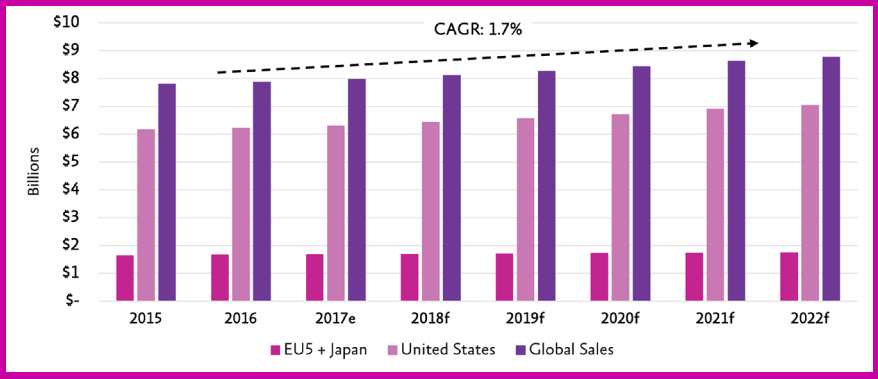


Figure 2. Sales in IBD 2015 – 2022 in US, EU5 and Japan.
The overall growth in the IBD market will be driven by the introduction of new innovative biological and small molecule treatment options, whereas the introduction of generic versions of older biological products (biosimilars), will put more pressure on the pricing of existing branded biological products. This results in an overall CAGR of ca. 2% of the forecasted period. (Source: Global Data 2014/2016, Nuevolution, 2017).

mes. One of Nuevolution's potent and safe RORγt inhibitors was administered in an animal model of IBD induced by the harsh irritant TNBS (chemical). In this model, Nuevolution demonstrated that its compound, which was dosed orally, led to dose-dependent improvement in colon parameters, and was benchmarked to be on par with a mouse antibody against cytokine IL-17A (an important immune system messenger substance, and a biomarker for inflammation) dosed by injection (figure 3). In a second IBD model, this time using the milder irritant DSS, Nuevolution's compound improved both colon parameters (figure 4), and dose-dependently reduced IL-17A in the colon of DSS-treated mice (figure 5). Collectively, the data support the relevance and potential use of Nuevolution's RORγt inhibitors for the treatment of IBD, and the relevant detailed pharmacology of the compound is currently the subject of further investigations.

These studies confirm the importance of inhibiting the Th17/IL-17 driven inflammatory process in IBD. In addition to IBD, we are also currently investigating additional novel applications dependent on active Th17 pathway signaling. Furthermore, we have initiated production of the active pharmaceutical ingredient (API), giving us the option of moving forward with preclinical IND-enabling studies for the preferred second indication outside of the Almirall collaboration.

It is our objective to complete studies for the potential next indication for our RORγt program during 2017. Provided that these studies continue to prove successful, we may subsequently pursue either out-licensing of the program or keep it for our own internal development - both options are in line with our overall business strategy.

BROMODOMAIN BRD-BET SELECTIVE INHIBITOR PROGRAM (INFLAMMATION) – FIRST-IN-CLASS

Nuevolution's bromodomain BET inhibitors are potent and selective for the first bromodomain (BD1) of the BET family of proteins and the increased selectivity of our compounds translates into reduced toxicity compared to non-selective inhibitors, while we maintain anti-inflammatory efficacy. In 2016/17, we extensively tested NUE7770, one of our bromodomain BET BD1 selective inhibitors, in several animal models representative of human inflammatory diseases.

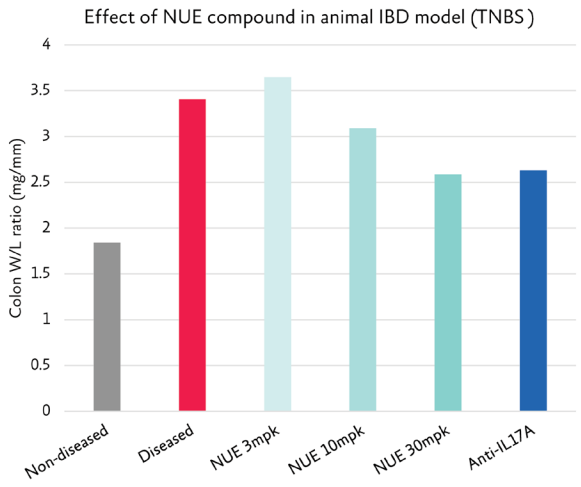


Figure 3. NUE compound shows efficacy in the TNBS model of IBD. IBD was induced in mice by the harsh irritant TNBS. The inflammatory condition induced by TNBS causes the colon length to decrease and weight to increase due to accumulation of immune cells and edema. NUE compound (dosed orally) reversed the increased weight/length ratio dose-dependently with a maximal effect on par with steroid or IL-17A antibody treatment.

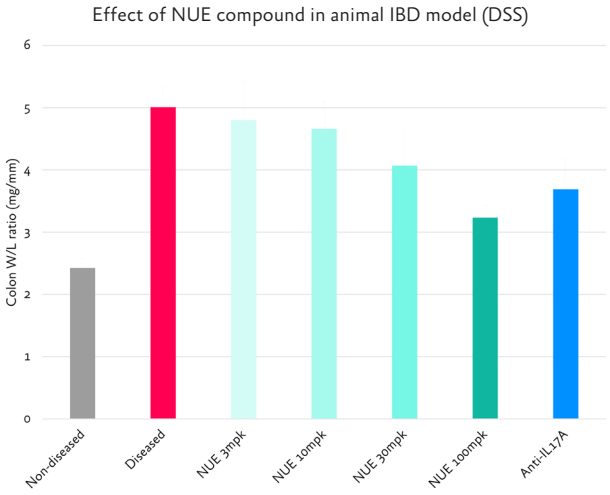


Figure 4. NUE compound shows efficacy in the DSS model of IBD. IBD was induced in C57BL/6 mice by the milder irritant DSS. The inflammatory condition induced by DSS causes the colon length to decrease and weight to increase due to accumulation of immune cells and edema. NUE compound (dosed orally) reversed the increased weight/length ratio dose-dependently with a maximal effect superior to that of IL-17A inhibition by an antibody dosed by injection.

Lupus (SLE) in humans is a severe autoimmune disease in which the immune system is 'self-reacting', actively producing antibodies against tissue and organs, most notably (and in the most severe condition of the disease) in the kidneys, leading to lupus nephritis (LN). See separate text box on Lupus (p. 22).

During the year, we completed testing of NUE7770 in two Lupus models – both with successful outcomes. In the Pristane model, a chemical compound was used to induce conditions resembling some parameters of human Lupus. NUE7770 was able to dose-dependently reduce levels of antibodies against double-stranded DNA (the standard biomarker used for diagnosis of human Lupus), and nuclear components, and with an efficacy on par with prednisolone (see figure 7).

Based on the initial promising data from the first Lupus model (Pristane-induced model) in third quarter 2016/17, a second Lupus study in the genetic MRL/lpr model was initiated. In this model, a mutation prevents normal control of lymphocyte maturation, thereby overstimulating the immune system to produce symptoms in animals similar to human Lupus clinical symptoms.

During the eight-week study, orally-dosed NUE7770 was able to dose-dependently reduce auto-antibodies directed against double-stranded DNA (the standard biomarker used for diagnosis of human Lupus) (Fig. 8) as well as having a positive effect on the size of lymph nodes (i.e. reduced lymphadenopathy) in animals dosed with the compound. The data from this model are in line with NUE7770 being a non-cytostatic

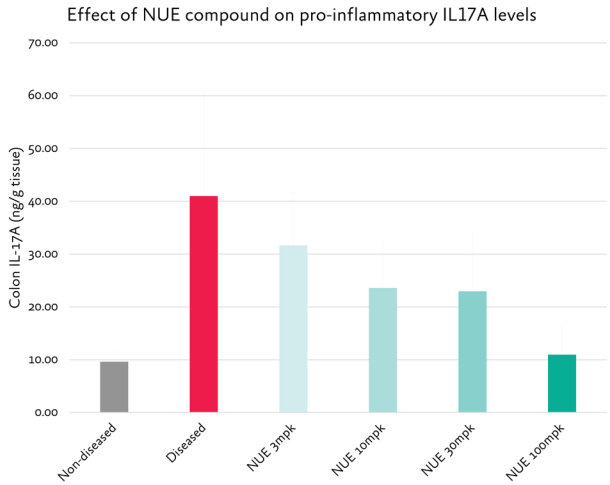


Figure 5. NUE compound inhibits production of IL-17A in the colon. The level of the pro-inflammatory cytokine IL-17A increases during the inflammatory process. NUE compound (dosed orally) inhibited colon levels of IL-17A dose-dependently, demonstrating on-target efficacy in this model for IBD.

LUPUS

Systemic lupus erythematosus (SLE) is a systemic inflammatory autoimmune disease targeting any tissue or organ in the human body, one of its most severe manifestations being kidney tissue injury, a condition known as lupus nephritis (LN). SLE is associated with poor quality of life and increased mortality – especially in the case of LN. The prevalence of SLE in the seven major markets was close to 500,000 people in 2015. Epidemiology data show a higher lupus-prevalence in women compared to men (9:1 ratio) and, amongst women, high prevalence occurs in the ages of 20–64 years.It is clear that the disease has a significant sex bias towards women having the disease.

The heterogeneity of SLE complicates disease diagnosis and management, however the overall treatment strategy is to address the chronic state of inflammation and prevent organ damage. It is believed that tissue and organ injury is mainly driven by the production of auto-antibodies. Treatment is based on the severity of the disease in each particular case. Mild SLE is typically treated with steroids, NSAIDs (non-steroidal anti-inflammatory drugs), immune suppressants (e.g. methotrexate) and anti-malarials, whereas in moderate to severe SLE, biologics such as Benlysta® (belimumab; approved in SLE only and mainly functional as a steroid-sparing immunosuppressant treatment option and Rituxan® (rituximab; off-label)) are used, but their efficacy may be questionable in some cases. Thus, the currently available therapeutic options are inadequate and there is a significant unmet medical need for SLE and LN disease management. Patients diagnosed with LN are highly underserved, with none of the currently available medications being sufficiently efficacious and current treatment is also being associated with severe toxicity. Patients diagnosed with SLE face long-term use of medication, and all currently available therapies are associated with significant side effects, including organ damage and malignancies due to long-term use and the high doses of steroids or immune-suppressive therapy required.

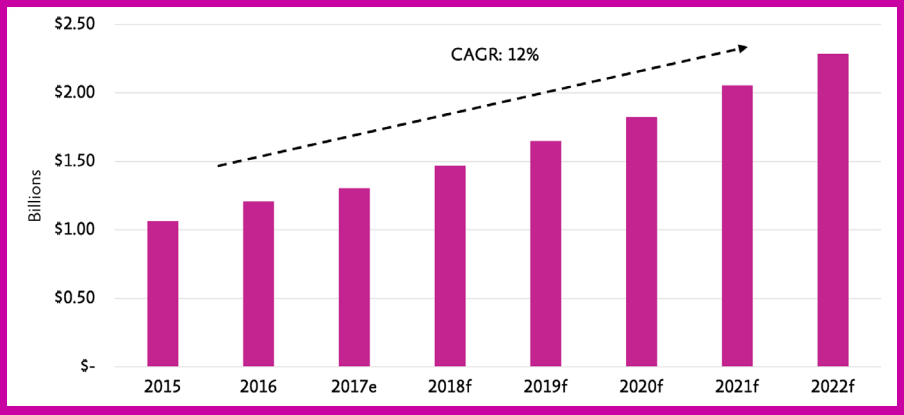


Figure 6. Sales in Lupus (SLE/LN) 2015 – 2022 in US, EU5 and Japan.
Over the next couple of years, market growth will be driven by the introduction of new innovative treatment options, however the high pricing of biological treatments may dampen that growth to the extent that such treatment options are only applicable to a small subset of patients. With a 12% growth rate in the upcoming period, the attractiveness of developing effective and cost-attractive drug products for Lupus is high. (Source: Global Data, Nuevolution, 2017).

When looking at the commercial attractiveness of the market, present research & development efforts include both small-molecule and biologic program development. Through these efforts, it is expected that the market value in the seven major markets may grow to approximately US$ 2,3 billion in 2022 from US$ 1 billion in 2015 (CAGR 2015-2022 of 12%).

Lupus is a challenging therapeutic indication with a significant unmet medical need and is being explored by Nuevolution.

inhibitor of auto-antibody production and provide further proof-of-concept and support for the efficacy and safety of NUE7770. Further data including cytokine biomarkers from the study is either pending or being processed and will be reported later in 2017.

These exciting data showing positive effects of NUE7770 in both the Pristane and the genetic MRL/lpr models collectively support the potential utility of a bromodomain BET BD1 selective compound for the treatment of the human Lupus disease. We are now further testing the detailed mechanism-of-action of multiple bromodomain BET BD1 selective

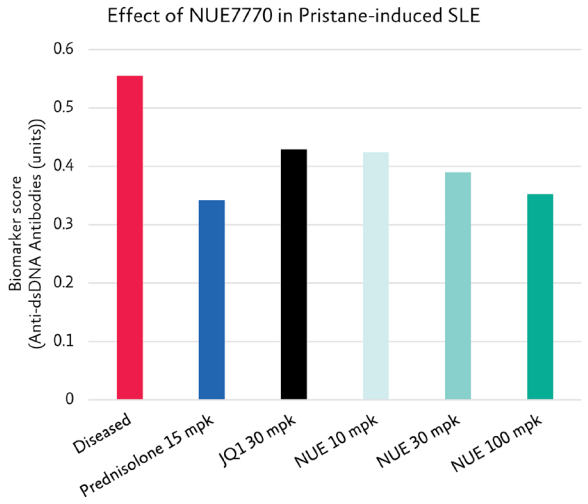


Figure 7. Activity of NUE7770 on anti-dsDNA Ab levels in the pristane-induced mouse model of lupus nephritis. Abbreviations: mpk - milligram per kilogram (size of dose of NUE7770 per weight unit of mouse).

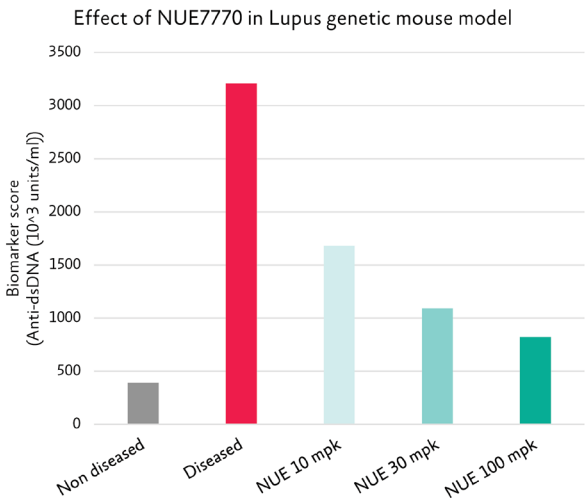


Figure 8. Activity of NUE7770 on anti-dsDNA (disease biomarker) Ab levels in the genetic (MRL/lpr) mouse model of lupus. Abbreviations: mpk - milligram per kilogram (size of dose of NUE7770 per weight unit of mouse).

compounds in both *in vitro* and *in vivo* models to obtain conclusive evidence for the effects produced by such inhibition. If supported by these data, our bromodomain BET BD1 selective compounds may provide a unique first-in-class opportunity as well as a potential novel future treatment option for Lupus patients underserved by current treatment options.

During the year, we also tested NUE7770 in other disease models. The compound showed a dose-dependent efficacy in a collagen-induced arthritis (CIA; a classical mouse model for rheumatoid arthritis) inflammatory mouse model following twice daily oral dosing and with effects being on par with an antibody against the pro-inflammatory cytokine IL-17A (immune response stimulant) (see figure 9). The data support the efficacy of NUE7770 in Th17-driven pathologies with a projected high therapeutic index.

In a further investigation, NUE7770 was tested in a mouse model of the severe lung disease idiopathic pulmonary fibrosis (IPF). The toxin Bleomycin dosed by inhalation was used to induce lung fibrosis, thereby resulting in symptoms resembling those of IPF. In a three-week mouse study with NUE7770, we saw dose-dependent reduction of hydroxyproline levels (a collagen degradation or fibrosis biomarker), indicating that fibrosis is reduced in the lung tissue. In this short-duration model, we were unable to demonstrate morphological improvement by histopathology, but collectively the data may support potential utility of selective bromodomain BET BD1 inhibitors in fibrotic diseases such as systemic sclerosis (scleroderma) and osteoarthritis. We are now testing NUE7770 for efficacy in a mouse model of scleroderma and expect to report data from these studies during 2017.

Unique safety profile: During the year, we conducted a two-week non-GLP (non-regulatory) mouse toxicology study of NUE7770. In contrast to other non-selective BET inhibitors, NUE7770 was shown to have a very benign (safe) toxicity

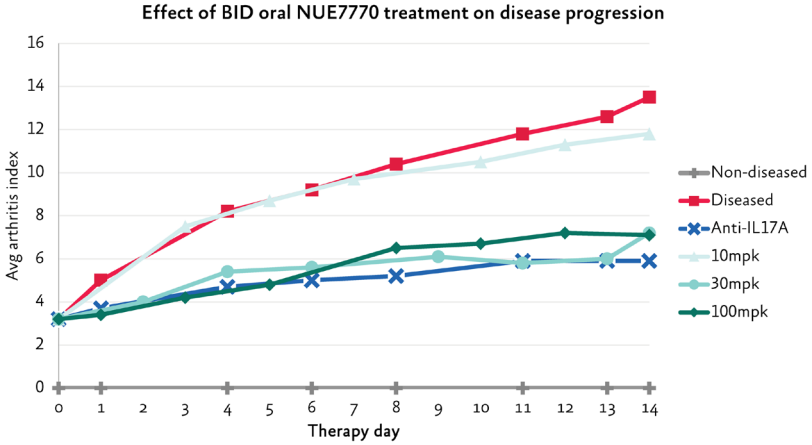


Figure 9. 14 day mouse CIA study: Therapeutic effect of the selective BD1 compound compared to the IL17A antibody (Th17 pathway).

Top line findings from Two-week repeat-dose toxicology study

	Hematology	Clinical Chemistry	Necropsy	Histopathology
NUE7770 (all doses)	No negative findings	No negative findings	No negative findings	No negative findings
JQ1 30 mpk	No negative findings	No negative findings	Small Thymus	Lymphoid depletion in thymus
JQ1 100 mpk (Day 12)	PLT ↓ 48%	ALT/AST ↑	Small Thymus	Multiple negative findings

Table 1. The BD1-selective Nuevolution compound NUE7770 was dosed at 30, 100 or 300 mpk twice daily with no observations of adverse events. The non-selective comparator, the inhibitor JQ-1, was dosed at 30 and 100 mpk twice daily leading to high mortality at days 8-12 for the highest dose. Clinical findings from the 30 or 100 mpk dosing arms with JQ-1 included reduction of blood platelets, elevated liver enzymes, reduced Thymus and several changes in histopathology including effects in the Gastro-Intestinal tract, whereas no such side effect were observed following treatment with NUE7770. PLT↓ ≡ loss in blood platelets, ALT/AST↑ ≡ unwanted increase in liver enzymes.

profile with no adverse observations, even at the highest dose of 600 mpk/day. The topline data from our toxicology study is shown in Table 1.

Cytotoxicity cell line (*in vitro* toxicity testing) profiling has also been completed. This demonstrated very low cytotoxicity for NUE7770, consistent with the benign toxicity profile observed in our two-week non-GLP mouse toxicology study and consistent with tolerability data from the eight-week genetic MRL/lpr Lupus model. To further support both the pharmacology of NUE7770 and the low cytotoxicity relative to the non-selective bromodomain inhibitor JQ-1, we are currently evaluating gene expression changes following treatment of cells with either NUE7770 or JQ-1.

Based on the current positive efficacy and safety data obtained in these NUE7770 studies, we are now seeking to complete all necessary data including further chemistry optimization, which aims for potential nomination of the Candidate compound. Prior to Candidate nomination additional *in vitro* and *in vivo* safety data will be generated, and may give further positive data on safety or potential negative data on safety that would then require further follow-up.

It is our objective to reach the conclusion for the optimal indication for our selective bromodomain BET BD1 inhibitor program during 2017. Provided that the studies remain successful, we may then pursue either out-licensing of the program or keep it for our own internal development – both options are in line with our overall business strategy.

RORγt AGONIST PROGRAM (IMMUNE SYSTEM STIMULATOR) – IMMUNO-ONCOLOGY (IO)

Stimulation of the immune system to mediate attack on tumors is the hallmark of Immuno-Oncology (IO). In one of our IO programs, we are looking to stimulate the immune system with RORγt agonists to activate T cells infiltrated in the tumor. The program has progressed successfully, and we have obtained compounds exhibiting strong RORγt stimulation and showing dose-dependent production and secretion of IL-17A supporting expected mechanism of action. We are currently upscaling select compounds before conducting pharmacokinetic (PK) testing for *in vivo* stability. Following confirmation of acceptable pharmacokinetic properties, a compound will be selected and tested in one or more syngeneic cancer xenograft models, both as monotherapy and in combination with relevant checkpoint inhibitors. We expect to report further on the RORγt program in the second half of 2017.

CYTOKINE X PROGRAM – SMALL-MOLECULE REPLACEMENT OF CURRENT INJECTABLE BIOLOGIC MEDICINES

In this program, we are targeting a key regulator of the immune system for which significant clinical data are available supporting its role in multiple inflammatory diseases.

We have identified potent small molecules capable of inhibiting the function of the cytokine (immune system substance communicating initiation or maintenance of inflammation) in cell signaling, and we have generated multiple X-ray co-crystal structures to guide the further optimization of the lead compounds (3D visualisation of how our molecules bind the target protein). During the year, we tested several lead compounds and were able to show *in vivo* efficacy and proof-of-concept in mouse models relevant for the human disease to be addressed in the clinic. We are continuing our optimization efforts within the program and are fully committed

IMMUNO-ONCOLOGY (IO)

Without doubt, Immuno-Oncology (IO) or immunotherapy may become one of the most promising treatment paradigms for patients with cancer. Over the past couple of years, IO treatment options have shown long-term and durable tumor responses that are equivalent or superior to more conventional cancer treatment options. Furthermore, IO treatment options have also shown efficacy in a wide variety of indications, where targeted therapies alone have fallen short.

Immunotherapy within cancer treatment works through the stimulation of the patient's own immune system to reinstall and stimulate the immune system's fight against malignant cells and potentially conquer the cancer. The unique ability of the immune system to differentiate between sick and healthy tissue, as well as the formation of memory cells, makes IO therapies a highly valuable add-on treatment to targeted therapies, and together leading to increased life expectancy and survival rate. The first IO treatment was approved in 2011, and since the introduction of Yervoy®[1] (CTLA-4 (checkpoint) inhibitor), various other treatment mechanisms have been introduced to the market, including a number of PD1-inhibitors, e.g. Keytruda®[2] , Opdivo®[3] and Tecentriq®[4] , whereas the first CAR-T therapy Kymriah[5] received US FDA approval in August 2017.

Although PD1-inhibitors are used as the backbone of immunotherapy in cancer treatment today, clinical data have indicated that only 20-30% of patients respond to these drugs when used as monotherapy and many cancer patients will most likely need to be served by combination treatment options, including PD1-inhibitors being combined with other immunotherapies.

Based on market value forecast data from GlobalData[6] , the immuno-oncology market, while still in its infant stages, is expected to generate sales close to US$ 25 billion in 2024, driven by existing approved checkpoint inhibitor products. The market will be dominated by combination treatment regimes, where PD1 inhibitors may represent backbone treatments, but where other (e.g. small-molecule) mechanisms will aim at expanding the pool of patients eligible for immunotherapy. Numerous clinical trials are ongoing featuring marketed products in combination with small-molecule drugs in the search for treatment synergies. Furthermore, and importantly, small-molecule treatments will offer access to immune checkpoints that are inaccessible to antibodies e.g. intracellular targets. With increasing knowledge of how tumor cells seek to shield themselves against immune system responses, a whole new field of small-molecule opportunities for developing efficacious and safe cancer treatments has emerged in which such small molecules potentially can obtain 'best-in-class' or 'only-in-class' treatment status.

Indication	2019	2024
Non-small cell lung cancer	4,890 (34.9%)	9,570 (28.0%)
Myeloma	2,730 (19.5%)	5,880 (17.2%)
Melanoma	2,910 (20.8%)	4,250 (12.4%)
Breast	520 (3.7%)	2,570 (7.5%)
Renal Cell Carcinoma	610 (4.4%)	2,050 (6.0%)
Prostate	790 (5.6%)	1,690 (5.0%)
Glioblastoma multiforme	140 (1.0%)	1,400 (4.1%)
Bladder	360 (2.6%)	1,370 (4.0%)
Acute lymphoblastic leukaemia	350 (2.5%)	1,110 (3.3%)
Head & Neck	220 (1.6%)	1,050 (3.1%)
Colorectal Carcinoma	- (0.0%)	860 (2.5%)
Hepatocellular Carcinoma	100 (0.7%)	800 (2.3%)
Gastric	130 (0.9%)	700 (2.1%)
Pancreatic	120 (0.9%)	320 (0.9%)
Ovarian	60 (0.4%)	310 (0.9%)
Non Hodgkin's Lymphoma	70 (0.5%)	210 (0.6%)
Total global value	**$14 Bn**	**$34 Bn**

Table 2. IO global sales distributed on indications, 2019 and 2024 forecasts. Numbers in millions.

Immuno-oncology / immunotherapy is a rapidly growing field requiring immune check-point inhibitors with novel mechanism of actions, a field that we find well-suited for Nuevolution's drug discovery efforts and one that the company is therefore pursuing.

[1]YERVOY is a trademark of Bristol-Myers Squibb; [2]KEYTRUDA is a trademark of Merck Sharp & Dohme; [3]OPDIVO is a trademark of Bristol-Myers Squibb; [4]TECENTRIQ is a trademark and brand of Genentech; [5]Kymriah is a trademark of Novartis AG; [6]Immuno-oncology strategic insight: multi-indication and market size analysis - May 2016

to aim for developing first-in-class small molecules for this important disease target.

GRP78 - TARGETED ONCOLOGY TREATMENT

The GRP78 program is a project being conducted in the collaboration between Nuevolution and Cancer Research Technology (CRT, UK) and the Institute of Cancer Research (ICR, UK). GRP78 is a protein that is overexpressed in certain cancers, where it supports cancer cell survival. GRP78 is an intracellular target (a target inside cells), and project efforts have been focused on optimizing compounds to improve their ability to penetrate cells, a capability that compounds need in order to block the disease target GRP78. We have now identified compounds with improved properties and high potency, which are currently being tested by CRT/ICR in cancer cell lines to show their effect on relevant biomarker responses consistent with GRP78 inhibition. In the fourth fiscal quarter of 2016/17, Nuevolution paused its compound optimization activities, while CRT/ICR commenced biological testing on the compounds Nuevolution had identified as having improved properties. We expect to be able to give an update on the GRP78 program when the cancer cell panel activity data are available in the second half of 2017.

EARLY DISCOVERY PROGRAMS

We are currently conducting investigation in 10+ additional internal targets at various stages of early drug discovery ranging from screening to hit validation and early hit optimization studies. The ongoing programs span the therapeutic areas of cancer/immuno-oncology and inflammation, and include key proteins with well-established disease linkages as well as intriguing new targets offering novel approaches for disease treatment. We expect to provide cell-based proof-of-concept for at least one internal program by the end of 2017.

PARTNERSHIP: AMGEN

Our multi-target collaboration with Amgen was initiated in October 2016, and in one of these collaborative programs, we obtained *in vitro* proof-of-concept (PoC) already in Q3 of the fiscal year and the program is continuing to make good progress. One additional program, which was previously part of Nuevolution's internal pipeline, also reached cell-based proof-of-concept in Q3 of the fiscal year, and was scheduled to enter optimization in the fourth fiscal quarter as an internal program. However, as Amgen was particularly interested in this program, we transferred it to the Amgen collaboration thereby securing the potential future licensee for the program. Additional targets that are being studied as part of the Amgen collaboration entered screening in the third and fourth fiscal quarters, and we expect to report further on these projects as they progress during 2017/18.

PARTNERSHIP: JANSSEN BIOTECH, ONE OF THE PHARMACEUTICAL COMPANIES OF JOHNSON & JOHNSON

During the year, we further expanded our partnership with Janssen Biotech with the addition of a new target. We expect that some of the ongoing projects in the collaboration may have successful outcomes, and we will report further on projects as they progress during 2017/18.

PARTNERSHIP: BRIC COLLABORATION

In December of 2016, Nuevolution and BRIC (Biotech Research and Innovation Center) entered into a three-year collaboration to pursue the discovery and development of precision therapeutics directed towards specific cancer types for which there is no efficient treatment. Together with the world-renowned group of Professor Kristian Helin at BRIC, University of Copenhagen, we received a grant from Innovation Fund Denmark (IFD) to pursue the identification of novel medicines for a group of disease targets known as 'methylases' named NSDs representing key enzymes in a number of leukemias. The grant was awarded in acknowledgement of the unique and complementary competencies represented by Nuevolution and Professor Helin's world-class research group within epigenetic (gene expression regulating) enzymes.

Nuevolution's first library screens against NSDs were initiated in the fourth quarter of the fiscal year, and we expect to continue screening throughout 2017 as well as to report the first data from the program later in the year.

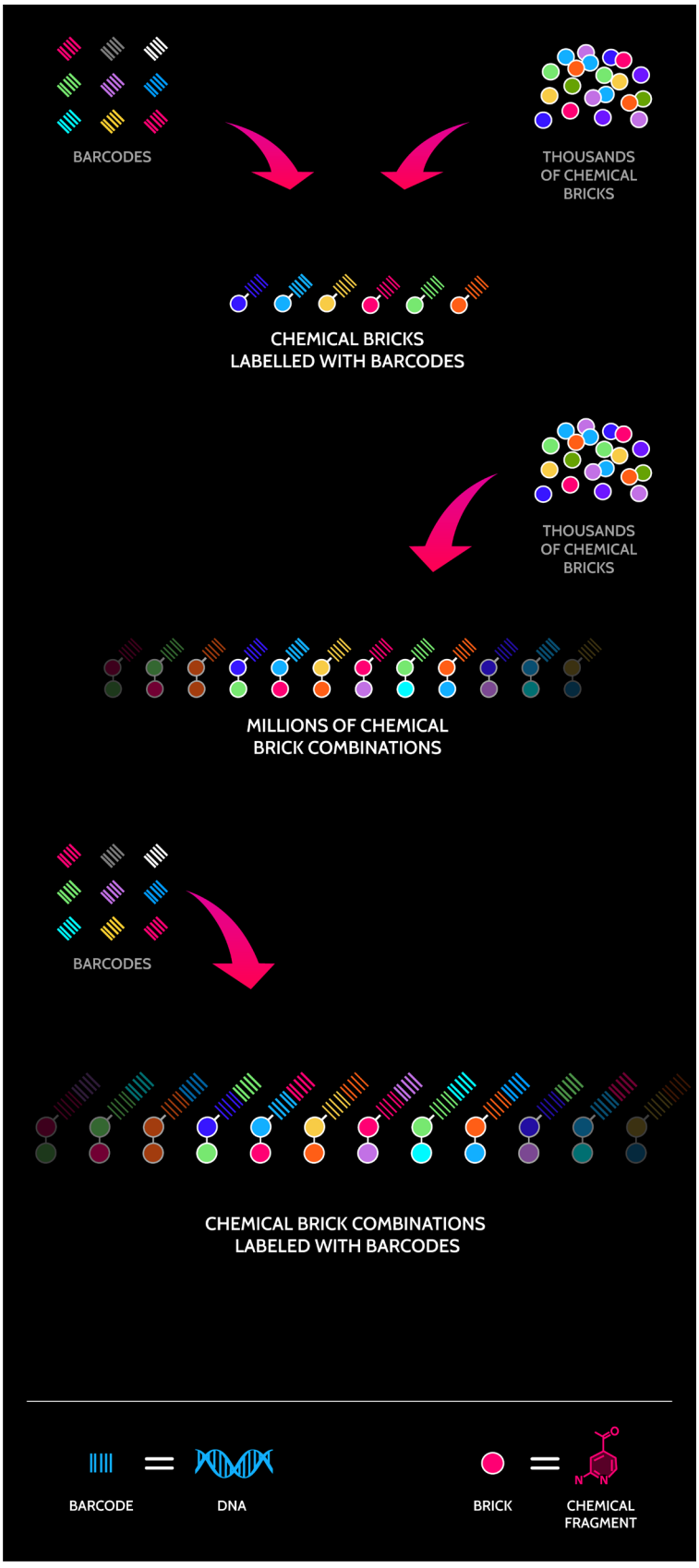
ENTER THE CHEMETICS® TECHNOLOGY ENGINE ROOM

Chemetics® Platform Explained

THE BUILDING OF A MOLECULE LIBRARY

The active substance in a medicine is a molecule (a compound), which has been optimized to have specific properties. E.g. the molecule inhibits a specific biological process causing the disease, without having other unwanted effects, i.e. it is safe. Such molecules are made from smaller building blocks ('bricks'). However, it is a very challenging, costly and time consuming process to find such safe and optimal molecules even using conventional technologies available at Big Pharma companies, which can only test few millions of molecules during a drug discovery project.

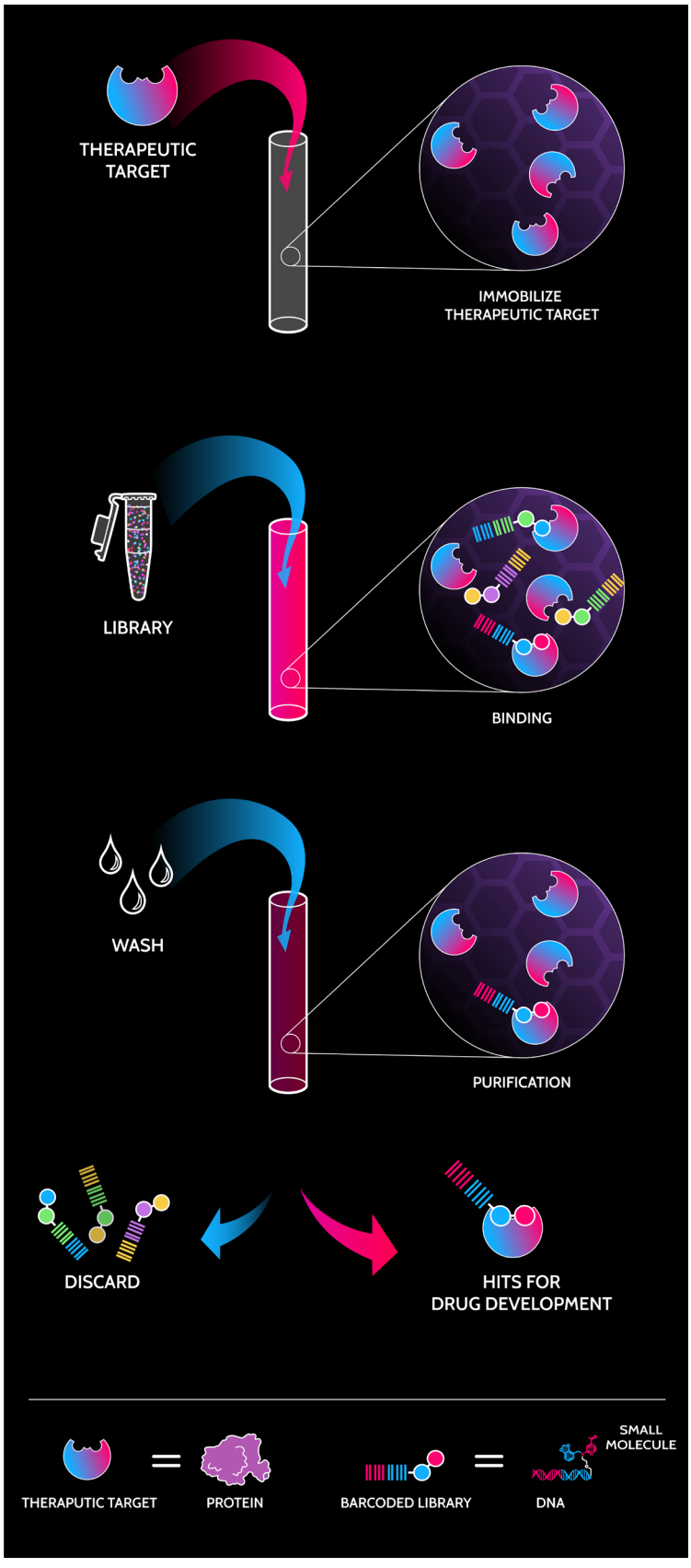
Nuevolution's proprietary Chemetics® technology allows us to combine tens of thousands of 'bricks' with different shapes/forms and properties with tens of thousands of other diverse 'bricks' in the formation of a very complex collection of molecules (a library of molecules). Such a collection may consist of billions or more molecules. In the library synthesis process, Nuevolution takes tens of thousands of such different 'bricks', and to each of these and using a chemical reaction, we attach a unique 'barcode' (DNA-sequence) which identifies the specific 'brick'. This process may be repeated several times, such that each time we add a 'brick' to each molecule, we also attach a unique 'barcode'. At the end of the process, we obtain a mixture of molecules of vast diversity, where each molecule is different in shape/form and has different properties, and where each molecule is linked to a barcode. Following screening, we read these 'barcodes' (=sequencing of the DNA), such that we can tell what the structure of the molecule attached to the 'barcode' is. The use of DNA as barcode is very important for the screening process (see next page).



THE SCREENING OF A MOLECULE LIBRARY

In general, drug discovery programs often start by testing molecules already available in house from previous projects to see if any of those existing molecules have some of the intended properties. Initially, Big Pharma companies search amongst their one-two million existing molecules using a process called High Throughput Screening (HTS). A fully optimized HTS facility can typically test one million molecules in one-two weeks. However, often the screening is not successful, or only few molecules are identified, but potentially with inferior properties and overall only very limited information for the further optimization by HTS. If more molecules could be tested, then the chance of finding good molecules would increase, and much more information could be obtained to guide the further lead optimization.

Nuevolution's proprietary Chemetics® technology allows the rapid and cost effective screening of billions to trillions of molecules as a mixture. In our process, the biological disease target is contacted with Nuevolution's DNA-barcoded screening libraries (see previous page). Most of the molecules will not bind to the target, and can be washed away, whereas the molecules that bind strongly to the disease target can be isolated. The molecules that were isolated following a screen can then be identified through the sequencing of the DNA-barcode. The screening of these complex mixture libraries is only possible because we use DNA as the barcode. This is due to the extreme ease by which DNA can be detected and sequenced. E.g. Nuevolution has the result from the screening of its 40 trillion-member library after two-three weeks, whereas it would take about 500,000 years to screen such a complex library using conventional HTS. Nuevolution has established a dominant patent position for its technology having filed 11 patent families with more than 200 patents already granted.



Chemetics Technology Platform Report

Nuevolution's pipeline programs have their origin in the company's unique Chemetics® platform, which combines efficient exploration of many disease-relevant drug targets with trillions of chemical compounds, followed by highly efficient methods for further optimization towards a preclinical candidate. The unique platform enables the production of highly diverse libraries at very low cost per compound and with fast, low-cost screening of multiple libraries against relevant disease targets. We are continuing to screen new libraries against 15-20 disease targets per year in either our internal or our partnered programs with a strategy of progressing only the most promising into further development.

In 2016/17, we greatly expanded our collection of compounds available for screening drug targets. In February, Nuevolution announced the successful production and validation of a Chemetics® library containing 40 trillion (40,000,000,000,000) compounds. This library most likely constitutes the largest synthetic compound collection in the world. The 40 trillion (40T) library was assembled from the use of tens of thousands of individual fragments (building blocks), thereby introducing unprecedented chemical diversity. The power of Nuevolution's technology, and of this library in particular, was illustrated from the benchmark library validation screening of the HIV protease, which provided compounds with extraordinarily high binding affinity to the protease target while also having very attractive compound properties compared to those of currently marketed drugs.

The HIV protease served as a library test target, but will not pursued further as a drug discovery program. This library has now been released, and put into service in our other drug discovery programs.

In addition to the massive 40T library, the Nuevolution library team produced five additional libraries with diverse scaffolds and chemical composition totaling more than 10 billion new small molecules. All these novel libraries produced during the year are now in service and are providing high value to our programs.

The current Chemetics® libraries offer a significant leap forward in terms of chemical diversity available for screening, and we are positive that we will see the benefits of these libraries in our drug discovery programs. We remain determined to continue building novel and innovative libraries that support our pipeline with best-in-class compounds to shorten the discovery process, to maximize the chances of program success, and to deliver truly unique compounds for our programs.

We continue to secure and maintain our dominant and world-leading position for our Chemetics® and encoding library technologies by pursuing an aggressive IPR strategy.

SCIENTIFIC PUBLICATIONS & PRESENTATIONS

During the 2016/17 fiscal year, Nuevolution presented its programs and its Chemetics® technology platform at a number of venues and releases. Two scientific articles by Nuevolution were published in high-standard peer-reviewed journals.

Together with Nobel Laureate Dr. Robert J. Lefkowitz at Duke University, Nuevolution published the article ***"An allosteric "Beta-Blocker" isolated from a DNA-encoded small molecule library***" in the *Proceedings of the National Academy of Sciences, USA PNAS* (2017) 114(7) 1708). This work represents a major breakthrough in the application of Nuevolution's technology against the important class of targets named GPCRs involved in signaling across cell membranes. We have expanded the collaboration with the Lefkowitz group to build GPCR understanding and future value from this collaboration.

In addition, Nuevolution published an article entitled ***"Mapping the drug-like chemical space with reduced-complexity molecular framework"*** (A. Kontijevskis, *J. Chem. Inf. Model.*, March 28, 2017). The article describes our unique and proprietary methods for handling **"Big Data"** that is generated from our target screenings.

Furthermore, Nuevolution presented its scientific progress in multiple events and at prestigious scientific conferences during the year including:

"A small-molecule preclinical candidate targeting RORγt shows a benign safety profile and effectively reduces clinical scoring and biomarker levels in mouse disease models", Søren Jensby Nielsen, International Conference of Inflammation, 21-25 August, Melbourne, Australia

*"**NUE7770 – A BET-BD1 selective chemical probe with potent cellular and in vivo anti-inflammatory activity",*** Jimmi Gerner Seitzberg, Discovery on Target (DoT) Conference, 21-22 Sepetember, Boston, USA.

"Novel inhibitors of GRP78: Screening a challenging target using the Chemetics® screening platform", Gitte Husemoen, Visnja Poljak, EFMC-ISMC, August 29-30, Manchester, UK, 2016 (poster)

"The Chemetics® Platform: Merging Chemistry and Molecular Biology for Drug Discovery", Gitte Husemoen, 23 March, 2017, Danish Technical University, Copenhagen, Denmark

"From Multiple Hit Series to the Clinical Candidate for RORγt Using DNA Encoded Library Technology", Sanne Glad, Drug Discovery Chemistry, San Diego, 24-27 April, 2017, San Diego, CA, USA

"Selective BET-BD1 Inhibition Results in Strong Anti-Inflammatory Activity in Animal Models of Autoimmune Disease", Thomas Franch, Drug Discovery Chemistry, San Diego, 24-27 April, 2017, San Diego, CA, USA

"DNA-encoded library technology: From hits to clinical candidate", Thomas Franch, 1st Anglo-Nordic Medicinal Chemistry Symposium, 11-14 June, 2017, Snekkersten, Denmark

In the upcoming fiscal year 2017/18, we will continue promotional activities for our technology and drug discovery programs with representation at multiple scientific conferences. Nuevolution is currently an invited speaker at the following scientific conferences:

- **RACI Centenary Congress, AHeDD Symposium**, July 27, 2017, Melbourne, Australia
- **4th Annual Drug Discovery USA Congress**, October 9-10, 2017, San Diego, CA, USA
- **Global Medicinal Chemistry Leaders Summit**, November 27-28, 2017, London, UK
- **Alpine and Winter Conference in Medicinal chemistry conference**, Jan 28 – Feb 1, 2018, St. Anton, Austria

CBO

Ton
Berkien

MESSAGE FROM THE CBO

"As Nuevolution's Chief Business Officer, I see it as a fundamental part of my job to constantly seek promotion of our program assets to determine the optimal time for monetization through program out-licensing vs. continued development of each program and, of equal importance, to gauge the ever-changing interests of the pharma industry, ensuring that Nuevolution develops assets of current and future interest to the company's industry partners."

Nuevolution – Not a one-trick pony. "Since our listing on the Nasdaq First North Premier in Stockholm, we have communicated our objective to both realize program revenues, while also taking our own programs into clinical development, with the overall goal of creating a highly valuable company with a broad portfolio of multiple programs, where some will be partnered and others owned exclusively by Nuevolution. This represents a risk-mitigating strategy that stands in contrast to the more conventional binary and risky biotech approach of only having one or two programs to drive value creation, usually with no or little revenue generation. We believe we are well underway with our strategy and after two major deals during the financial year, we are now also focusing on bringing our own programs forward towards clinical development."

Ton Berkien, Chief Business Officer

During the year, Nuevolution has delivered on its promise through the execution of very attractive agreements with Almirall on the RORγt inhibitor program as well as a deal with the large US-based biopharmaceutical company Amgen, with which Nuevolution has agreed to work on a number of drug program opportunities using its proprietary Chemetics® drug discovery platform in accordance with its innovative multi-target risk-sharing partnership model.

By operating a 'multiple-shot-a-goal' research strategy, Nuevolution can reduce its overall research risk, while at the same time offer more options for forming partnerships, as both the Almirall and Amgen deals demonstrate, in addition to establishing its own programs for value creation.

In the Amgen deal, which was signed in October 2016, Nuevolution seek to risk-mitigate its investments in drug discovery and development by reducing the overall business risks, i.e. by addressing the continuous uncertainty within all biotech companies: "...will there be customers/partners for the programs we invest in?" Assuming it develops these programs successfully, Nuevolution has already identified Amgen as its partner for multiple programs.

Under the Amgen agreement, Nuevolution will be eligible for payments of up to USD 410 million (SEK 3.5 billion) per program, paid through upfront licensing payments, milestone payments plus tiered royalties on sales. Upon licensing of any program, Amgen will be fully responsible for preclinical development, clinical development and commercialization worldwide.

In December 2016, Spanish pharmaceutical company Almirall, a pharmaceutical company that is a global leader in developing and marketing drug treatments for dermatological diseases, agreed to collaborate as a partner for Nuevolution's RORγt inhibitor program. This program was developed solely by Nuevolution over a period of three years before it found the ideal partner in Almirall for developing the program further. In this global strategic collaboration for RORγt development and commercialization, Almirall obtained a license to develop treatments for inflammatory skin diseases, e.g. psoriasis, and for psoriatic arthritis, an inflammatory disease that affects the spine and other skeletal parts. All other developmental rights remained with Nuevolution.

Through this collaboration, Nuevolution received, before Spanish withholding tax, EUR 11.2 million (SEK 109 million) as an upfront license payment. Upon successful development of this program, the company may receive up to a further EUR 442 million (SEK 4.3 billion) in milestone payments as well as tiered royalties on future sales. The deal with Almirall on its RORγt inhibitor program was amongst the most valuable drug development collaborations of the past six years, as the table below indicates.

Prior to the out-licensing of this program, and through the application of its Chemetics® drug discovery platform, Nuevolution was able to identify a wide diversity of compounds with promising properties for potential development, thereby maximizing the chances of success. The company therefore believes that the RORγt inhibitor program has a strong competitive edge.

Table 1. RORγt deals

Originator	Licensee	Year	Total payments (in million)	Upfront payment (in million)	Therapeutic development
Nuevolution	Almirall	2016	$472.00	$12.00	Dermatology 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
Phenex Pharmaceuticals AG	Janssen Biotech Inc	2012	$135.00	Not Disclosed	Autoimmune diseases
Orca Pharma	AstraZeneca	2015	$122.50	Not Disclosed	Psoriasis, arthritis and other diseases

Note: Other deals concerning RORgt inverse agonist programs include: Teijin/Amgen, Sanofi/Link, AstraZeneca/Orca, Orphagen Pharmaceuticals/Japan Tobacco (no details available).

Also in December 2016, Nuevolution received a three-year research grant from Innovation Fund Denmark through a collaboration with Professor Kristian Helin, who is leading a world-renowned scientific group at the University of Copenhagen Biotech Research and Innovation Centre (BRIC). Nuevolution initiated the research project in January 2017 with the purpose of identifying novel medicines for a group of disease targets known as 'demethylases' or more specifically NSDs, drug targets that may be relevant in the treatment of leukemia. This project has a total budget of DKK 24.4 million (SEK 32.2 million), Nuevolution will be contributing with in-kind investments and may receive up to DKK 5.2 million (SEK 6.8 million) in funding over the three-year project period.

As well as having a very successful year, where the company clearly paved the way for commercial partnership success under its business model, Nuevolution also successfully progressed its partnership with Janssen Biotech, which was established in October 2015. During the past year, Nuevolution strengthened this partnership through expanding the collaboration and by receiving payments of USD 600,000 (SEK 5.45 million).

CFO

Henrik D. Simonsen

MESSAGE FROM THE CFO

"As Nuevolution's CFO, I consider it a principal responsibility to ensure that our cash position continues to be well balanced with a careful and optimal research investment strategy realization of our value creation potential. It is equally important to me that we also consistently and continuously provide valuable communication to our shareholders and the market.

I am therefore pleased to see the successful execution of significantly more valuable deals in accordance with our strategy, while we continue to operate a very flexible and cost-effective drug discovery infrastructure. In the coming fiscal year, we will continue the ambitious investor relations activity that we have had since our IPO in December 2015."

Henrik D. Simonsen, Chief Financial Officer

Since the company's inception in 2001, Nuevolution has focused on monetizing its scientific innovations. For many years, the Chemetics® drug discovery platform alone served the company, and led to 15 deals which until today resulted in about SEK 415 million in total revenues. Since 2013, the company has built its own pipeline of drug discovery and development programs in oncology and inflammation through the application of its unique drug discovery platform. This has resulted in further and much more valuable business, the company having already generated EUR 11.2 million (SEK 109 million) from its first out-licensing agreement alone. Nuevolution became a public company in December 2015, and has a continuous and strong focus on the creation of shareholder value; not only through revenue generation from the out-licensing of programs, but also through its plans for entering clinical development with some of its own programs.

VALUE CREATION

As mentioned above, the deal terms made in agreements before and after the company's IPO clearly demonstrate how Nuevolution's value creation has progressed. E.g. in the Janssen Biotech drug discovery agreement, signed in October 2015, the company announced the receipt of technology access fees (upfront payments) per program of less than US$1 million, and, while such high-end service agreements, which served the company well in the past, also have milestones and potential royalty payments, they cannot compete with the value of the new deals based on the out-licensing of programs.

As such and in strong contrast, Nuevolution received an upfront payment of EUR 11.2 million (SEK 109 million) from Almirall S.A. in the licensing agreement of the rights to develop and commercialize Nuevolution's RORγt inhibitor program within dermatology and psoriatic arthritis alone (signed in December 2016). In addition, Nuevolution is eligible to receive up to EUR 442 million (SEK 4.3 billion) in preclinical, clinical and sales milestone payments, as well as attractive royalties on net sales.

The deal terms in the Amgen multi-target/multi-program research collaboration, signed in October 2016, are not dissimilar to the terms of the Almirall agreement – in the Amgen agreement, total payments amount up to USD 410 million (SEK 3.5 billion) per program and in both agreements, Nuevolution is eligible to receive attractive tiered royalties on product sales. The two agreements not only illustrate, but also firmly confirm the increase in value realized through further maturation of programs. Going forward and in line with our Grand Plan, it is the intention to mature select programs into clinical development.

LEAN AND FLEXIBLE

Nuevolution has a lean and flexible organization. While most of the company's early research is conducted in-house, the majority of *in vitro* (cell-based) and *in vivo* (animal) tests are performed at clinical research organizations (CROs); the company is working with several CROs in Europe, the US and Asia. The R&D department works with some 20 CROs on a regular basis, and with many more for further ad hoc tasks. About 40% of the company's total R&D expenses are comprised of fees to CROs and other suppliers, which allows Nuevolution to optimize its spending to concentrate on the most promising programs, while also allowing the company to make swift adjustments to the burn rate to fit in with its strategic ambitions and its cash position.

Nuevolution continuously has about 15-20 research programs running internally and in collaboration with its partners including Janssen Biotech, Amgen and BRIC. The company prioritizes its investments towards the most promising programs, while the less promising programs are discontinued or put on hold. The company's Science-Business group, comprising its executive, line and project managers, meets every quarter to

Figure 1. Nuevolution share performace. Note: Share prices of First North indices rebased to the NUE.ST share price

scrutinize all research programs and allocate resources and investments to only the most promising programs. The fact that we have these many ongoing projects allows us to terminate less fruitful programs rather than continue investments in programs that are overdue, i.e. not having *"all eggs in one basket"*.

PREPARING FOR LIST CHANGE

During 2016/17, Nuevolution took several steps to prepare the company for its intended move of the company's stock trading to a regulated market. The report for the third quarter 2016/17 was reviewed by the company's auditors (ISRE 2410), in accordance with the Swedish Corporate Governance Code. The company's 2016 shareholders' meeting approved the criteria for appointing the Nomination Committee and fees for the Audit and Remuneration Committees, which were subsequently formally put in place and these are now fully operational. In addition, a pre-audit of the company's main market listing readiness is on-going. This pre-audit reviews corporate governance, the control framework, the company's tax position, and its legal and investor relations, among others. Alongside these efforts, we have assigned Carnegie Investment Bank AB as financial advisors and Vinge as legal advisors to ensure the professional execution of our Grand Plan for up-listing to become a highly valuable clinical development biotech company with the longer-term goal of having multiple proprietary programs in clinical development and a broad portfolio of preclinical assets, while also continuing to have select programs partnered for overall optimal progression of as many programs as possible.

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 85% in 2016/17, helped by the execution of two major collaborative agreements in October and December 2016, technology breakthroughs for Chemetics® in January and February 2017, new analyst reports and other news. The share price reached an all-time high of SEK 20.30 on February 16, 2017, while the lowest price paid was SEK 8.50 on August 1, 2016. Nuevolution is included in both the Nasdaq First North Health Care index and the Nasdaq First North Sweden index, which rose by 19% and 22%, respectively, during 2016/17.

SHARE CAPITAL

The share capital at the end of the financial year 2016/17 was SEK 42.858 million (€4.4 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.

Share trading metrics

	2016/17	2015/16
Total no. of shares traded, million	20.8	7.7
Average daily trading volume	82,311	58,636
Average daily trading value, TSEK	1,209	710

2015/16 covers the period since listing, i.e. 17 December 2015 to 30 June 2016.

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 286,462 shares in total in Nuevolution AB as of June 30, 2017. In addition, directors, senior executives and their related parties hold warrants corresponding to 3,214,204 shares.

INVESTOR RELATIONS ACTIVITIES

Besides maintaining continuous and consistent communication to shareholders and the market, it is a major ambition of the company to further strengthen its shareholder base by attracting international and further Scandinavian investments and institutional funds, as well as to broaden the ownership of the company and increase stock liquidity. In support of this, Nuevolution's management participated in 18 investor conferences with institutional and private investors during 2016/17. During the year, we also expanded our reach to European investors and to a broader investor base in the US and Sweden. Thus, we now regularly meet Swedish, Danish, other European and US investors. Several of these have had two-three meetings with Nuevolution and seem attracted to Nuevolution's approach and strategy. In addition, management participated in four group meetings with Swedish and UK investors and in more than 80 one-to-one meetings with shareholders and investors during 2016/17.

We have broadened our analyst coverage to five research houses. During the second half of 2016/17, both Swedish financial services company Redeye and UK-based Edison Investment Research released major initiation reports on the share.

Analyst coverage

Jarl Securities	Niklas Elmhammer
Remium	Björn Rydell
Redeye	Mathias Spinnars
Økonomisk Ugebrev	Peter Aabo
Edison	Daniel Wilkinson Susie Jana

INFORMATION FOR SHAREHOLDERS

Nuevolution provides information to shareholders and the public through several channels. Information published in the form of annual reports, quarterly reports and press releases is regularly posted on www.nuevolution.com. Materials from presentations of quarterly reports to journalists and analysts are also available for download. The website is the main distribution channel for the Annual Report; for that reason, the printed version of the Report is not sent to shareholders unless specifically requested.

Nuevolution holds conference calls in connection with quarterly reports and major news announcements in order for shareholders, investors, journalists and other stakeholders to ask its management questions.

Brief facts, the Nuevolution share

Listing	Nasdaq First North Premier, Stockholm
Number of shares	42,858,236
Market capitalisation, year-end	SEK 707 million
Ticker	NUE
ISIN code	SE0007730650
Total number of shareholders	3,580

LARGEST SHAREHOLDERS AS OF 30 JUNE 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	1,365,000	3.2%
Avanza Pensionförsäkrings AB	1,197,130	2.8%
SEB Pensionsstiftelse	1,142,858	2.7%
Nordnet Pensionförsäkrings AB	453,332	1.1%
Claus Resen Steenstrup and family	326,028	0.8%
Henry Dunkers Förvaltning	300,000	0.7%
Stig Løkke Pedersen	212,334	0.5%
Hans Engblom and family	197,199	0.5%
Fynske Bank	197,176	0.5%
Peter Ragnarsson	180,000	0.4%
Granit Småbolag	175,000	0.4%
Catella Bank S.A.	166,000	0.4%
TIBIA Konsult AB	120,000	0.3%
Midroc Finans AB	98,076	0.2%
Handelsbanken Liv	89,300	0.2%
Carl Thorsén	74,663	0.2%
Others	5,686,646	13.3%
Total no. shares outstanding	**42,858,236**	**100.0%**

As of June 30, 2017, Nuevolution's Chief Executive Officer Alex Haahr Gouliaev held 70,778 (unchanged) shares through ATZ Holding ApS.

Long-term shareholders and investors continue to express confidence in the company through their increase in shareholdings, as does larger private investors.

- Top3 majority shareholders (64%): Remain supportive with no sale of share holdings
- The number of investors with more than 100,000 shares (≥ SEK 1,600,000) has increased by 12% since the IPO (as recorded on December 31, 2015), and the size of shareholdings by Top20 shareholders continue to rise
- The number of investors with more than 50,000 shares (≥ SEK 800,000) has increased by 54% since the IPO (as recorded on December 31, 2015)
- The number of investors with more than 10,000 shares (≥ SEK 160,000) has increased by 128% since the IPO (as recorded on December 31, 2015)
- Top 100 shareholders have increased their collective share holdings by more than 700,000 shares since the IPO (as recorded on December 31, 2015)

Note: Numbers in SEK are based on a share price of SEK 16.

Statements by Shareholders

"When reflecting upon Nuevolution, to me it's first and foremost the people creating a successful business. The well-known expression that "culture eats strategy for breakfast" is truly applicable for this company, as it has developed over the many years I have followed it. Endurance and business acumen of the people in the labs and all the way to the board is remarkable and will continue to be rewarding for all its business relations under the present leadership.

Another well-known expression is that 'you don't have to be big to make an impact - imagine going to sleep with a mosquito in the room". Nuevolution has something unique to attract Big Pharma with...they will surely 'catch the bait' going forward. A business-minded organization focused on excellent delivery to its customers, like Nuevolution is, is bound to flourish."

Hans Engblom, private investor

"We have identified Nuevolution as a high-conviction investment. Our scientific due diligence confirmed a unique novel approach. The management has done a sterling job in execution in form of R&D and an impressive deal flow. The perseverance, tenacity and frugal approach in running the company only underpin our convictions. As a former CEO of a NASDAQ listed biomedical company, I find in Nuevolution all the trademarks that are needed for future success."

Claus Resen Steenstrup, private investor

"First of all, I would like to say that it is a pleasure taking part in the strategic development of Nuevolution. We have identified the company as an intriguing investment opportunity, having a great team, a unique and commercially validated platform, and a track record for making deals over a long period of time. In 2012, we invested in the strategy of developing a valuable internal pipeline, which is now progressing well. I believe that Nuevolution is well positioned, taking the next step of becoming a clinical development company."

Lars Henriksson, Industrifonden, which owns 20% of Nuevolution

"To me, Nuevolution has always been based on a simple idea with the power to change how pharmaceuticals are developed. Barcode compound libraries with DNA and test-all compounds in one step. Conceptually simple – but complex to develop. It has taken more than ten years to develop and master the concept, but with more than 15 partners paying more than SEK 500 million to access the technology - I think we have a strong verification of the potential power of that simple idea."

Søren Lemonius, Sunstone Capital, which owns 20.8% of Nuevolution

"We see great potential in the technology and how it is applied by the team at Nuevolution. We all know that the company has a powerful technology which can create and identify molecules which has not been possible before. Even so the big difference is made by the experienced and skillful team led by Alex Haahr Gouliaev which keeps delivering as the company moves up the value chain. The combination of technology and the right people makes us believe in a bright future for this company."

Stefan Olofsson, SEB Venture Capital, which owns 23.5% of Nuevolution


MED LOV SKAL MAN LAND BYGGE

Patents and Legal

Stern, Experienced, Pragmatic and Professional Team

"Running a business today, but in particular when being at the frontier of science with new inventions as we are at Nuevolution, you need to be tough in protecting your property and your rights, you need to maintain a strict IPR 'border control' and fight intruders, you need to be on your toes to avoid falling into risk and liabilities, you need to be smart and pragmatic, and you need to assess and understand your counterparts (competitors or future partners) to close those attractive deals and win those important battles. Working with the best is instrumental for success!

As Chief Executive Officer, I take great pride in making sure that everything we do at Nuevolution is of high quality, including the incredibly important areas of intellectual property rights (IPR) and legal affairs. Over the years, we have worked with many legal and patent attorneys, allowing us, today, to have a hand-picked team of very experienced professionals.

Together with our superb transaction lawyer Jim Farrington of Wiggin & Dana and his team, we have closed 13 of our deals, realizing to date SEK 525 million, and we have successfully managed numerous collaborative, confidentiality and other legal matters on a day-to-day basis. In corporate legal matters, we are getting the best support possible from several large firms to access the best people. At large Danish firm Plesner, Nicolai Ørsted, Partner, and Søren Toft Bjerreskov, Senior Lawyer, have supported Nuevolution in numerous important corporate matters over the years, always providing a swift response and excellent work. This supporting role on corporate matters is shared by Plesner with large Swedish firm Vinge, where we, as a Swedish publicly-listed company, are supported by multiple team members including Johan Larsen, Partner, Erik Sjöman, Partner, Dain Nevonen, Partner, Rikard Lindahl, lawyer, David Andersson, lawyer, and several other hard-working professionals. On IPR-related litigation matters, we are supported in Denmark by the experienced and highly knowledgeable Jakob Krag Nielsen, Partner at Lundgrens, and his team, as well as by advice from Lars Lindencrone Petersen Know-how partner, at Bech-Bruun, and a former judge at the Danish Eastern High Court, as well as by Mikkel Bender, Partner at Copenhagen Patents (COPA). In the US, Jim Farrington's colleague, James Bicks, Partner, Wiggin and Dana, and his team handles our litigation matters.

Our IPR team has also become a truly hand-picked team of masters in the art of maneuvering in the IPR battlefield. Jesper Levin Aamand, Owner, has been the key architect behind Nuevolution's aggressive and ambitious patenting strategy for many years. Since 2010, we have been very fortunate to also work closely together with Andrew Larsson, Associate, Merchant & Gould, New York. Andrew is both very experienced with the patenting of technology as well as with small-molecule products and methods (tablet-based medicines). Together, Andrew and Jesper have successfully cracked challenges and established a very strong and dominant technology platform IPR position for Nuevolution with more than 200 granted patents worldwide. In the field of small molecules, we wanted an IPR expert with that particular experience, one who could also help us on a day-to-day basis, and we have been very fortunate to have Jerry Olsson, Owner taking on that role as our semi-internal IPR associate. Jerry has significant experience specifically in small-molecule patenting, and is a key person for us during the process of drafting our product and method patent applications.

These people most often work behind the scenes, but they play an incredibly important role to make Nuevolution successful in all of its business affairs, as well as being compliant with the law, business regulations and guidelines.

Our hand-picked legal and IPR team represent a true stronghold for Nuevolution, an external supporting team that we may comfortably rely on.

To act professionally, we seek professional support whenever it is needed, but not more than that. Perhaps most important of all, in this sensitive area of business - it is essential to stay rational and not get emotional!"

Alex Gouliaev, Chief Executive Officer

Photo opposite page:

"The stern and experienced professionals". Photo on opposite side from left to right": Jerry Olsson, Rikard Lindahl, Ton Berkien, Jim Farrington, Johan Larsson, Alex Gouliaev, Jesper Levin Aamand, Jakob Krag Nielsen, Nicolai Ørsted, Andrew Larsen and Søren Toft Bjerreskov"

IPR Report

PATENTING STRATEGY

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 2016/17 fiscal year, Nuevolution increased its patent investments to SEK 14.7 million (SEK 9.6 million in 2015/16). The increase was due to multiple activities during the year including grant of patents, entry into the national phase for patent prosecution and activities to restrict competitors. We expect to maintain a cost base in the order of SEK 9-10 million per year in IPR activities. The increase reflects the fact that our patent filing and prosecution activities now also include an increasing focus on pharmaceutical product patents (patents relating to drug discovery and development programs) in addition to technology platform patents. A strong patent position is an important value-driver when programs are intended for partnering, whereas a weak patent position can be almost detrimental to completion of deals and makes costly development investments in such programs less attractive.

Going forward there will be a significant focus within Nuevolution on this activity in line with our Grand Plan of supporting investments in proprietary programs moving into the clinic as well as of securing IP rights for programs intended for partnering.

We continuously prioritize our investments by filing new applications (including divisional and continuation applications) concerning our technology as well our product portfolio, and we continue to prosecute and validate prioritized patent applications and allowed patents. Some of these will have many and broad claims targeting multiple countries, while others will have more select coverage for strategic reasons. We constantly prioritize our activities, meaning that some patents and/or patent applications may be discontinued in one or more territories. Overall, intellectual property continues to be of great importance to Nuevolution and will remain a clear area of focus for the company.

TECHNOLOGY IPR

Over 16 years, Nuevolution has developed a number of proprietary technologies for synthesizing and screening large oligonucleotide-encoded libraries (e.g. DNA-encoded) and more than 200 patents have been granted to the company worldwide since 2001. Our oligonucleotide-encoded library patents cover thousands of patent claims, protecting multiple important aspects for the practicing of our technology. Numerous pending patent applications allow us to continue the filing of divisional and continuation applications thus offering protection for additional commercially relevant aspects in multiple territories.

Nuevolution's technology IPR position has been of significant value in leveraging our business position in numerous negotiations and, so far, has underlined its importance in the execution of 17 agreements in total and, to date, a total revenue stream of around SEK 525 million.

Besides seeking the granting of strong patents to support Nuevolution's activities, we also file third-party observations, file oppositions/interpartes reviews or enter into litigation procedures to limit others from having patents granted or to restrict the scope of other, potentially competitive, patents in the technology field.

During the 2016/17 fiscal year, the company successfully contested the granting of several competitor patents, while Nuevolution itself was awarded 5 important technology patent grants.

Nuevolution's technology IPR (total of 205 patents in force) broadly covers the following:

- Methods for the synthesis of oligonucleotide-encoded libraries including, for example
- Non-templated as well as templated procedures for library formation
- Enzyme-catalyzed ligation and chemical ligation of the encoding tag
- Composition of the nucleotide-encoding system (DNA, RNA, LNA, unnatural nucleotides etc.)
- Double-stranded and single-stranded encoding tags
- Covalently-linked and non-linked oligonucleotide encoding tags
- Use of combinatorics for efficient formation of encoding tags
- Methods for the screening of oligonucleotide-encoded libraries against therapeutically important targets and use of encoding features to eliminate PCR artefacts
- The composition (content) of oligonucleotide-encoded libraries such as, for example, small-molecule libraries, scaffolded-molecule libraries, macrocyclic-molecule libraries
- ...and much more...

Through our aggressive patenting strategy, we have secured a dominant position with optimal freedom to operate (FTO) the company's core technology while seeking to limit third parties in rightfully practicing it or from pursuing similar methods.

PROGRAM IPR

In combination with its increased focus on its own drug discovery programs, Nuevolution is increasingly transitioning its IPR investments from technology patents to investments in composition of matter/utility (product) patents and method of synthesis (method) patents to protect its pipeline products.

The company's future business opportunities will significantly benefit from achieving similarly strong patent protection for products and their synthesis to leverage attractive business terms in product out-licensing agreements, thereby maximizing the commercial and financial upside, as well as for supporting investments in proprietary clinical development programs.

Three patent applications (patent families) covering chemical matter and utility (pharmaceutical product patents) have been filed to date and additional applications will follow. Thirty (30) program patent applications went into the national phase during the year in 30 countries including in the US, Europe and Japan.

NUEVOLUTION'S PATENT PORTFOLIO

Nuevolutions patent portfolio comprises both granted patents as well pending patent applications, the various patent families as per June 30, 2017 are listed in the table on page 46.

The company's technology patent families will expire in 2023, 2026 and 2031 or later, if the patent term is extended. Three pharmaceutical product patent families will expire in 2035 or later, if extended and provided that the patent applications proceed to grant.

The increase in the number of issued and validated patents during the fiscal year is shown in parenthesis. As of June 30, 2017, Nuevolution had a total of 205 technology platform patents issued from nine different patent families in numerous countries throughout the world, corresponding to an increase of five patents during the year and 106 additional patents since the IPO in December 2015. This is a strong testimony to the company's solid technology patent position. Nuevolution applies a similarly ambitious IPR strategy regarding its product patents to maximize the value of its research and intellectual property rights (IPR) is an integral part of our overall business strategy.

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 and the Eastern High Court has allowed an appeal of the decision. The appeal case on this question is pending, and the high court is expected soon to define the scope of its review. The remainder of the case before the Danish Maritime and Commercial High Court is presently suspended awaiting the Eastern High Court's decision in the appeal.

A related case was filed in the US to avoid that Nuevolution would lose its litigation right in the US due to passivity. The US case has focused on having the US court determine if the US court or Danish court is the correct jurisdiction for determining US inventorship. The US court has decided that it wishes to await decisions by the Danish court, whereafter Nuevolution if still needed, may continue litigation in the US.

The court cases are expected to continue for a longer period of time.

Technology Patents	Brief Description	Registered Patents	Patent Applications
Family 1 (Technology)	Method of synthesis of compound library Compound library Method of screening compound library	44 (+1)	1
Family 2 (Technology)	Method of synthesis of encoded compound Method of synthesis of compound library Compound library Method of screening compound library	31	1
Family 3 (Technology)	Compound library Method of screening compound library	31	1
Family 4 (Technology)	Method of synthesis of encoded compound Method of synthesis of compound library Encoded compound Compound library Method of screening compound library	9	-
Family 5 (Technology)	Method of synthesis of compound library Method of screening compound library	1	-
Family 6 (Technology)	Method of synthesis of compound library Compound library Method of screening compound library	11	-
Family 7 (Technology)	Method of synthesis of encoded compound Method of synthesis of compound library Compound library Method of screening compound library	63 (+3)	7
Family 8 (Technology)	Method of synthesis of compound library Method of screening compound library	-	1
Family 9 (Technology)	Method of synthesis of encoded compound Method of synthesis of compound library Method of screening compound library	1	-
Family 10 (Technology)	Method of synthesis of encoded compound Method of synthesis of compound library Encoded compound Compound library Method of screening compound library	14 (+1)	4
Family 11 (Technology)	Method of synthesis of encoded compound Method of synthesis of compound library Encoded compound Compound library Method of screening compound library	-	4
Family 12 (Product)	Pharmaceutical product patent	-	20
Famliy 13 (Product)	Pharmaceutical product patent	-	30
Family 14 (Product)	Pharmaceutical product patent	-	30
Total		205	99

Nuevolution Staff

Meet the Team

The Dedicated and Skilled Staff

At Nuevolution, skilled scientists and business professionals from eleven nations have joined forces to fight severe diseases where current medication is inadequate.

The discovery of new medicines requires people with strong skills in multiple disciplines working closely together in a strictly coordinated manner. In the composition of our team, we have been and are looking for 'best-in-class' innovative, creative and ambitious people from all over the world who are best skilled to contribute to the company's objectives, which for us means successful discovery, development and commercialization of exciting programs with a current main focus being the search for efficacious and safe treatment of cancer and chronic inflammatory diseases.

Besides these objectives of delivering the best outcomes from our internal programs, our team also work with a high level of dedication to make sure that our partnerships will be and remain successful. Furthermore, we continue to make improvements and expansions to our proprietary drug discovery Chemetics® platform, which forms the unique cornerstone for us to discover and develop novel programs, supporting us in delivering on the promises that we make to ourselves and our shareholders.

We are always looking for people with a complementary set of skills and with multinational industrial drug development experience - Nuevolution 'houses' 11 nationalities – a team with high stamina that contributes with dedication. These are the colleagues with whom we love to celebrate when achievements are made. Our team is poised to take Nuevolution forward in its next value-creation steps, including in preparations for our own clinical development.

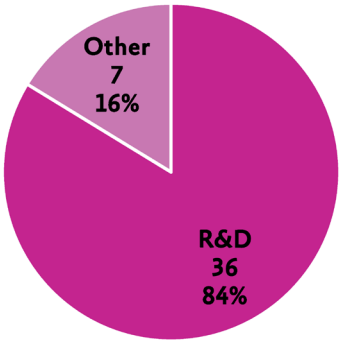
During this year, we received job applications from 204 people for positions we advertised. In addition, we received about 180 unsolicited applications. Together these show that Nuevolution is perceived as an interesting and exciting company to work for, something we treasure.

Nuevolution's experience is built upon people showing dedication, team spirit, know-how and perseverance, fitting into the international environment of the global biopharmaceutical industry in which the company operates. Currently, there are 43 full-time employees at Nuevolution, and, in addition 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.

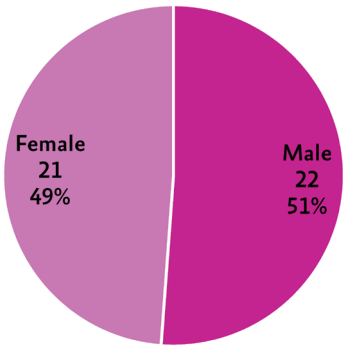
Nuevolution's executive management consists of four members and the company's Board of Directors has five members.

Although not part of the internal team, we consider our owners and shareholders, large and small, to be key co-players for making Nuevolution successful. Without their financial support and their interest in trading in our stock, our road to success would be much more challenging, and we are devoted to seeking value creation for our shareholders (as of June 30, 2017, we had 3,580 shareholders).

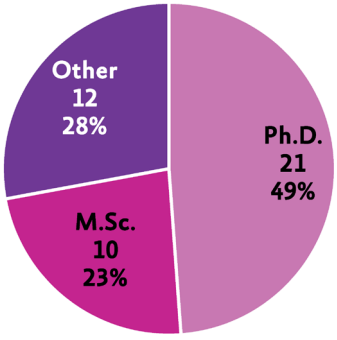
Organisation



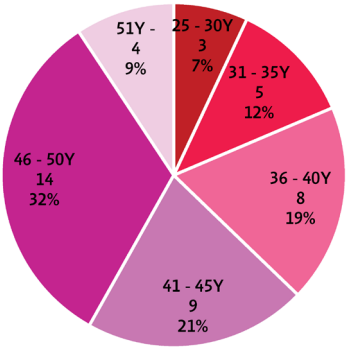
Gender breakdown



Educational background



Age structure



Note: The pie charts above are based on full-time employees

Board of Directors

From left to right:

Jutta Heim, Lars Henriksson, Jeanette Wood, Søren Lemonius, Stig Løkke Pedersen

Board of Directors

Stig Løkke Pedersen
Chairman of the Board (since 2001), Independent Member of Nuevolution's Nomination Committee, Audit Committee and Remuneration Committee

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

Experience: Stig has close to 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 and Broen-Lab A/S. He is also CEO of H&L Invest ApS and an Operational Partner in 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*

*In addition, Stig held 166,839 warrants with the right to subscribe for Class A shares in Nuevolution A/S as well as 71,502 warrants with the right to subscribe for Class B shares in Nuevolution A/S, which lapsed in July 2016.

Søren Lemonius
Member of the Board of Directors (since 2006), Investor Representative (Sunstone Life Science Ventures)
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. At Sunstone he focuses, among other areas, on diagnostics and therapeutics investments. Søren has 18 years' experience of corporate management in R&D-intensive companies, including having managed to introduce new analytical technologies as Innovation Manager at food diagnostics company FOSS Analytical. 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, 30-employee, venture-backed technology firm into a €27 million revenue, 300-employee listed company.

Current assignments: 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 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
Member of the Board of Directors (since 2015), Investor Representative (Industrifonden)
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 Calvinius AB.

Previous assignments: Board member of Trialbee AB (publ), Advanced MR Analytics AB, CellaVision AB (publ), Diashunt Intressenter AB, SHS In¬tressenter AB, BioInvent International AB. 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

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

Number of warrants: 0 (0)

Jutta Heim
Member of the Board of Directors (since 2013), Scientific Advisor to the Board, Independent
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 Ciba-Geigy/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 Board 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
Member of the Board of Directors (since 2015), Scientific Advisor to the Board, Independent
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„ Head of Biology at S*BIO Pte Ltd, and a number of leadership research roles within Novartis AG / Ciba-Geigy AG. 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, Director Nuevolution AB; Scientific Advisor to Idorsia Oncology Basilea Oncology, Cummulus, UK; and the Maurice Wilkins Centre for Molecular Biodiscovery.

Previous assignments: CSO at Genkyotex AG.

Number of shares: Industrifonden 0 (0)

Number of warrants: 69,279 warrants series 1.

REMUNERATION OF BOARD OF DIRECTORS AND MANAGEMENT

2016/17

TSEK	Base salary 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	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
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
Total	**8,634**	**1,708**	**3**	**242**	**12**	**10,599**

2015/16

TSEK	Base salary Directors' fee	Variable compensation	Share-based payments	Pension costs	Other social security costs	Total
Stig Løkke Pedersen, Chairman of the Board of Directors	188	0	3,672	0	0	3,860
Lars Henriksson, Board member	0	0	0	0	0	0
Søren Lemonius, Board member	0	0	0	0	0	0
Jutte Heim, Board member	101	0	611	0	0	712
Jeanette Wood, Board member	92	0	611	0	0	703
CEO	2,343	1,172	19,724	234	4	23,477
Other Executive Management (CSO, CBO and CFO)	4,770	1,003	7,188	0	8	12,969
Total	**7,494**	**2,175**	**31,806**	**234**	**12**	**41,721**

See also note 7 and 24.

Executive Management

From left to right:

Henrik D. Simonsen (CFO)
Ton Berkien (CBO)
Alex Haahr Gouliaev (CEO)
Thomas Franch (CSO)

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: 525 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 20) 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 Denmarks 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 13 and age 11.

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 17. 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 10 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.

Scientific Advisory Board

Dr. Peter Hirth
Entrepreneur

Scientist and Entrepreneur Dr. Peter Hirth was co-founder of Plexxikon, the company that gained its successes through the pioneering work within fragment based drug discovery, which resulted in the development of several NCEs in a variety of indications. Most known in Plexxikon's portfolio was the successful development and launch of Zelboraf for the treatment of patients with BRAFV600E mutation-positive inoperable or metastatic melanoma. Plexxikon was acquired by Daiichi Sankyo in 2011. Prior to Plexxikon, Dr. Peter Hirth was CEO at SUGEN, a company that was active in the successful clinical development of several kinase inhibitors within oncology. SUGEN was acquired by Pharmacia & Upjohn, Inc. in 1999 where Dr. Peter Hirth served as President until 2000. He has also been Vice President in research at Boehringer Ingelheim. Dr. Peter Hirth holds a PhD in molecular genetics at the University of Heidelberg, Germany, following the completion of his post-doctoral work at the University of California and then as a research scientist at the Max Planck Institute.

MD Gordon B. Mills, PhD
Department Chair, Dept. of Systems Biology, Division of Basic Science Research, The University of Texas MD Anderson Cancer Center
Dr. Gordon B. Mills was recruited to The University of Texas MD Anderson Cancer Center in 1994, where he holds the rank of Professor with joint appointments in Systems Biology, Breast Medical Oncology and Immunology. Dr. Gordon B. Mills serves as chairman of the Department of Systems Biology and the Wiess Distinguished University in Cancer Medicine. Dr. Gordon B. Mills founded the Department of Systems Biology at the MD Anderson Cancer Center which was the first Cancer Systems Biology Department and the second Systems Biology Department in the US. Dr. Gordon B. Mills holds director positions at the Kleberg Center for Molecular Markers, the Sheikh Zayed bin Sultan Al Nahyan Institute for Personalized Cancer Therapy and the Women's Cancer Moonshot. Dr. Gordon B. Mills has published more than 700 papers on the molecular analysis of cancer and is listed as one of the most cited and influential scientists, has an H index over 100 and holds more than 20 patents related to novel technologies and molecular markers. He currently sits on the scientific advisory boards of multiple companies and venture capital groups.

Prof. Paul Workman
Chief Executive and President of The Institute of Cancer Research (ICR)

Prof. Paul Workman is CEO and President of The Institute of Cancer Research (ICR). He is a Biochemist and Cancer Pharmacologist by training and he has worked at a number of academic institutions including Cambridge University, Stanford University and the University of Glasgow, before moving to AstraZeneca, Alderley Park, as Head of the Cancer Bioscience Section in 1993. In 1997, Prof. Paul Workman joined ICR in London to build the Cancer Research UK Cancer Therapeutics Unit (CTU). Under his leadership at CTU, the Unit has identified 16 preclinical drug candidates over the last six years, has progressed six of its drugs into Phase I clinical trials in ICR's partner Royal Marsden Hospital, and has seen its prostate cancer drug approved by the US FDA and the European Medicines Agency and successfully launched. Prof. Paul Workman also co-founded two successful biotech companies, Piramed Pharma and Chroma Therapeutics. Prof. Paul Workman has received many scientific achievement awards including the American Association of Cancer Research Team Science Award in 2012 and Cancer Research UK Translational Cancer Research Prize in 2013. In addition, he has received both the Sosnovsky Award in Cancer Therapy (2010) and the World Entrepreneur of the Year Award (2012) from the Royal Society of Chemistry. Prof. Paul Workman has published over 470 research articles and edited several books and journal issues on cancer drug development.

Sir Prof. Marc Feldmann
Kennedy Institute of Rheumatology

Prof. Marc Feldmann is a world-renowned immunologist at the University of Oxford where he is Head of the Kennedy Institute of Rheumatology and leads the Cytokine and Cellular Biology section. He graduated with an MBBS degree from the University of Melbourne in 1967. After an internship at St Vincent's Hospital, he earned a PhD in Immunology in 1972 under the supervision of Sir Gustav Nossal at the Walter and Eliza Hall Institute of Medical Research, thereby focussing on the optimization of the immune responses in tissue culture. He is recipient of numerous honours and awards, such as the Crafoord Prize of Royal Swedish Academy, and over the years and he has pioneered the work on the development of antibodies against TNFα for the treatment of rheumatoid arthritis (RA). In 2007, Prof. Marc Feldmann was awarded The European Patent Offices 'European Inventor of the Year' in the Lifetime Achievement category. Prof. Marc Feldmann has authored over 600 published papers and was knighted in the 2010 for his services to medicine.

Prof. Dr. Robert Lefkowitz (Nobel Laureate, Chemistry, 2012)
Investigator at the Howard Hughes Medical Institute

Dr. Robert Lefkowitz is presently Investigator of the Howard Hughes Medical Institute and James B. Duke Professor of Medicine and professor of biochemistry and chemistry at Duke University Medical Center. His research is concerned with the molecular properties and regulatory mechanisms that control the function of plasma membrane receptors for hormones and drugs under normal and pathological circumstances. The Royal Swedish Academy of Sciences awarded the Nobel Prize in Chemistry for 2012 to Dr. Robert Lefkowitz, for his research within the field of G-protein–coupled receptors. Dr. Robert Lefkowitz was an undergraduate at Columbia College from which he received a Bachelor of Arts Degree in 1962. He graduated from Columbia University College of Physicians and Surgeons in 1966 with an M.D. Degree. After serving an internship and one year of general medical residency at the College of Physicians and Surgeons, he served as a Clinical and Research Associate at the National Institutes of Health from 1968 to 1970. From 1970 to 1973 he was at the Massachusetts General Hospital in Boston where he completed his medical residency and research and clinical training in cardiovascular disease. Upon completing this training in 1973, he was appointed Associate Professor of Medicine and Assistant Professor of Biochemistry at the Duke University Medical Center. In 1977 he was promoted to Professor of Medicine and in 1982 to James B. Duke Professor of Medicine at Duke University. He has been an Investigator of the Howard Hughes Medical Institute since 1976 and was an Established Investigator of the American Heart Association from 1973-1976.

Prof. MD Mark C. Genovese
Stanford University Medical Center

Dr. Mark C. Genovese serves as a Professor of Medicine and Co-Chief of the Division of Immunology and Rheumatology at Stanford University Medical Center. Dr. Mark C. Genovese established a clinical research program at Stanford University that is focused on bench-to-bedside translational medicine in autoimmune diseases and has designed and participated in many trials investigating novel therapies and therapeutic strategies for the treatment of autoimmune disease and arthritis.

Prof., DVM, PhD Ron J Marler
Mayo Clinic, Toxicology/pharmacology

Prof. Ron J. Marler is Consultant and Professor of Molecular Pharmacology and Experimental Therapeutics, Director, Laboratory Animal Resources and Histology at the Mayo Clinic in Phoenix, Arizona. Dr. Marler has 32 years of pharmaceutical research and product development experience. His pharmaceutical product development experience includes project team management of early-stage pharmaceutical portfolios; preclinical pharmaceutical development; and in-licensing and out-licensing product management. Dr. Marler also has extensive experience in developing preclinical and proof-of-concept development programs for virtual and small pharmaceutical companies; and extensive FDA interactions in support of pre-IND, IND and NDA submissions. His academic career has included technology transfer negotiations, development of a center of excellence, foundation development leadership and academic-industry liaison roles.

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 July 1, 2016 to June 30, 2017. 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). Oveun AB (dormant subsidiary) was disposed during 2016/17.

Operations

Nuevolution AB (publ), listed on Nasdaq First North Premier in Stockholm, 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 drug candidates for indications within inflammation and oncology. The Company has a portfolio of programs for internal development and for out-licensing, and pursues risk-sharing/pre-sale drug discovery collaborations.

Key events during the financial year

During 2016/17, we saw tremendous progress and significant scientific achievements in our drug discovery programs and with our Chemetics®platform, our existing collaboration with Janssen Biotech was expanded and we entered into two new collaborations. First, our most progressed program, the anti-inflammatory program targeting the RORγt inhibitor, was partnered with Almirall in December 2016 for dermatology and psoriatic arthritis. Second, in October 2016, Nuevolution entered into a multi-target collaboration with Amgen: two of the programs in this collaboration have already obtained in-vitro proof-of-concept (PoC).

In December 2016, Nuevolution, together with Professor Kristian Helin of the Biotech Research and Innovation Centre (BRIC) at the University of Copenhagen, received a three-year grant from Innovation Fund Denmark to pursue discovery and development of therapeutics directed towards specific cancer types for which there is currently no efficient treatment.
In February 2017, Nuevolution announced the successful production and validation of a Chemetics® library containing 40 trillion (40,000,000,000,000) compounds, which most likely constitutes the largest synthetic compound collection in the world.

RORγt INHIBITOR PROGRAM (INFLAMMATION)
While Almirall and Nuevolution collectively progress their joint RORγt inhibitor program within dermatology, Nuevolution is aggressively pursuing novel applications for the RORγt inhibitor in other inflammatory diseases of high unmet medical need. During the year, we conducted several standard mouse model studies of inflammatory bowel disease with positive outcomes.

It is our objective to complete studies for the potential next indication for our RORγt program during 2017. Provided that these studies continue to prove successful, we may subsequently pursue either out-licensing of the program or retain it for our own internal development – both options are in line with our overall business strategy.

In the Almirall collaboration, Nuevolution received an upfront payment of EUR 11.2 million (SEK 109 million) and is furthermore eligible to receive development and regulatory milestone payments of up to EUR 172 million (SEK 1.7 billion) and tiered commercial sales milestones of up to EUR 270 million (SEK 2.6 billion), upon achievement of specified research, development and commercial milestones. Nuevolution is further entitled to receive tiered royalties on future net sales.

BET BROMODOMAIN INHIBITOR PROGRAM (INFLAMMATION) – FIRST-IN-CLASS
Nuevolution's BET bromodomain inhibitors are potent and selective for the first bromodomain of the BET family of proteins. The increased selectivity of our compounds translates into reduced toxicity compared to non-selective inhibitors, leading to a first-in-class and unique anti-inflammatory profile. In 2016/17, we extensively tested NUE7770, one of our BET bromodomain selective inhibitors, in several animal models representative of human inflammatory diseases. During the year, we completed testing of NUE7770 in two lupus models (a chemical model and a genetic model) – both with successful outcomes.

During the year, we also tested NUE7770 in two other disease models, a rheumatoid arthritis model and an idiopathic pulmonary fibrosis (IPF) model. The compound showed dose-dependent efficacy in a collagen-induced arthritis (CIA) inflammatory mouse model, on par with an antibody against the pro-inflammatory cytokine IL-17A. This data supports the efficacy of NUE7770 in Th17-related diseases.

The results obtained in the IPF mouse model support the potential utility of selective BET bromodomain inhibitors in fibrotic diseases such as potentially systemic sclerosis (scleroderma) and osteoarthritis. Thus, a study with NUE7770 in a mouse model of scleroderma has been initiated.

The unique safety profile of NUE7770 has been demonstrated in a two-week non-GLP toxicology study and in a 750 cytotoxicity (cancer) cell line profiling.

It is our objective to reach the conclusion for the optimal indication for our selective bromodomain inhibitor program during 2017. Provided that the studies remain successful, we may then pursue either out-licensing of the program or retain it for our own internal development – both options are in line with our overall business strategy.

RORγt AGONIST PROGRAM (IMMUNE STIMULATION, ONCOLOGY)

In the RORγt agonist program, we have obtained compounds exhibiting strong RORγt stimulation and showing dose-dependent production and secretion of IL-17A, supporting the expected mechanism of action. We have selected one compound for upscaling before conducting pharmacokinetic (PK) testing for in-vivo stability. Following confirmation of acceptable PK properties, a compound will be selected and tested in one or more syngeneic cancer xenograft models, both as monotherapy and in combination with relevant checkpoint inhibitors.

We expect to report further on the RORγt program in the second half of 2017.

CYTOKINE X PROGRAM

During 2016/17, we identified potent small molecules capable of inhibiting the function of the cytokine in cell signaling and generated multiple X-ray co-crystal structures to guide the further optimization of the lead compounds. During the year, we tested several such compounds and were able to show in-vivo efficacy and proof-of-concept in mouse models relevant enough for the human disease to be addressed in the clinic. We are continuing our optimization efforts within the program and are fully committed to aiming to develop first-in-class small molecules for this important disease target.

GRP78 INHIBITOR PROGRAM

The GRP78 program is a project being conducted in a collaboration between Nuevolution and Cancer Research Technology (CRT, UK) and the Institute of Cancer Research (ICR, UK). During 2016/17, we identified compounds with improved properties and high potency, and these are currently being tested by CRT/ICR in cancer cell lines to show their effect on relevant biomarker responses consistent with GRP78 inhibition. In the fourth quarter of 2016/17, Nuevolution paused its compound optimization activities, while CRT/ICR commenced biological testing on the compounds Nuevolution had identified as having improved properties.

We expect to be able to give an update on the GRP78 program when the cancer cell panel activity data are available in the second half of 2017.

EARLY DISCOVERY PROGRAMS

We are currently conducting investigations on more than ten additional targets at various stages of early drug discovery, ranging from screening to hit validation and early hit optimization studies. The ongoing programs span the therapeutic areas of cancer/immuno-oncology and inflammation, including key proteins with well-established disease linkages, as well as intriguing new targets offering novel approaches for disease treatment.

We expect to provide cell-based proof-of-concept for at least one internal program by the end of 2017.

AMGEN COLLABORATION

Our multi-target collaboration with Amgen was initiated in October 2016 and in the third quarter of the fiscal yearwe obtained in-vitro proof-of-concept (PoC) in one of these programs. The program is continuing to make good progress, while an additional program, which was previously part of Nuevolution's internal pipeline and also reached cell-based proof-of-concept in the third quarter of the fiscal year, was scheduled to enter optimization in the fourth fiscal quarter as an internal program. However, as Amgen was particularly interested in this program, we transferred it to the Amgen collaboration, thereby securing a potential future licensee. Additional targets that are being studied as part of the Amgen collaboration entered screening in 2016/17, and we expect to report further on these projects as they progress during 2017/18.

Amgen has an exclusive option to obtain all rights to successfully developed programs. Nuevolution is eligible to receive a license fee payment upon option exercise and milestone payments upon achievement of specified research, development and commercial milestones, amounting up to USD 410 million (SEK 3.5 billion) per target. Nuevolution would also be entitled

to receive royalties on future sales. Additional financial details are not being disclosed.

JANSSEN BIOTECH COLLABORATION

During 2016/17, we expanded our partnership with Janssen Biotech with the addition of a new target, triggering a technology access fee of USD 600,000 (SEK 5.45 million).We expect that some of the ongoing projects in the collaboration will have successful outcomes and we will report further on projects as they progress during 2017/18.

BRIC COLLABORATION

In December 2016, Nuevolution and BRIC (Biotech Research and Innovation Centre) entered into a three-year collaboration to pursue the discovery and development of precision therapeutics directed towards specific cancer types for which there is no efficient treatment. Together with the world-renowned group of Professor Kristian Helin at BRIC, University of Copenhagen, we received a grant from Innovation Fund Denmark (IFD) to pursue the identification of novel medicines for a group of methylases named NSDs representing key enzymes in a number of leukemias. The grant was awarded in acknowledgement of the unique and complementary competencies represented by Nuevolution and Professor Helin's world-class research group within epigenetic (gene expression regulating) enzymes.

Nuevolution's first library screens against NSDs were initiated in the fourth quarter of the fiscal year, and we expect to continue screening throughout 2017 as well as to report the first data from the program later in the year.

The three-year project has a total budget of DKK 24.4 million (SEK 31.6 million), in which Innovation Fund Denmark contributes DKK 16.4 million (SEK 21.3 million) in financial support to the parties involved. Nuevolution will contribute with in-kind investments and is to receive up to DKK 5.2 million (SEK 6.7 million) in funding over the project period. The funding is only guaranteed if the project is not terminated prematurely, which in turn depends on its progress. Furthermore, Nuevolution will have the lead in commercializing the project results.

CHEMETICS® BREAKTHROUGH

In 2016/17, we greatly expanded our collection of compounds available for screening drug targets. In February 2017, Nuevolution announced the successful production and validation of a Chemetics® library containing 40 trillion (40.000.000.000.000) compounds. This library most likely constitutes the largest synthetic compound collection in the world. The 40 trillion (40T) library was assembled from the use of tens of thousands of individual fragments (building blocks), thereby introducing unprecedented chemical diversity. The power of Nuevolution's technology, and of this library in particular, was illustrated by the benchmark library validation screening of HIV protease, which provided compounds with extraordinarily high binding affinity to the protease target while also having very attractive compound properties compared to those of currently marketed drugs. We are excited about the data and will present further data on the HIV protease compounds later in 2017.

In addition, the Nuevolution library team produced five other libraries with diverse scaffolds and chemical compositions totaling more than 10 billion new small molecules. All these novel libraries produced during 2016/17 are now in service and are providing high value for our programs.

SCIENCE PR

In 2016/17, Nuevolution presented its programs and its Chemetics® technology platform at a number of venues and through several press releases and announcements. Two scientific articles by Nuevolution were published in high-standard peer-reviewed journals and the company presented its scientific progress in multiple events and prestigious scientific conferences during the year

Events after the end of the financial year

No significant events of importance to the consolidated financial statements have occurred since 30 June 2017.

Organization and employees

At the end of fiscal 2016/17, the Board of Directors consisted of the Chairman Stig Løkke Pedersen and Directors Lars Henriksson, Søren Lemonius, Jutta Heim and Jeanette Wood. Executive management consists of CEO Alex Haahr Gouliaev, CSO Thomas Franch, CBO Ton Berkien and CFO Henrik Damkjær Simonsen.

There were 47 full-time equivalents (FTEs) as per June 30, 2017 as compared with 44 FTEs as per June 30, 2016.

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 Protection 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).

Risk factors

Nuevolution's business is influenced by a number of risk factors that may impact the company's earnings and financial position, some of which cannot be controlled by the company at all or in part. The sections below describe the risks and is not to be considered exhaustive and complete for all the risks the company may be faced with and the risks described are not presented in any order of significance. Not all risk factors or potential risk factors are described here.

DRUG DEVELOPMENT

Nuevolution's operations are subject to risks related to drug development. These include risks related to using Nuevolution´s drug discovery platform, risks in relation to the development of new product candidates e.g. through delays in pre-clinical and clinical development, and risks related to obtaining the necessary market approvals prior to product launches (or risks that are related to licensing programs to third parties). The aforementioned factors could have negative consequences for the company's business, financial position and results of operations.

In addition, the number of programs currently being pursued by Nuevolution is relatively small, which means that a setback in an individual project could affect the company significantly. There is also a risk that the development of products is delayed compared to the expected timelines, which could also negatively affect Nuevolution's performance.

PRE-CLIICAL AND CLINICAL STUDIES

Nuevolution is currently conducting pre-clinical studies and may soon conduct clinical studies for a number of candidate drugs. Outcomes from such studies may be unforeseen and undesirable and, accordingly, the company's forecast expenses for such studies and income from product partnerships, resulting from positive study outcomes, are associated with a high degree of uncertainty. Unforeseen outcomes of studies may also force a re-evaluation of the project, which implies that new or complementary studies may be needed with additional costs, or it may lead to termination of studies. This can entail a delayed product launch, which could have a negative impact on the company's expected rate of expansion, results of operations or financial position. The company may be adversely affected if Nuevolution or collaboration partners fail to adequately demonstrate the safety and efficacy of a pharmaceutical product in pre-clinical or clinical studies. Clinical setbacks may lead to failure to obtain approval from regulatory authorities or failure to ensure commercialization, resulting in reduced or zero cash flow from such projects. There is a risk that collaboration partners conducting clinical studies are unable to maintain the clinical and regulatory quality required for future regulatory approval. Furthermore, there is a risk that the regulatory authorities do not consider the clinical studies to be sufficient for regulatory approval. The materialization of any of these risks could have negative consequences for the company's business, financial position and results of operations.

ADVERSE EVENTS

Nuevolution's product candidates may cause undesirable side effects or have other properties that delay or prevent their approval by the regulatory authorities, thereby possibly limiting their commercial potential. There is a risk that patients participating in clinical trials of Nuevolution's product candidates may be affected by adverse events. The consequences of such potential adverse events may delay or halt continued product development and inhibit or prevent the commercial use of products at a later stage and thereby affect Nuevolution's sales, results of operations and financial position. Furthermore, the industry in which Nuevolution operates involves a certain degree of operational risk, such as working with chemicals, which may occur notwithstanding procedures implemented to address such risks. These hazards can cause severe damage to equipment, personal injury, or in the worst case, death, which could lead to suspension of operations and large damage claims and, in extreme cases, criminal liability. The result of any such adverse events as set out above could lead to legal implications whereby Nuevolution may become liable for damages, which could have a materially adverse effect on Nuevolution's reputation and business.

SUPPLIERS

There is a risk that current or future suppliers do not fully satisfy the company's quality requirements or otherwise fail to meet the company's needs. If existing collaborations prove unsatisfactory or collaboration agreements are terminated, the company may be forced to seek other suppliers, which may prove more costly and/or take longer than the company currently expects. Such a scenario may negatively affect the company's operations and earnings.

COLLABORATIONS AND OUT-LICENSING

Nuevolution is and will remain dependent on collaborations relating to out-licensing of drug programs to partners that will run clinical studies and will aim for marketing and sales of pharmaceuticals in the future. There is a risk that no agreements or collaborations can be achieved or that collaboration partners fail to fulfill their undertakings successfully. To a high degree, the company's operations are dependent on collaborations with other parties for the development of products, as well as the commercialization of such products. The failure of the establishment of collaboration agreements to materialize, or partners being unsuccessful in bringing a pharmaceutical product to market, may lead to reduced or absent revenue for Nuevolution, which could have negative consequences for the company's business, financial position and results of operations.

REGULATORY APPROVALS AND REGISTRATION

Nuevolution's business is affected by laws, governmental regulations and industry standards. In order to market and sell a pharmaceutical product, approvals must be obtained from the relevant authorities in each geographic market, such as the FDA (Food and Drug Administration) in the US, the EMA (European Medicines Agency) in Europe and other national regulatory bodies. In the event that Nuevolution or a partner company is unsuccessful in obtaining the required approvals from the relevant authorities, Nuevolution may be adversely affected in the form of reduced or zero income payments. The rules and interpretations that currently apply in the drug approval process may change in the future, which may affect the company's ability to comply with such different regulatory requirements. Approved products or product registrations may be withdrawn after having been obtained by the company or collaboration partners. Accordingly, changes to regulations, withdrawn approvals and registrations, and regulatory decisions may have a negative effect on Nuevolution's potential revenues and the company's financial position.

KEY PERSONNEL

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. There is a risk that such ability may not be secured due to competition from other pharmaceutical and biotechnology companies, universities or other institutions, which could have negative consequences for the company's business.

COMPETITION

The market in which Nuevolution operates is characterized by global competition through rapid technological development as well as pharmaceutical product development. Nuevolution's competitors include, among others, major pharmaceutical companies, biotechnology companies and other companies active in the health care sector. Several of these competitors have significantly larger financial and other resources than Nuevolution.

Competitors may develop products that are more efficient, affordable or practical, or may benefit from patent protection or have achieved earlier and swifter commercialization of products than is the case for Nuevolution. There is a risk that the company's pharmaceutical products will be competing with similar products in the market or that entirely new or alternative products prove superior. If the company is unable to compete successfully, revenues or profits may decline. The manifestation of any of the above risks could have an adverse effect on the company's business, financial condition and results of operations.

PATENTS, OTHER RIGHTS AND TRADE SECRETS

Nuevolution's future success also depends on the company's ability to obtain and maintain patent protection for potential products and for the company' proprietary Chemetics® drug discovery platform, as well as on the ability to hold both the company's and partners' collaboration information confidential, thereby preventing others from using the company's inventions and protected information. There is a risk that an employee could achieve success with such proceedings in cases where the employee's employment contract does not include the required agreements that intellectual property created under employment should be transferred to the company. The company is dependent on ensuring that trade secrets that are not covered by patents or other intellectual property rights can also be protected, including, among other information, information regarding inventions for which patent applications have not yet been filed. The employees of the company and the company's collaborative partners are normally subject to confidentiality undertakings, but there is always a risk that someone who has access to information of great value to the group disseminates or uses the information in a way that makes it impossible for the company to obtain a patent or otherwise damages the company from a competition perspective, which may have a negative effect on the company's business and financial position.

Furthermore, Nuevolution's product candidates are eventually developed, among other ways, through literature research, expertise contributed by members of the company's advisory panel or through collaboration with strategic partners. Candi-

date programs are developed through internal discovery and pre-clinical research efforts based on input from, for example, Nuevolution's scientific advisory board. Programs can be developed in partnerships or on a stand-alone basis, the latter where programs are fully owned by Nuevolution. There is a risk that Nuevolution may develop products that cannot be patented, that pending patents, through applications, will not be granted, or that granted patents will not be sufficient to protect Nuevolution's rights. There is also a risk that patents will not bring a competitive advantage for the company's products and that competitors will be able to bypass the company's patents. If Nuevolution is forced to defend patent rights against a competitor due to, for example, infringement of intellectual property rights, this can entail considerable costs, which will affect Nuevolution's financial position.

If Nuevolution's research develops substances or methods that are patented, patent pending or protected by other rights, these patents or other rights could be challenged by third parties, which may impact Nuevolution's Intellectual Property Rights (IPR) position. Third-party rights could prevent Nuevolution or any of Nuevolution's license partners from freely using a licensed substance, method or technology, which may result in Nuevolution being burdened with substantial costs and liability or possibly being forced to stop or restrict product development and commercialization of one or more of the company's products. If IPR limitations impact Nuevolution or any partnership, the impact will affect future revenue income. If Nuevolution infringes certain IP rights of other companies, or vice versa, the result could be litigation, which could have a negative effect on Nuevolution's financial position, even if the outcome of such a process were in favor of the company. Nuevolution and the company's partners can also be forced to acquire a license in order to continue manufacturing or forced to sell the product. It is not certain that such licenses are available at reasonable (financial) terms or available at all.
There is a risk that patents granted do not provide long-term protection when opposition or other invalidity claims against issued patents can be made after the grant of the patents. The consequence of such processes may result in granted patents being curtailed, for example, by limiting their scope or that a patent is made invalid. The outcome of an opposition procedure may be appealed, which means that the final outcome of the opposition is difficult to predict.

PRICING OF PHARMACEUTICALS

Nuevolution's business model involves, among others, the out-licensing of pharmaceutical products. General trends relating to the pricing of pharmaceuticals lie outside the company's control. In the event that pharmaceutical prices decline generally, there is a risk that this will have a negative effect on Nuevolution's earnings ability. In some countries, the pricing of pharmaceuticals is determined by regulatory authorities and the pricing of a new pharmaceutical product launched in a specific country may be regulated by pricing authorities or organizations that have control over reimbursement of pharmaceutical products. In the event of regulatory intervention, pricing policies lie outside Nuevolution's control. Accordingly, there is a risk that the pricing of the company´s products may be lower than expected by the company's management or Board of Directors. Such pricing events may have negative consequences for the company's operations and earnings.

ACCESS TO MEDICINE

In some countries, access to a new medicine may be impeded by restrictions set up by the authorities, insurance companies, health care payers or other organizations, such as the National Institute for Health and Care Excellence (NICE) in the United Kingdom or GKV-Spitzenverband, the German national association of statutory health insurance funds. In the US, increased co-pays (patients' out-of-pocket expenses) can impact negatively on the use of medicines and could therefore have a negative effect on the company's operations and earnings.

Risk management

The operating company of Nuevolution AB (publ) is Nuevolution A/S, based in Copenhagen, Denmark. All of Nuevolution's R&D and administrative activities are located here, however, a significant proportion of the company's R&D is subcontracted to contract research organizations (CROs) in Europe, the US, India and China. The use of CROs gives Nuevolution significant flexibility for scaling up or scaling down activities, in line with our R&D priorities, and it enables us to carefully control cash consumption.

Nuevolution is exposed to different risks, some of which are beyond the control of the company. External financial risks, such as interest and currency rates and policies impacting the end markets for the company's development programs, cannot or can only partly be mitigated, whereas other risks can be controlled by the company. The following table summarizes the key risks for Nuevolution and how we seek to mitigate such risks.

Risk area	Risks	Management
Business	**Partners:** for biotechnology companies, the time spent on finding a collaboration partner. The time required to lose the partnership is difficult to quantify accurately and the costs involved can be substantial	First, we seek to mitigate partnering risks by pursuing two different partnering models: 1. Program licensing and 2. Risk-sharing/pre-sale collaboration. The risk-sharing pre-sale collaboration in particular lowers the business risk because the business partner is already 'signed up' when program activities commence. Our business strategy, strongly supported by our drug discovery platform, seeks to shorten the time-to-deal (i.e. time for a program to reach the deal stage) to two-and-a-half to four years for internal programs, whereas many biotechnology companies apply a time-to-deal model of up to six to eight years. By partnering at an early stage – pre-clinical, Phase I or Phase I/II – the company limits the development costs incurred.
	Therapeutic areas: the medical need is significant for some diseases, while well addressed for other diseases	Nuevolution focuses on therapeutic areas with high unmet medical need. This is likely to attract more potential collaboration partners/licensees. Such high unmet need exists in oncology and chronic inflammatory diseases, the company's core therapeutic segments. In these areas, deal-making is also possible during the pre-clinical stages of a program.
	Competition: many pharmaceutical and biotechnology companies are active in oncology and may pursue the same targets that Nuevolution pursues	We aim to be first or among the first to pursue specific targets. In other programs, we select the target because known compounds have issues, and for these we aim to become best-in-class.
Science	**Therapeutic areas:** the predictability of animal models for human disease varies	Animal models within oncological and inflammatory diseases, the two therapeutic areas of our focus, often have reasonably good predictability, i.e. mimicking the human diseases, thereby reducing the (scientific) development risk.
	Pre-clinical development risk: the attrition rate in discovery (target-to-hit, hit-to-lead and lead-to-candidate) is significant. Moreover, significant financial loss may be incurred, when programs are halted or discontinued late in the discovery process	Our Chemetics® platform seeks to mitigate several discovery and development risks compared to conventional small-molecule platforms and technologies. The Chemetics® platform enables DNA-encoded synthesis of trillions of chemically diverse (different) drug-like small-molecule compounds and optimization of multiple hits (hundreds of analogs synthesized and purified per month) in contrast to conventional high-throughput methods. This shortens pre-clinical development time, lowers development costs, and increases success rates. We develop several programs in parallel ('multiple shots at goal'), in contrast to other biotechnology companies, mitigating the company's risk from a shareholder perspective by offering more options for creation of success. We strive to discontinue or halt development of programs early if we are faced with major issues. The company's Science-Business group, which comprises the executive management, the heads of chemistry and biology, project leaders and the head of early discovery, meets every quarter to review all internal programs in development. In 2016/17, 12 programs were discontinued or put on hold, on par with 2015/16, and replaced by new programs. Bi-annually, the company's CSO, heads of chemistry and biology, project leaders and the head of early discovery meet the company's R&D Committee as well as the group's external scientific advisors to review all internal development programs. Internal development programs are pre-promoted to potential partners at an early stage in order to get an indication of the partner's interest. A program may be halted or discontinued if Nuevolution finds that it creates little partner interest.

Risk area	Risks	Management
	Certain oncology and inflammation targets are (notoriously) challenging	Chemetics® has led to hits (chemical compounds for optimization) for several highly challenging biologic targets where other technologies have failed. This does not imply that there is a guarantee of success, but means that the chances for being successful are improved.
Intellectual property	**Patents:** other parties may try to limit our freedom to operate or try to limit our product and technology exclusivity	Nuevolution spends SEK 9-10 million annually on patents to protect Chemetics® and internal development candidates. The company continues to file and prosecute patent applications to protect Chemetics® and our internal development candidates. We file third-party observations or oppositions to limit others from having their claims granted. We apply strict confidentiality standards when engaging with potential collaboration partners.
Financial	Dependence on a small number of programs may generally result in binary outcome, high risks and a costly development path, thereby increasing the **risk of the need for refinancing**	Nuevolution's strategy is 'multiple-shots-at-goal'. We therefore aim to avoid depending on one or a few development programs for success by performing the parallel development of several programs in the discovery and pre-clinical stages) to maximize our means of generating revenue and limit the need for refinancing.
	Risks of **timely delivery** of pre-clinical and clinical results may increase the need for additional funding	It is a main objective of the company to maintain investor and creditor confidence, aim for revenue generation through licensing and drug discovery collaborations, and pursue the 'multiple-shots-at-goal' strategy.
	Exposure to **various financial risks**, such as currency exposure and changing interest and currency rates	The group incurs income and expenses in several currencies, but mainly in Danish kroner, US dollars and euros, and changes in these currencies may affect the group's results and cash position in Swedish krona. We monitor trends and fluctuations in these currencies closely. The group does not apply financial instruments to hedge these risks. All of the group's cash is placed in cash deposits; these are currently placed at a slightly negative interest rate.

During 2016/17, Nuevolution's management took major steps to reduce risk. The **Business risk** was reduced significantly during the fiscal year, as the company signed a program licensing deal with Almirall for the RORγt inhibitor program and a multi-target drug discovery collaboration with Amgen. In these partnerships, certain activities will be conducted under the full responsibility of the partner, which also includes investments fully covered by the partner. This means that the risks associated with the investments made by our partners will not directly impact Nuevolution if these investments do not provide a positive outcome return. By sharing certain program risks with a partner, Nuevolution limits its risk exposure while maintaining sufficient upside in its partnerships.

The **Science risk** was reduced as several of the company's lead programs progressed and reported promising study results during 2016/17, and the breakthrough for Chemetics®. This includes positive in-vivo results for disease indications outside the Almirall collaboration in the RORγt inhibitor program, positive in-vivo and in-vitro results in the Bromodomain BET BD1 selective inhibitor program, and promising in-vitro results in the RORγt agonist program. While we are obtaining positive results in our studies, overall value increase of our program applies, which means that programs developed by Nuevolution may result in other parties being interested in forming a partnership with Nuevolution. Such interest may end up in partnering payments to Nuevolution. In our drug discovery activities, the 40 trillion Chemetics® library significantly enhances our ability to find hits for existing and novel targets and these hits can be further developed into attractive drug candidates.

Intellectual property risks - It is our objective to secure and defend a strong and dominant patent position for our technology platform by maximizing our field of exclusivity through the granting of patents to Nuevolution. During 2016/17, we had five additional patents granted, increasing our portfolio of granted patents to 205 patents from 11 patent families. We currently have 19 further technology platform patent applications in prosecution.

We have three patent families covering our Drug Discovery and Development programs. In 2016/17, these entered the national phase in multiple countries; in total, 80 product patent applications are pending.

It is also our objective to limit other competitor companies

from having their patent applications granted, thereby eliminating or significantly reducing their field. During 2016/17, we successfully pushed a number of competitor patent applications backwards by having the patent authorities consider our arguments, leading to a rejection of patent claims on file by such competitors, through the filing of several Third Party Observations to patent authorities.

The company's **Financial risk** at the end of fiscal 2016/17 was slightly higher than at the end of the prior fiscal year, as the cash and cash equivalents decreased by SEK 26.4 million to SEK 179.6 million, primarily due to the net loss of SEK 25.5 million. Importantly, the company received an upfront payment of EUR 11.2 million (SEK 109 million) in the Almirall agreement and a technology access fee payment of USD 600,000 (SEK 5.45 million) from the Janssen Biotech partnership, which mitigated the worsening of the financial risk.

Financial review

REVENUES

Consolidated revenues for 2016/17 jumped to SEK 120.3 million from SEK 21.3 million in 2015/16. Revenues from upfront and milestone payments amounted to SEK 119.9 million in 2016/17, largely stemming from Almirall and Janssen Biotech, compared with SEK 20.7 million in the prior financial year, mainly coming from the collaborations with Novartis and Janssen Biotech. Income from government grants amounted to SEK 0.2 million in 2016/17 (zero in 2015/16), all related to the BRIC collaboration and grant from Innovation Fund Denmark. Reimbursement income of SEK 0.3 million from Janssen Biotech was recognized in 2016/17 against an income of SEK 0.6 million from Novartis and Janssen Biotech in 2015/16.

EXPENSES

Total group expenses amounted to SEK 130.8 million in 2016/17 against SEK 173.2 million in 2015/16, the latter including two non-recurring costs (IPO costs and non-cash expenses for the 2015/21 warrant program) totaling SEK 60.4 million. Research and development (R&D) expenses amounted to SEK 107.6 million in 2016/17 against SEK 115.7 million in 2015/16, the latter including non-recurring costs (non-cash expenses for the 2015/21 warrant program) of SEK 24.2 million. The underlying increase of SEK 16.1 million stems from an increase in chemistry support for the RORγt inhibitor and BET inhibitor programs, fees for compound patent applications (RORγt and BET inhibitor programs) and increased personnel costs. Sales, general and administrative (SG&A) expenses were SEK 23.2 million in 2016/17, against SEK 57.5 million in 2015/16, the latter including two non-recurring costs (IPO costs and non-cash expenses for the 2015/21 warrant program) totaling SEK 36.2 million. The underlying increase of SEK 1.9 million mainly comes from costs of being a listed company, i.e. Nasdaq listing fee, investor relation activities, and remuneration of board members.

FINANCIAL PERFORMANCE

In 2016/17, the group recorded an operating loss of SEK 10.5 million against a reported loss of SEK 151.9 million in the prior year, the latter including non-recurring costs of SEK 60.4 million. The net financial income was SEK 1.0 million in 2016/17, positively impacted by currency gains, against a net financial loss of SEK 0.0 million in 2015/16. The loss before tax was SEK 9.4 million in 2016/17 against a reported loss of SEK 151.9 million (SEK 91.5 excluding non-recurring costs) in 2015/16. In 2016/17, the group had a tax expense of SEK 16.0 million, mainly due to the payment of Spanish withholding tax, against a tax income of SEK 6.9 million in 2015/16, due to the Danish R&D tax credit. In 2016/17, the group recorded a net loss of SEK 25.5 million, against a reported net loss of SEK 145.0 million in 2015/16, and an EPS-D of SEK -0.59 in 2016/17 against a reported EPS-D of SEK -3.98.

CASH FLOW AND FINANCIAL POSITION

The total cash flow for 2016/17 showed an outflow of SEK 25.1 million against an inflow of SEK 158.9 million in 2015/16, which was led by the proceeds in connection with the listing of the company's shares in December 2015.

In 2016/17, cash flow from operating activities amounted to an outflow SEK 23.2 million against an outflow of SEK 81.5 million in the prior year. The modest outflow in 2016/17 is primarily due to the upfront payment from Almirall.

Investments in equipment in 2016/17 amounted to SEK 0.7 million compared to SEK 0.6 million in 2015/16. Investments in both years consisted mainly of the purchase of laboratory equipment and minor improvements to the company's premises.

Cash flow from financing activities in 2016/17 amounted to an outflow of SEK 1.3 million, due to repayment of leasing liabilities, against an inflow SEK 240.9 million in 2015/16, which was led by the net proceeds in connection with the listing of the company's shares in December 2015.

Cash and cash equivalents amounted to SEK 179.6 million as per June 30, 2017, as compared with SEK 206.0 million at June 30, 2016. Net cash amounted to SEK 175.2 million as per June 30, 2017 (SEK 201.3 million at June 30, 2016) after the deduction of leasing liabilities of SEK 4.4 million (SEK 4.7 million at June 30, 2016).

SHAREHOLDERS' EQUITY

As of June 30, 2017, total shareholders' equity amounted to SEK 170.0 million against SEK 198.1 million at June 30, 2016, due to the net loss of SEK 25.5 million and foreign exchange adjustments of Nuevolution A/S.

PARENT COMPANY

The parent company, Nuevolution AB (publ), was founded on August 28, 2015 by a deposit of share capital amounting to SEK 50,000. The parent company had inter-company revenues in 2016/17 of SEK 1.3 million against SEK 0.6 million in 2015/16. The company incurred total expenses of SEK 6.9 million in 2016/17 against total expenses of SEK 62.8 million in the prior year, the latter including two non-recurring costs (IPO costs and non-cash expenses for the 2015/21 warrant program) totaling SEK 60.4 million. The operating loss amounted to SEK 5.6 million in 2016/17 against an operating loss of SEK 62.1 million in 2015/16. A net loss of SEK 5.3 million was recorded in 2016/17 against a net loss of SEK 62.1 million in the prior year.

The parent company's cash and cash equivalents amounted to SEK 91.0 million att June 30, 2017, against SEK 174.0 million at June 30, 2016. Shareholders' equity was SEK 723.1 million at June 30, 2017, against SEK 728.4 million at June 30, 2016.

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

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

The Nuevolution share

SHARE CAPITAL AND OWNERSHIP STRUCTURE

At June 30, 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 40 of this Annual Report.

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.

The program has an initial term of four years. The warrants may be exercised from October 31, 2017 up until and including August 31, 2021.

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 5,070,518 warrants: 2,667,239 Series 1 warrants and 2,403,279 Series 2 warrants.

The program has an initial term of five years. The warrants may be exercised from August 31, 2016 up until and including August 31, 2021.

ANNUAL GENERAL MEETING

The annual general meeting of Nuevolution AB (publ) will take place on October 12, 2017 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.

FINANCIAL CALENDAR

Q1 2017/18 report	7 November 2017
Q2 2017/18 report	9 February 2018
Q3 2017/18 report	9 May 2018
Q4 2017/18 report	12 September 2018

PROPOSED APPROPRIATION OF PROFITS

Unrestricted shareholder's equity in the parent company

TSEK	2016/17
Share premium reserve	699,203
Loss brought forward	-13,654
Loss for the year	-5,333
Total	**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
Carried forward	-18,987
Total	**680,216**

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	Note	2016/17 TSEK	2015/16 TSEK
Revenue	4	120,318	21,314
Research and development expenses	5, 7, 14	-107,587	-115,707
Sales, general and administration expenses	6, 7, 8, 14	-23,216	-57,493
Operating expenses		**-130,803**	**-173,200**
Operating result		-10,485	-151,886
Financial income	9	2,955	1,925
Financial expenses	10	-1,910	-1,947
Result before tax		**-9,440**	**-151,908**
Corporate tax	11	-16,046	6,911
Result for the year		**-25,486**	**-144,997**
Distribution of the year's result			
Net result attributable to shareholders of the Parent Company		**-25,486**	**-144,997**
Basic earnings per share (EPS), SEK	12	-0.59	-3.98
Diluted earnings per share (EPS-D), SEK	12	-0.59	-3.98

Group - Consolidated statement of comprehensive income

Net result for the year	-25,486	-144,997
Other comprehensive income		
Amount which will be re-classified to the income statement:		
Foreign exchange adjustments on subsidiary	-2,454	910
Total net comprehensive result for the year	**-27,940**	**-144,087**
Distribution of the year's result		
Net comprehensive loss attributable to shareholders of the Parent Company	**-27,940**	**-144,087**

Group - Consolidated balance sheet

	Note	30 June 2017 TSEK	30 June 2016 TSEK
ASSETS			
Non-current assets			
Property, plant and equipment	14	5,013	4,928
Other fixtures, fittings, tool and equipment	14	525	566
Total property, plant and equipment		**5,538**	**5,494**
Other non-current assets			
Income tax receivable	11	4,732	6,967
Other non-current receivables	15	1,665	1,618
Total other non-current assets		**6,397**	**8,585**
Total non-current assets		**11,935**	**14,079**
Current assets			
Trade receivable	16	93	367
Income tax receivable	11	7,130	7,443
Other current receivables and prepayments	17	2,902	7,121
Cash and cash equivalents	25	179,595	205,955
Total current assets		**189,720**	**220,886**
TOTAL ASSETS		**201,655**	**234,965**
EQUITY AND LIABILITIES			
Share capital	18	42,858	42,858
Share premium		699,203	699,203
Exchange adjustment reserve		-1,606	848
Retained earning		-570,493	-544,854
Total shareholders' equity		**169,962**	**198,055**
Non-current liabilities			
Lease liabilities	21	2,939	3,482
Total non-current liabilities		**2,939**	**3,482**
Current liabilities			
Current portion of long-term lease liabilities	21	1,482	1,222
Trade payables	20	10,986	12,162
Other current liabilities	20	7,563	7,322
Prepayments from customers	4	957	0
Deferred income	4	7,766	12,722
Total current liabilities		**28,754**	**33,428**
Total liabilities		**31,693**	**36,910**
TOTAL EQUITY AND LIABILITIES		**201,655**	**234,965**

Group - Consolidated statement of cash flows

1 July 2016 - 30 June 2017

	Note	2016/17 TSEK	2015/16 TSEK
Operating activities			
Result before tax		-9,440	-151,908
Adjustment for depreciation of plant and equipment	14	1,703	1,328
Adjustment for non-cash effect of the share-based payments	7, 24	-153	48,528
Financial income	9	-2,955	-1,925
Financial expenses	10	1,910	1,947
Cash flow before change in working capital		**-8,935**	**-102,030**
Change in working capital	23	-962	19,594
Cash flow from operations		**-9,897**	**-82,436**
Interest received		367	134
Interest paid		-1,165	-358
Corporate Tax paid/received		-12,520	1,210
Cash flow from operating activities		**-23,215**	**-81,450**
Investing activities			
Investments in plant, equipment, fittings and tools	23	-715	-504
Investments in financial assets		-9	-51
Cash flow from investing activities		**-724**	**-555**
Financing activities			
New share issue	18	0	250,050
Costs related to the share issue		0	-7,989
Repayments of lease liabilities		-1,253	-1,119
Cash flow from financing activities		**-1,253**	**240,942**
Net cash flow for the year		**-25,192**	**158,937**
Currency translation adjustments		-1,168	768
Cash and cash equivalents as of 1 July		205,955	46,250
Cash and cash equivalents as of 30 June	25	**179,595**	**205,955**

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

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, 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 changes in the parent company's share capital and related costs, as well as 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 2016		42,858	699,203	-544,854	848	198,055
Result for the year		0	0	-25,486	0	-25,486
Oher comprehensive income		0	0	0	-2,454	-2,454
Total comprehensive result		0	0	-25,486	-2,454	-27,940
Transactions with owners						
Share based payments	24	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**

	Note	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 year		0	0	-144,997	0	-144,997
Oher comprehensive income		0	0	0	910	910
Total comprehensive result		0	0	-144,997	910	-144,087
Transactions with owners						
Impact from reverse acquisition		-324,350	471,428	-147,078	0	0
Share issue	18	14,286	235,764	0	0	250,050
Costs related to the share issue	18	0	-7,989	0	0	-7,989
Share based payments	24	0	0	48,528	0	48,528
Total transaction with owners		-310,064	699,203	-98,550	0	290,589
Total changes in equity		-310,064	699,203	-243,547	910	146,502
Equity at 30 June 2016		**42,858**	**699,203**	**-544,854**	**848**	**198,055**

Accounting Policy

Direct and incremental costs associated with the capital increase in connection with listing on Nasdaq First North Premier in Stockholm are accounted for as a reduction of the gross proceeds received from the capital increase and recorded through shareholders' equity. Costs incurred that directly associated with the listing but not incremental are not eligible to be offset against the gross proceeds and are therefore included in sales, general and administrative expenses.

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

1 July 2016 - 30 June 2017

	Note	2016/17 TSEK (12 months)	2015/16 TSEK (10 months)
Revenue	4	1,291	645
Research and development expenses		0	0
Sales, general and administration expenses	6, 7, 8	-6,879	-62,753
Operating expenses		**-6,879**	**-62,753**
Operating result		**-5,588**	**-62,108**
Financial income	9	294	47
Financial expenses	10	-39	-56
Result before tax		**-5,333**	**-62,117**
Corporate tax	11	0	0
Result for the year		**-5,333**	**-62,117**

Parent - statement of comprehensive income

Net result for the year		-5,333	-62,117
Other comprehensive income		0	0
Total net comprehensive result for the year		**-5,333**	**-62,117**

Parent - Balance sheet

	Note	30 June 2017 TSEK	30 June 2016 TSEK
ASSETS			
Non-current assets			
Investment in subsidiary	13	632,699	550,052
Total non-current assets		**632,699**	**550,052**
Current assets			
Trade receivable, Group company		318	641
Other current receivables and prepayments	17	766	4,612
Cash and cash equivalents	25	90,982	173,983
Total current assets		**92,066**	**179,236**
TOTAL ASSETS		**724,765**	**729,288**
EQUITY AND LIABILITIES			
Restricted equity:			
Share capital	18	42,858	42,858
Unrestricted shareholders' equity:			
Share premium	19	699,203	699,203
Retained earning	19	-13,654	48,463
Loss for the year	19	-5,333	-62,117
Shareholders' equity		**723,074**	**728,407**
Current liabilities			
Trade payables	20	1,671	341
Other current liabilities	20	20	540
Total current liabilities		**1,691**	**881**
TOTAL EQUITY AND LIABILITIES		**724,765**	**729,288**

Parent - Statement of cash flows

1 July 2016 - 30 June 2017	Note	2016/17 TSEK (12 months)	2015/15 TSEK (10 months)
Operating activities			
Result before tax		-5,333	-62,117
Adjustment for non-cash effect of the share-based payments	7, 24	0	48,463
Financial income	9	-294	-47
Financial expenses	10	39	56
Cash flow before change in working capital		**-5,588**	**-13,645**
Change in working capital	23	4,979	-4,368
Cash flow from operations		**-609**	**-18,013**
Interest received		294	0
Interest paid		-39	-13
Cash flow from operating activities		**-354**	**-18,026**
Investing activities			
Investments in subsidiary	13	-82,647	-50,052
Cash flow from investing activities		**-82,647**	**-50,052**
Financing activities			
New share issue	18	0	250,050
Costs related to the share issue		0	-7,989
Cash flow from financing activities		**0**	**242,061**
Net cash flow for the year		**-83,001**	**173,983**
Cash and cash equivalents as of 1 July		173,983	0
Cash and cash equivalents as of 30 June	25	**90,982**	**173,983**

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

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 equity Share capital	Unrestricted shareholders' equity Share premium	Retained earnings	Net income	Total equity
Equity at 1 July 2016		42,858	699,203	48,463	-62,117	728,407
Comprehensive income						
Result for the year		0	0	0	-5,333	-5,333
Result carried forward		0	0	-62,117	62,117	0
Total comprehensive income		0	0	-62,117	56,784	-5,333
Transactions with owners						
Share based payments	24	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**

	Note	Restricted equity Share capital	Unrestricted shareholders' equity Share premium	Retained earnings	Net income	Total equity
Equity at 1 July 2015		0	0	0	0	0
Total comprehensive income		0	0	0	-62,117	-62,117
Transactions with owners						
Contribution in kind		28,572	471,428	0	0	500,000
Share issue	18	14,286	235,764	0	0	250,050
Costs related to the share issue	18	0	-7,989	0	0	-7,989
Share based payments	24	0	0	48,463	0	48,463
Total transaction with owners		42,858	699,203	48,463	0	790,524
Total changes in equity		42,858	699,203	48,463	-62,117	728,407
Equity at 30 June 2016		**42,858**	**699,203**	**48,463**	**-62,117**	**728,407**

The group was founded in November 2015 with a contribution in kind of the subsidiary Nuevolution A/S at a value of TSEK 500,000.

Accounting Policy

Direct and incremental costs associated with the capital increase in connection with listing on Nasdaq First North Premier are accounted for as a reduction of the gross proceeds received from the capital increase and recorded through shareholders' equity. Costs incurred that directly associated with the listing but not incremental are not eligible to be offset against the gross proceeds and are therefore included in sales, general and administrative expenses.

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 located in 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.

ESTABLISHING OF THE GROUP AND IPO

On 13 November 2015, the ownership of the shares in Nuevolution A/S were transferred to Nuevolution AB at a value of TSEK 500,000 against issuing of new shares in Nuevolution AB, thereby creating the Nuevolution AB group. The previous shareholders of Nuevolution became the majority shareholders of Nuevolution AB, and the substance of the transaction is therefore that the new Nuevolution AB Group in terms of financial reporting is a continuation of the Nuevolution A/S Group. Hence, no fair value adjustments have been made in the consolidated amounts.

On 17 December 2015, Nuevolution AB completed the initial public offering ("IPO") of new shares and listing of the company on Nasdaq First North Premier in Stockholm. Referring to note 18 for more details on the IPO.

The share capital shown in the annual consolidated financial statements is the share capital of the legal parent company Nuevolution AB including the share capital issued in connection with the acquisition of Nuevolution A/S.

Note 2: Significant accounting policies

The consolidated financial statement and the financial statements for the parent company for the year ended June 30, 2017 were authorized for approval at the Annual General Meeting to be held on October 12, 2017, with a resolution of the Board of Directors on Sepetmeber 18, 2017.

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

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 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.

NEW STANDARDS AND INTERPRETATIONS

With effect from 1 July 2016, the group has adopted:

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization

- Annual Improvements 2012-2014:
    - IFRS 5 – Changes in methods of disposal
    - IFRS 7 – Minor changes
    - IAS 19 – Discount rate: Regional market issue
    - IAS 34 – Disclosure of information (elsewhere in the interim financial report)
- Amendments to IAS

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

NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE

International Accounting Standards Board (IASB) has issued amendments to a number of standards with effective dates in 2018 and later.

- IFRS 9 Financial instruments. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement. It contains rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. The standard will apply from 1 January 2018 (financial year 2018/19). The Company has assessed whether IFRS 9 "Financial Instruments" has an impact on the current consolidated financial statement. The new standard is not expected to have any material impact on the consolidated financial statements as the new standard doesn't change the Company's current measurement of financial instruments. Implementation of the new standard will change the presentation and require additional disclosures in the notes.

- IFRS 15 Revenue from contracts with customers. The standard deals with accounting for revenues from contracts and from sale of certain non-financial assets. It will replace IAS 11 Construction contracts and IAS 18 Revenue as well as accompanying interpretations. The standard will apply from 1 January 2018 (financial year 2018/19). The Company has assessed whether IFRS 15 "Revenue from contracts with customers" has an impact on the accounting for current significant agreements. The new standard is not expected to have any material impact on the consolidated financial statements. Implementation of the new standard will require additional disclosures in the notes.

- IFRS 16 Leases. According to the standard, lessees shall recognize assets and liabilities for all leases except lease terms of less than 12 months and/or leases of assets of low value. The standard will replace IAS 17 Leases and accompanying interpretations. The standard shall be applied from 1 January 2019 (financial year 2019/20) but has not yet been endorsed by EU. The new standard is not expected to have any material impact on the consolidated financial statements as the Company already capitalize and depreciate assets acquired under lease agreements. Implementation of the new standard will require additional disclosures in the notes.

Nuevolution has finalized the evaluation of the above mentioned new standards and the conclusive assessments are that they will have limited impact on the financial statements.

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.

Oveun AB (dormant), subsidiary of Nuevolution A/S, was divested on 7 April 2017, and consequently was withdrawn from the consolidated financial statements as from that date.

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.

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

Other key rations are calculated in accordance with "Recommendations and Ratios 2015" issued by the CFA Society Sweden.

Net working capital (NWC):
Work in progress + Trade Receivables + Other current receivables and prepayments - Trade payable - Prepayments from customer - Other Current Liabilities

Equity ratio:
Equity (end of year) * 100 / Total assets

Earning 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 judgments 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 judgments 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 judgments as a result of supplementary information, additional knowledge and experience or subsequent events.

In applying the group's accounting policies described in note 1, 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.

Note 4: Revenue, work in progress and deferred income

Group

TSEK	2016/17	2015/16
Upfront & milestone	119,912	20,697
Government Grant	155	0
Reimbursement income	251	617
Total	**120,318**	**21,314**
Revenue split by Geographical Area		
Sweden	0	0
Denmark	155	0
Spain	109,069	0
Switzerland	0	13,647
USA	11,094	7,630
Other countries	0	37
Total	**120,318**	**21,314**

Revenue is based on contracts with two partners both in 2016/17 and 2015/16 as the following:

Customer 1	9%	36%
Customer 2	0%	64%
Customer 3	91%	0%

Balance Sheet		
Deferred income	7,766	12,722
Total	**7,766**	**12,722**
To be recognised in the income statement		
2016/17	0	9,260
2017/18	6,243	3,462
2018/19	1,523	0
Total	**7,766**	**12,722**

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

Work in progress for third parties	153	0
Prepayments	1,110	0
Work in progress for third parties, net	**-957**	**0**
Recognized in the balance sheet:		
Work in progress, assets	0	0
Prepayments from customers	957	0
Work in progress for third parties, net	**-957**	**0**

Parent Company	2016/17	2015/16
TSEK		
Service fee, Group Companies	1,291	645
Total	**1,291**	**645**

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.

Work in progress for third parties
Ongoing service supplies are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on the stage of completion on each individual work in progress.

The value of each contract in progress less prepayments is classified as assets when the market value exceeds prepayments and as liabilities when prepayments exceed the market value.

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

MANAGEMENT'S JUDGMENTS 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.

During the financial year 2016/17, Nuevolution received an upfront payment of SEK 109.2 million from Almirall at the time when the RORγt inhibitor program (inflammation) was out-licensed to Almirall in for dermatological indications and psoriatic arthritis. Nuevolution has recognized SEK 109.2 million of revenue for sale of these exclusive product licenses to the applicable drug candidates under the collaboration agreement with Almirall. For the year ended 30 June 2016, Nuevolution had not recognized any revenues from future payments under the collaboration agreement with Almirall, as neither Nuevolution nor Almirall had performed any activities under the agreement in 2015/16.

Note 5: Research and development expenses

Group

TSEK	2016/17	2015/16
Employee benefit expenses	37,940	57,090
External expenses	67,954	57,311
Depreciation	1,693	1,306
Total	**107,587**	**115,707**

Accounting Policy
Research and development expenses are incurred in the Group for in-house research and development activities as well as numerous 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.

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

MANAGEMENT'S JUDGMENTS 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 continues 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 30 June 2017 and comparative statement.

Note 6: Sales, general and administration expenses

Group

TSEK	2016/17	2015/16
Employee benefit expenses	10,324	33,166
External expenses	12,882	24,305
Depreciation	10	22
Total	**23,216**	**57,493**

Parent Company

TSEK		
Employee benefit expenses	1,293	48,742
External expenses	5,586	14,011
Total	**6,879**	**62,753**

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 costs

Group

TSEK	2016/17	2015/16
Wages & salaries	41,040	36,395
Bonus	3,805	2,175
Share-based payment (see also note 24)	-153	48,528
Pension (Defined contribution)	453	293
Other social security costs	209	193
Other staff costs	2,910	2,672
Total	**48,264**	**90,256**

	2016/17	2015/16
Staff costs are recognized as follows:		
Research and development expenses	37,940	57,090
Sales, general and administration expenses	10,324	33,166
Total staff cost	**48,264**	**90,256**
Board of directors (remuneration)	1,293	381
Board of directors (Share-based payment, see also note 24)	0	4,894
Management (Wages & salaries)	7,541	7,113
Management (Bonus)	1,508	2,175
Management (Share-based payment, see also note 24)	3	26,912
Management (Pension - defined contribution)	242	234
Management (Other social security costs)	12	12
Total	**10,599**	**41,721**

For specification of management remuneration, please see page 53.

Employees:

Average number of FTE	45	43
Number of FTE end of year	47	44

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.

Parent Company

TSEK	2016/17	2015/16
Wages & salaries	1,293	193
Share-based payment (see also note 24)	0	48,463
Other staff costs	0	86
Total	**1,293**	**48,742**

	2016/17	2015/16
Staff costs are recognized as follows:		
Sales, general and administration expenses	1,293	48,742
Total staff cost	**1,293**	**48,742**

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.

Accounting Policy

Staff expenses

Staff expenses comprise of 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 where 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 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 Black-Scholes model. Please refer to Note 24 for further details.

Note 8: Fee to auditors appointed at the General Meeting

Group

TSEK	2016/17	2015/16
Audit services	487	497
Tax and VAT services	314	112
Other non-audit services	662	994
Total	**1,463**	**1,603**

Parent Company

TSEK	2016/17	2015/16
Audit services	217	63
Tax and VAT services	63	37
Other non-audit services	713	371
Total	**993**	**471**

Other assurance services 2015/16 include TSEK 360 related to the IPO in December 2015.

Note 9: Financial income

Group

TSEK	2016/17	2015/16
Interest income	19	72
Foreign exchange gain	2,936	1,853
Total	**2,955**	**1,925**

Parent Company

TSEK		
Interest income	6	0
Interest income, Group Companies	286	0
Foreign exchange gain	2	47
Total	**294**	**47**

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

TSEK	2016/17	2015/16
Interest expenses	0	28
Leasing interest	162	138
Bank fees and other financial expenses	237	151
Foreign exchange loss	1,511	1,630
Total	**1,910**	**1,947**

Parent Company

TSEK	2016/17	2015/16
Interest expenses - Group Companies	0	15
Bank fees and other financial expenses	15	13
Foreign exchange loss	24	28
Total	**39**	**56**

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

TSEK	2016/17	2015/16
Result before tax	-9,440	-151,908
Tax rate	22.0%	22.0%
Tax on result for the year	2,077	33,420
Tax value of non-deductible expenses	-7	1,687
Taxes paid in Spain	-20,857	0
Utilization of Danish tax credit	4,812	6,885
Adjustment of deferred tax	3,496	1,259
Adjustment of tax from prior year	-959	0
Adjustment of deferred tax not recognized in the balance sheet	-4,608	-36,340
Total	**-16,046**	**6,911**

Taxation - balance sheet

Component of the deferred tax asset are as follows:		
Property, plant and equipment	-895	-997
Net payments under finance lease	973	1,035
Capitalized R & D costs	-6,663	0
Other current assets	-124	367
Accrued income	-1,709	-2,798
Share-based payments	-10,978	-10,761
Tax loss carry-forward	-112,626	-117,792
	-132,022	**-130,946**
Unrecognized deferred tax asset	132,022	130,946
	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. Furthermore, 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.

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 2016/17 TSEK 132,022 (2015/16: TSEK 130,946).

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

Parent Company

Taxation - income statement

TSEK	2016/17	2015/16
Result before tax	-5,333	-62,117
Tax rate	22.0%	22.0%
Tax on result for the year	1,173	13,666
Tax value of non-deductible expenses	0	1,686
Tax on share based payment	0	-10,662
Adjustment of deferred tax	-22	-69
Adjustment of deferred tax not recognized in the balance sheet	-1,151	-4,621
Total	**0**	**0**

Taxation - balance sheet

Component of the deferred tax asset are as follows:		
Other current assets	-92	-69
Tax loss carry-forward	-5,772	-4,621
	-5,864	**-4,690**
Unrecognized deferred tax asset	5,864	4,690
	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 rec-

ognised 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 R&D work in Denmark as per the Danish Tax legislation with a maximum of 22% of DKK 25 million. Due to the taxable loss for the year 2016/17, Nuevolution has only utilized DKK 16.6 million.

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 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 JUDGMENTS 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 30 June 2017.

Note 12: Earnings per shares

Group

TSEK	2016/17	2015/16
Net result	-25,486	-144,997
Average number of shares	42,858,236	36,469,168
Average number of shares-based instruments (Warrants), dilution	425,452	0
Average number of shares, diluted	43,283,688	36,469,168
Basic earnings per share (EPS), SEK	-0.59	-3.98
Diluted earnings per share (EPS-D), SEK	-0.59	-3.98

In the calculation of the diluted net result per share for 2016/17, 2,667,239 of the warrants program 2015/21 (of which none were vested) have been excluded as these share-based instruments are out of the money. These share based instruments could potentially have a future dilutive effect on the net result per share. In the calculation of the diluted net result per share for 2015/16, 3,644,269 of the 2011 warrants program (of which none were vested) and 5,070,518 of the 2015/21 warrants program (of which none were vested), have been excluded as these share-based instruments are out of the money.

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

TSEK	2016/17	2015/16
Cost at 1 July	550,052	0
Additions	82,647	550,052
Cost at 30 June	**632,699**	**550,052**
Impairment loss at 1 July	0	0
Impairment for the year	0	0
Impairment loss at 30 June	0	0
Carrying amount at 30 June	**632,699**	**550,052**

Accounting Policy

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

Additions in 2016/17 relate to capital increase in cash and in 2015/16 to contribution in kind and capital increase in cash. In the parent company impairment test have been made in order to assess the value of the investment in subsidiaries.

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 30 June 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, Almirall 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 and a USD/SEK currency exchange rate of 846.90. 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 at 30 June 2017 of SEK 701 million exceeds the carrying amount of SEK 633 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 MSEK 32. A decline in USD/SEK currency exchange rate of 5% would not lead to an impairment of the investment.

MSEK	**Impairment test**	**Sensitivity**	
	rNPV	**WACC +2%**	**USD -5%**
Sum-of-the-parts	701	601	653

Note 14: Property, plant and equipment

Group

TSEK	Other fixtures, fittings, tool and equipment	Leasehold improvement	Total
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 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 June 2017	**29,700**	**11,928**	**41,628**
Carrying amount at 30 June 2017	**5,013**	**525**	**5,538**
Hereof leased tools and equipment	**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**
Cost at 1 July 2015	33,503	11,585	45,088
Exchange rate adjustment	848	295	1,143
Additions	3,856	238	4,094
Disposals	0	0	0
Cost at 30 June 2016	**38,207**	**12,118**	**50,325**
Depreciation and impairment at July 2015	31,246	11,181	42,427
Exchange rate adjustment	791	285	1,076
Depreciation and impairment for the year	1,242	86	1,328
Disposals	0	0	0
Depreciation and impairment at June 2016	**33,279**	**11,552**	**44,831**
Carrying amount at 30 June 2016	**4,928**	**566**	**5,494**
Hereof leased tools and equipment	**4,606**		
Depreciation and impairment expenses are recognized as follows:			
Research and development expenses	1.231	75	1.306
Sales, general and administration expenses	11	11	22
Total depreciation and impairment expenses	**1.242**	**86**	**1.328**

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. The 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:

	Year
Leasehold improvements	10
Other fixtures and fittings, tools and equipment	3-5

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: Other non-current financial receivables

Group

TSEK	2016/17	2015/16
Deposit	1,665	1,618
Total	**1,665**	**1,618**

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	2016/17	2015/16
Trade receivables, gross value	93	367
Trade receivables, impaired	0	0
Total	**93**	**367**
Age analysis of trade receivables:		
- Not yet due	93	0
- Overdue by between 1 and 179 days	0	0
- Overdue by between 180 and 360 days	0	367
Total receivables with credit risk exposure	**0**	**367**

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

Parent Company

TSEK		
Trade recivables - Group Companies	318	**641**
Total	**318**	**641**

Accounting Policy

Trade receivables are 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 method is not performed since the duration is short.

Note 17: Other current receivables and prepayments

Group

TSEK	2016/17	2015/16
VAT	795	5,615
Prepayments	1,818	1,105
Other financial assets	289	401
Total	**2,902**	**7,121**

Parent Company

TSEK		
VAT	164	4,357
Prepayments	602	255
Total	**766**	**4,612**

Accounting Policy

Other current receivables and prepayments are 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 2016	42,858,236	42,858
Balance at 30 June 2017	**42,858,236**	**42,858**
Balance at 1 July 2015	285,725,299	352,922
New parent company impact	-257,152,769	-324,350
New share issue	14,285,706	14,286
Balance at 30 June 2016	**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.

On 17 December 2015, the company completed the initial public offering ("IPO") of new shares (14,285,706) and listing of the company on Nasdaq First North Premier in Stockholm. The company received gross proceeds in the amount of SEK 250 million, partly offset by SEK 19.9 million of related expenses. Of the expenses, SEK 8.0 million was direct and incremental costs associated with the IPO which has been recognized through shareholder equity, whereas the remaining SEK 11.9 million costs that were directly associated with the IPO but not incremental and therefore not eligible to be offset against the gross proceeds, was included in other external expenses.

Note 19: Allocation of the result

Parent Company

Unrestricted shareholder's equity in the parent company

TSEK	2016/17	2015/16
Share premium reserve	699,203	699,203
Share-based payment	0	48,463
Loss brought forward	-13,654	0
Loss for the year	-5,333	-62,117
Total	**680,216**	**685,549**

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	-18,987	-13,654
Total	**680,216**	**685,549**

Note 20: Trade payables and other current liabilities

Group

TSEK	2016/17	2015/16
Trade payable	10,986	12,162
Other current liabilities	7,563	7,322
Total	**18,549**	**19,484**

Parent Company

TSEK		
Trade payables	1,671	341
Other current liabilities	20	540
Total	**1,691**	**881**

Accounting Policy

Trade creditors are measured at fair value, and subsequently at amortized cost using the effective interest method. Carrying amount for Trade creditor is 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 method 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	2016/17	2015/16
Non-current lease liabilities	2,939	3,482
Current portion of long-term lease liabilities	1,482	1,222
Total	**4,421**	**4,704**

Finance lease obligations

TSEK	2016/17		2015/17	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
0-1 year	1,600	1,482	1,358	1,222
1-5 years	3,070	2,939	3,662	3,482
> 5 years	0	0	0	0
Total minimum lease payments	**4,670**	**4,421**	**5,020**	**4,704**
Less amounts representing finance charges	249	0	316	0
Total	**4,421**	**4,421**	**4,704**	**4,704**

The Group has entered into rent contracts, which all can be terminated at maximum of 6 months notice. Annual rent payment TSEK 3,677 (2015/16: TSEK 3,487).

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 balance sheet 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 measures 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 Nuevolutions 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 objects.

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.

The Board of Directors finds that the current capital and share structure is approiate to support the current activities and goals.

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

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
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**

30 June 2016
TSEK

Measured at amortized cost	0-1 year	1-5 years	> 5 years	Total	Carrying amount
Lease liabilities	1,358	3,662	0	5,020	4,704
Trade payables	12,162	0	0	12,162	12,162
Other current liabilities	7,322	0	0	7,322	7,322
Total financial liabilities	**20,842**	**3,662**	**0**	**24,504**	**24,188**
Cash	205,955	0	0	205,955	205,955
Trade receivables	367	0	0	367	367
Deposits	0	0	1,618	1,618	1,618
Other current receivables	6,016	0	0	6,016	6,016
Total financial assets	**212,338**	**0**	**1,618**	**213,956**	**213,956**
Net	**-191,496**	**3,662**	**-1,618**	**-189,452**	**-189,768**

Currency risk
Nuevolution is exposed to currency exposure and 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 June 30, 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
2016/17						
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
2015/16						
DKK	14,579	16,069	-18,539	12,109	1%	121
EUR	0	0	-508	-508	10%	-51
USD	17,375	367	-3,542	14,200	10%	1,420

*) 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 1,882 (2015/16: TSEK 1,609) 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 179,595 as of 30 June 2017 compared to TSEK 205,955 as of 30 June 2016.

For a more detailed description of the risks associated with the company, please see page 63-68.

Note 23: Adjustment to Cash Flow Statement

Group		
TSEK	2016/17	2015/16
Change in working capital		
Work in progress for third parties	0	7,321
Trade receivables	283	2,457
Other receivables	4,413	-4,518
Trade payables	-1,460	3,521
Prepayments from customers	957	0
Other current liabilities	-5,155	10,813
Total	**-962**	**19,594**
Investment in plant, equipment, fittings and tools		
Acquisition of plant, equipment, fittings and tools etc (note 14)	-1,619	-4,094
New financial lease agreements	904	3,590
Net investment in plant, equipment, fittings and tools	**-715**	**-504**
Parent Company		
Change in working capital		
Trade receivables, Group Company	323	-641
Receivable VAT	4,193	-4,357
Prepayments	-347	-255
Trade payables	1,330	345
Other current liabilities	-520	540
Total	**4,979**	**-4,368**

Note 24: Share based payments

Group and Parent Company

Warrant Program 2011

There were 2,142,719 class A warrants and 1,501,550 class B warrants (exercise price of DKK 1 for both classes) outstanding under the 2011 warrant program in Nuevolution A/S. These warrants has lapsed on 15 July 2016. In 2016/17, SEK 3 thousand (2015/16: TSEK 66) were recognized as share-based compensation in the profit and loss account for this warrant program.

Development in the number of outstanding warrants:

	Number of warrant held by the Board of Directors	Number of warrant held by the Executive Management	Number of warrant held by the other member of Group Management	Number of warrant held by employees	Total outstanding warrants
Outstanding at 1 July 2016	**238,341**	**1,310,877**	**357,512**	**1,737,539**	**3,644,269**
Granted	0	0	0	0	0
Exercised	0	0	0	0	0
Expired	-238,341	-1,310,877	-357,512	-1,737,539	-3,644,269
Cancelled	0	0	0	0	0
Transferred	0	0	0	0	0
Outstanding at 30 June 2017	**0**	**0**	**0**	**0**	**0**
Class A	0	0	0	0	0
Class B	0	0	0	0	0
Outstanding at 30 June 2017	**0**	**0**	**0**	**0**	**0**
Outstanding at 1 July 2015	**238,341**	**1,310,877**	**357,512**	**1,737,539**	**3,644,269**
Granted	0	0	0	0	0
Exercised	0	0	0	0	0
Expired	0	0	0	0	0
Cancelled	0	0	0	0	0
Transferred	0	0	0	0	0
Outstanding at 30 June 2016	**238,341**	**1,310,877**	**357,512**	**1,737,539**	**3,644,269**
Class A	166,839	119,171	238,341	1,618,368	2,142,719
Class B	71,502	1,191,706	119,171	119,171	1,501,550
Outstanding at 30 June 2016	**238,341**	**1,310,877**	**357,512**	**1,737,539**	**3,644,269**

Warrant Program 2015/2021

The program comprise of 5,070,518 warrants, hereof 2,667,239 Series 1 warrants and 2,403,279 Series 2 warrants. The program has an initially term of five years.

The exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 1 shall be SEK 1,000,000 and the exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 2 shall be SEK 11.25. Subject to the fulfilment of an Exit Event (as described below and in the terms and conditions of the warrants), the subscription price per ordinary share for warrants of Series 1 shall instead be SEK 17.50. Thus, if all warrants are fully subscribed for, the company's share capital will increase with not more than SEK 5,087,837. The warrants may be exercised for subscription of shares from 31 August 2016 up until and including 31 August 2021.

Warrant Program 2016/2021

At the annual general meeting held on 5 October 2016, shareholders approved a new warrant program, with two series, addressed to the executive management and other employees in the company in order to promote and stimulate continued loyalty with the operations by linking the interests of these persons with the interests of the shareholders.

The program comprise of 493,000 warrants, hereof 480,000 Series 1 warrants and 13,000 Series 2 warrants. The program has an initially term of 4.9 years.

The exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 1 shall be SEK 1,000,000 and the exercise price for one ordinary share subscribed for by the exercise of one warrant of Series 2 shall be SEK 11.25. Subject to the fulfilment of an Exit Event (as described below and in the terms and conditions of the warrants), the subscription price per ordinary share for warrants of Series 1 shall instead be SEK 17.50. 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 not more than SEK 493,000. The warrants are granted to the participants over a period of four years, of which one quarter of the warrants shall be deemed granted on 31 October 2017, 2018, 2019 and 2020, respectively. Each warrant shall, during the period from 31 October 2017 and up to and including 31 August 2021, entitle the holder to subscribe for one new ordinary share in Nuevolution AB (publ) at an exercise price in accordance with the above.

Terms and conditions for Warrant Program 2015/2021 and Warrant Program 2016/2021:

Pursuant to the terms and conditions for both Warrant Program 2015/2021 and Warrant Program 2016/2021 warrants of Series 1, an "Exit Event" occurs if:

i. more than 90 percent of the shares are sold to a buyer and the purchase price per share corresponds to at least SEK 22.975 per share,
ii. the company's operations or a substantial part of the company's assets are sold and the purchase price corresponds to at least SEK 22.975 per share multiplied by the total number of outstanding shares in the company,
iii. the company is liquidated and the distribution proceeds correspond to at least SEK 22.975 per share multiplied by the total number of outstanding shares in the company, or
iv. the company is publicly listed on a regulated stock market or Nasdaq First North and the overall value of the company at the listing date corresponds to at least SEK 22.975 per share multiplied by the total number of outstanding shares in the company.

Pursuant to the terms and conditions for both Warrant Program 2015/2021 and Warrant Program 2016/2021 warrants of Series 2, an "Exit Event" occurs if:

i. more than 90 percent of the shares of the company are sold to a buyer,
ii. the company's operations or a significant part of the company's assets are sold,
iii. the company is liquidated, or
iv. the company is publicly listed on a regulated stock market or Nasdaq First North.

Development in the number of outstanding warrants (Warrant Program 2015/2021):

	Number of warrant held by the Board of Directors	Number of warrant held by the Executive Management	Number of warrant held by the other member of Group Management	Number of warrant held by employees	Total outstanding warrants
Outstanding at 1 July 2016	**529,201**	**1,911,113**	**773,890**	**1,873,633**	**5,087,837**
Granted	0	0	0	0	0
Exercised	0	0	0	0	0
Expired	0	0	0	0	0
Cancelled	0	0	0	-17,319	-17,319
Transferred	0	0	0	0	0
Outstanding at 30 June 2017	**529,201**	**1,911,113**	**773,890**	**1,856,314**	**5,070,518**
Series 1	381,034	0	536,912	1,749,293	2,667,239
Series 2	148,167	1,911,113	236,978	107,021	2,403,279
Outstanding at 30 June 2017	**529,201**	**1,911,113**	**773,890**	**1,856,314**	**5,070,518**
Outstanding at 1 July 2015	**0**	**0**	**0**	**0**	**0**
Granted	529,201	1,911,113	773,890	1,873,633	5,087,837
Exercised	0	0	0	0	0
Expired	0	0	0	0	0
Cancelled	0	0	0	0	0
Transferred	0	0	0	0	0
Outstanding at 30 June 2016	**529,201**	**1,911,113**	**773,890**	**1,873,633**	**5,087,837**
Series 1	381,034	0	536,912	1,766,612	2,684,558
Series 2	148,167	1,911,113	236,978	107,021	2,403,279
Outstanding at 30 June 2016	**529,201**	**1,911,113**	**773,890**	**1,873,633**	**5,087,837**

No warrants from the Warrant Program 2016/21 have been granted during the financial year 2016/17.

Warrant Program 2015/2021
Recognized amount in the income statement is an expense of TSEK 48,462 for warrants vested in 2015/16 and an income for warrants cancelled in 2016/17 of TSEK 156. The fair value of both cancelled and granted warrants is recognized in the income statement and is set off against equity in the respective financial years.

Warrant Program 2016/2021
The fair value at the time of allocation is based on the Black & Scholes pricing formula. Preconditions for calculating the fair value of warrants:

Assumptions for fair value assessment:

	Warrant Program 2015/21	2016/21
* All warrants are granted and the warrants are exercised after the date of grant after:	5.72 years	4.9 years
* A volatility of:	65%	45%
* A dividend pay-out ratio of:	0%	0%
* A risk-free interest rate of:	0.30%	-0.53%

The expected volatility is based on the historical volatility of health care and biotech companies listed on Nasdaq First North Premier.

The expected maturity is based on management estimates.
Expected dividends per share is based on historical share dividends.
The risk-free interest rate is based on five years Swedish government bonds.

If Warrant Program 2015/2021 and Warrant Program 2016/21 is 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:

	2016/17	2015/16
Warrant program 2011	3	66
Warrant program 2015/2021	-156	48,462
Warrant program 2016/2021	0	-
	-153	**48,528**

The costs are set-off against equity.

The fair value are recognized as follows:		
Research and development expenses	-156	24,387
Sales, general and administration expenses	3	24,141
	-153	**48,528**

Note 25: 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.

Note 26: Contingent assets and liabilities

Group and Parent Company

License and Collaboration Agreements
We are entitled to potential milestone payments and royalties on successful commercialization of product 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 27: Related parties

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

Nuevolution AB's related parties comprise the Company's board of Directors and Management as well as relatives to theses 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 30.

Apart from salaries and warrants (see note 7 and 24) , 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.

In the financial year 2015/16, SEB Ventures, SEB Utvecklingsstiftelse, Sunstone Capital and Industrifonden acquired shares in the initial public offering at the same share price and with the same right to dividends as all other shareholders.

Related party transactions
Information on transaction with related parties is stated below:

	Group		Parent Company	
TSEK	2016/17	2015/16	2016/17	2015/16
Group Companies:				
Sales of services	-	-	1,291	645
Granted warrants	-	-	0	48,463
Interest income	-	-	286	0
Interest expenses	-	-	0	15
Consultancy fee etc. to member of Board of Directors:				
Stig Løkke Pedersen (extraordinary board remuneration and consultancy fee) *)	200	0	200	0
Jeanette Wood	85	72	85	33
Jutta Heim	82	71	82	32
Related parties with significant influence:				
SEB (paid interest and fees)	194	68	16	13
SEB (deposit)	173,109	199,603	90,982	173,983

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

During 2016/17 there have been a capital increase in the subsidiary of TSEK 82,647 (2015/16: TSEK 50,052).

In addition to the above, there were no transactions with other related parties and shareholders during 2016/17 and 2015/16. All intra-group transactions etc. have been eliminated in accordance with the accounting policies. Please also refer to note 4, 7, 9 and 10. All transactions were made according to market conditions.

Note 28: Significant events after balance sheet date

Group and Parent Company

No significant events of importance to the consolidated financial statements have occurred since 30 June 2017.

Note 29: Exchange rates

Group and Parent Company

	Average Exchange Rates		Year-end Exchange Rates	
	2016/17	**2015/16**	**30 June 2017**	**30 June 2016**
SEK/DKK	130.99	125.27	129.63	126.68

Note 30: Companies in the Nuevolution Group

NAME	**Reg. Office**	**Ownership**	**Ownership**
Subsidiaries		**2016/17**	**2015/16**
Nuevolution A/S	Denmark	100%	100%
Oveun AB	Denmark	-	100%

Statements

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, 18 September 2017

EXECUTIVE MANAGEMENT

Alex Haahr Gouliaev
CEO

BOARD OF DIRECTORS

Stig Løkke Pedersen
Chairman of the Board

Lars Henriksson

Søren Lemonius

Jutta Heim

Jeanette Wood

Our statement of assurance has been issued 18 September 2017

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 financial year 2016-07-01 – 2017-06-30. The annual accounts and consolidated accounts of the company are included on pages 60-104 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 30 June 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 30 June 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
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-59. The Board of Directors and the Managing Director are responsible for this other information.

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 financial year 2016-07-01 – 2017-06-30 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, 18 September 2017
Ernst & Young AB

Beata Lihammar
Authorized Public Accountant

Other information

Quarterly information

TSEK	2016/17 1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Total	2015/16 1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Total
	Unaudited					Unaudited				
Income Statement										
Revenue	1,797	110,971	1,602	5,948	120,318	1,089	11,196	5,964	3,065	21,314
Research and development expenses	-23,015	-29,289	-26,798	-28,485	-107,587	-22,257	-19,967	-21,896	-51,587	-115,707
Sales, general and administration expenses	-6,516	-5,835	-4,583	-6,282	-23,216	-4,396	-19,148	-5,740	-28,209	-57,493
Total operating expenses	-29,531	-35,124	-31,381	-34,767	-130,803	-26,653	-39,115	-27,636	-79,796	-173,200
Operating result (EBIT)	-27,734	75,847	-29,779	-28,819	-10,485	-25,564	-27,919	-21,672	-76,731	-151,886
Result before tax	-27,362	76,930	-30,085	-28,923	-9,440	-25,617	-27,318	-22,599	-76,374	-151,908
Result for the year	-25,605	56,426	-29,027	-27,280	-25,486	-23,855	-25,603	-20,880	-74,659	-144,997
Comprehensive income for the year	-25,484	52,944	-29,434	-25,966	-27,940	-22,807	-26,150	-21,127	-74,003	-144,087

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.

Glossary

Word/phrase	Definition
Allosteric	Allosteric regulation is the regulation of a protein by binding an effector molecule at a site other than the enzyme's active site. The site to which the effector binds is termed the alloster-ic site
Ankylosing spondylitis	Ankylosing spondylitis (AS) is a type of arthritis that affects the spine. AS symptoms include pain and stiffness from the neck down to the lower back. The spine's bones (vertebrae) may grow or fuse together, resulting in a rigid spine
Antibodies	Specialized proteins produced by the immune system to fight disease. Also used as drugs
API	Active Pharmaceutical Ingredient - the ingredient in a pharmaceutical drug that is biologically active
Apoptosis	A process of programmed cell death that occurs in multicellular organisms
Autoimmune diseases	Illnesses that occur when the body's (healthy) tissues are attacked by its own immune system
BET bromodomain	Bromodomains (BRDs) are protein interaction modules that play key functions in the so-called chromatin organization and regulation of gene transcription. Aberrant transcription is a hall-mark of many diseases in particular cancer and inflammation. BET (Bromo and Extra Terminal) is a subfamily of bromodomain proteins
Biological target	A human molecule (e.g. a protein), the activity of which it would be desirable to modify (with a drug)
CIA model	Mouse model of rheumatoid arthritis
Clinical candidate	Compound/program that is ready for commencing clinical trials in human
Clinical chemistry	Chemical components (salts, sugars, lipids etc) and basic enzymes in a blood sample
CRO	Contract Research Organization is an organization that provides support to the pharmaceutical, biotech-nology, and medical device industries in the form of research services outsourced on a contract basis
Cytokine	Cytokines are small secreted proteins released by cells have a specific effect on the interactions and communications between cells
DNA-encoding	The use of DNA which functions as a barcode carrying all structural information needed to identify a compound
Drug-like	Compound that complies to a number of drug specific pharmacological or biological activity attributes (solubility, molecular weight, potency, etc.)
DSS	Dextran sulphate sodium
Efficacy (of drugs)	Efficacy is the capacity or ability (of a drug) to provide a beneficial change (or therapeutic effect)
Endoplasmatic reticulum	While the function of the nucleus is to act as the cell brain, the endoplasmic reticulum functions as a manufacturing and packaging system
Fragment	Piece or part of a chemical structure
Freedom to operate	The ability (action), for testing or commercialising a (drug) product, without infringing present and valid intellectual property rights obtained by others
GLP (and non-GLP)	Good Laboratory Practise (GLP) ensures the generation of high quality and reliable test data
GMP	Good Manufacturing Practices - regulations for the production and packaging of pharmaceutical products
Hematology	The study of blood (f.ex blood cell types and their concentration)
High-throughput screening	High-throughput screening (HTS) is a method for scientific experimentation especially used in drug dis-covery. Using robotics, data processing, control software, liquid handling devices, and sensitive detectors, HTS allows a researcher to quickly conduct millions of pharmacological tests
Histopathology	Microscopic examination of animal tissue
IBD	Inflammatory Bowel Disease
Immune checkpoint inhibitors	(Human) proteins which act as major control points for the activity of the immune system. Modulation of Immune checkpoint activity has emerged as a major avenue for cancer control
Immuno-oncology	Immuno-oncology is a unique approach that uses the body's immune system to help fight cancer
IND (Investigational New Drug)	Process applicable for preparing and developing a investigational drug into human clinical trials. An Inves-tigational New Drug Application (IND) is a request for Food and Drug Administration (FDA) authorization to administer an investigational drug to humans
IL-17A	IL-17A is a proinflammatory cytokine produced by activated T cells
Inhibitors	Compounds that inhibit the activity (function) of a (protein) therapeutic target

Inverse agonist	A molecule which elicits the opposite pharmacological effect of an agonist
In vitro	The testing of molecules outside their normal biological context i.e. testing of molecules in an artificial culture medium
In vivo	The testing of molecules to study the effects of various biological entities on whole, living organisms (usually animals or humans)
Kinase	A group of enzymes which constitute a major therapeutic target class
LN	Lupus Nephritis
Lymphocytes	A subtype of white blood cells that is of fundamental importance in the immune system
Medicinal chemistry	Drug discovery discipline involving making compound modifications to improve one or more biological functions of the compound such as solubility, stability, selectivity etc.
Milestone	Pre-defined project goal or partial goal. 'Milestone' may also be used in the sense of 'Milestone Payment', meaning the (pre-specified) remuneration that a party is eligible to receive upon having reached a milestone
Metastasis	Metastasis is a complex process that involves the spread of a tumor or cancer to distant parts of the body from its original site
Monoclonal	Refers to a pure antibody drug, as opposed to oligo-clonal or poly-clonal antibodies, which are mixtures. Monoclonal antibodies are the most common biological drugs
NCE (New Chemical Enticty)	New Chemical Entity - A drug that does not contain active molecules that has been previously approved
Necropsy	Animal autopsy
Nuclear hormone receptor	A class of drug targets
Oligonucleotide	A string of DNA (or RNA). Oligonucleotides have encoding (barcoding) abilities
Pathway	An ordered series of events that together describe a process. E.g. a metabolic pathway describes the series of enzymes and chemical reactions required to produce or break down a molecule
Pharmacological	Through the action of a drug
Proof-of-concept (PoC)	The demonstration of useful clinical activity, usually in Phase II. Proof of concept is also used here and elsewhere to describe the demonstration of useful pre-clinical activity in a disease-relevant animal model
Receptor	Protein capable of binding a (natural) ligand
Reimbursement (system)	A system for paying the cost of (medical) treatment, either through public (e.g. governmental) or private (e.g. health insurance) sources
RORγt	RAR (retinoic acid receptor)-related Orphan Receptor gamma t is a nuclear hormone receptor
Royalty	Remuneration in cash as part of the remuneration scheme in relation to a business agreement. Royalties are normally connected to commercial milestone payments, typically paid annually as a percentage of net sales
SLE	Systemic Lupus Erythematosus
Small molecule	Low molecular weight compound (as opposed to macromolecules such as proteins and DNA). Most drugs are small molecules
Splenocyte	A type of white blood cells situated in the spleen or purified from splenic tissue
Thymus	Lymphoid organ of the immune system responsible for maturation of T cells
Th17 cells	A class of immune cells involved autoimmune disease
TNBS	2,4,6 Trinitrobenzenesulphonic acid
Toxicity	Harmful effects of drug compounds. Before testing new drug candidates in humans, a thorough understanding of potential toxic effects of the compounds are required by regulatory agencies

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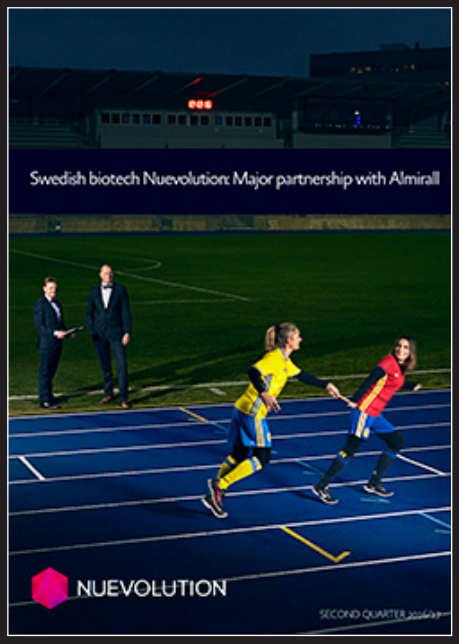

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