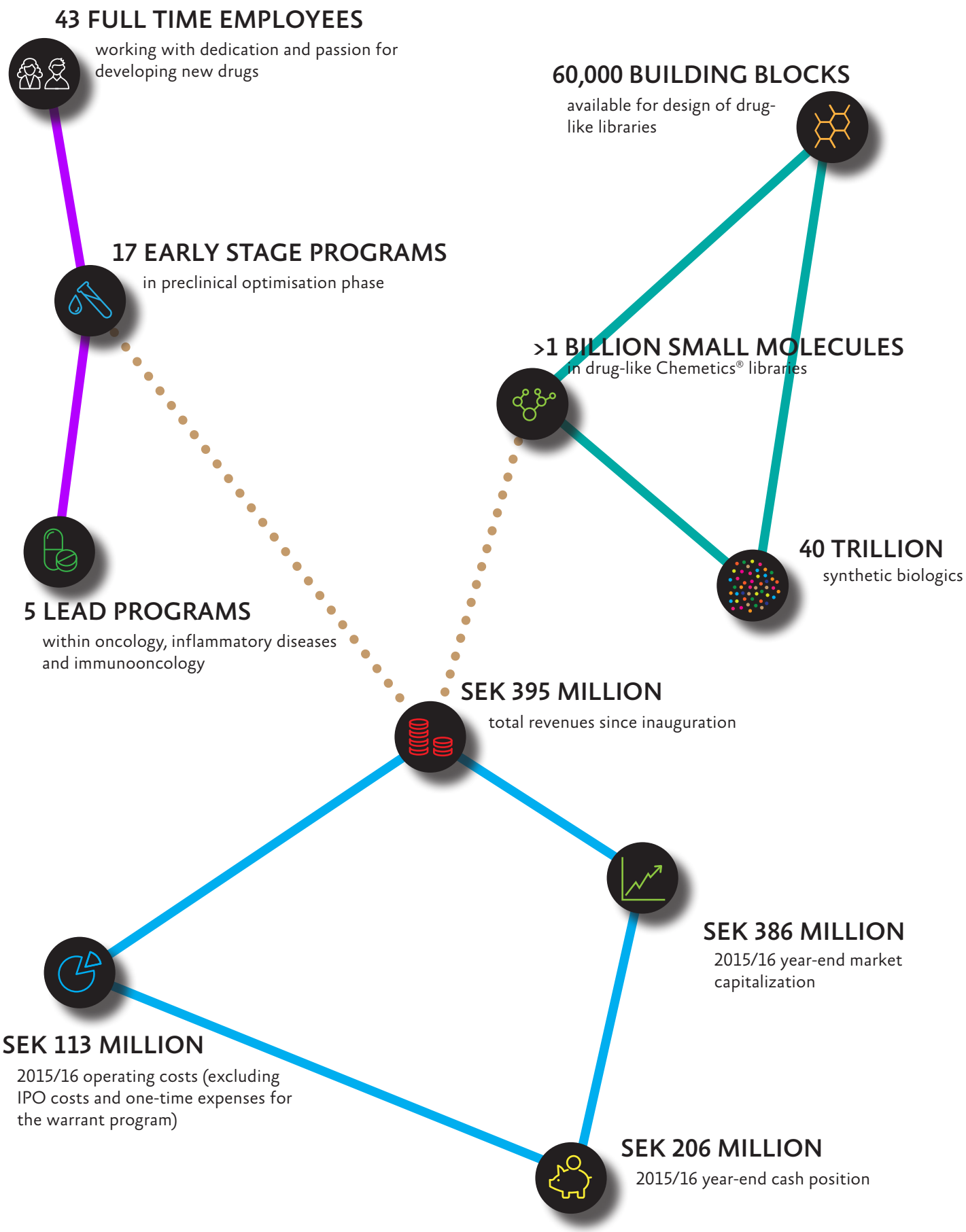
ANNUAL REPORT 2015/16

Transforming challenges into medicine

NUEVOLUTION


43 FULL TIME EMPLOYEES
working with dedication and passion for developing new drugs
60,000 BUILDING BLOCKS
available for design of drug-like libraries
17 EARLY STAGE PROGRAMS
in preclinical optimisation phase
>1 BILLION SMALL MOLECULES
in drug-like Chemetics® libraries
40 TRILLION
synthetic biologics
5 LEAD PROGRAMS
within oncology, inflammatory diseases and immunooncology
SEK 395 MILLION
total revenues since inauguration
SEK 386 MILLION
2015/16 year-end market capitalization
SEK 113 MILLION
2015/16 operating costs (excluding IPO costs and one-time expenses for the warrant program)
SEK 206 MILLION
2015/16 year-end cash position

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Nuevolution Annual Report

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

OUR VISION

Our vision is to deliver breakthrough medicines for treatment of diseases with significant unmet needs leveraged by our revolutionary technology.

NUEVOLUTION AT-A-GLANCE

ABOUT NUEVOLUTION

Nuevolution is a Scandinavian biopharmaceutical company focused on developing drug treatments for human diseases within oncology and chronic inflammatory diseases.

Nuevolution is the inventor of Chemetics®, a patent protected drug discovery platform, which enables efficient discovery of novel small molecule (tablet based) drug candidates.

The Chemetics® platform provides access to screening of billions of molecules and efficient optimization of drug properties in the process of identifying the drug candidate.

Our efforts are leveraged by a proven and highly efficient drug discovery engine, and backed by a skilled and dedicated team of employees, world-class academic and corporate expert advisers catalyzing our ambition to deliver new medicines to patients.

OUR STRATEGY

With our highly efficient Chemetics® drug discovery platform, Nuevolution is uniquely positioned to immediately capitalize on the rapidly developing understanding of the biology of diseases.

It is our objective to both realize value for our shareholders as well as give new hopes for patients with life threatening diseases and diseases resulting in poor quality of life.

In our internal drug development activities, we have a strategic focus towards inflammatory diseases, oncology and immuno-oncology, and we screen about 15 disease targets annually in pursuit of this strategy.

Chairman

Stig Løkke Pedersen

A very important year in Nuevolution's history

WORDS FROM THE CHAIRMAN

Dear shareholders,

I want to start by thanking you for your support during the financial year 2015/2016.

It has been a very important year in Nuevolution's history, first and foremost because of the IPO (Initial Public Offering) Nuevolution undertook in 2015. The company's shares were listed on Nasdaq First North Premier Stockholm on December 17, 2015 and the IPO resulted in SEK 250 million in new equity, with almost 10,000 new shareholders.

Nuevolution's Management and Board are grateful for this strong vote of confidence and will do all we can to live up to the many new shareholders' expectations and create significant value for all our shareholders.

STRONG BACKING FROM INVESTORS

Over the years, Nuevolution has received significant and strong backing from our major shareholders, SEB Venture Capital, SEB Utvecklingsstiftelsen, Sunstone Capital and Industrifonden. All are committed to the business strategy that was promoted during the IPO roadshow and confident about the company's unique high-performance and low-cost platform for the discovery of tablet-based medicines for the treatment of cancer and chronic inflammatory diseases.

Nuevolution's IPO was the historically largest biotech listing on Nasdaq First North and the 16th largest biotech IPO in Europe in 2015. With the IPO, we have laid a robust foundation for execution of a long-term strategy as a listed company, with a strong ambition to seek an up-listing of Nuevolution into a regulated market.

FURTHER DEVELOPMENT OF THE CHEMETICS® PLATFORM

With the strengthening of our financial position, we are able to systematically build the company and fully exploit the potential of our proprietary Chemetics® platform.

A significantly larger number of high-quality candidate compounds is expected to be developed from the application of Chemetics®, which will also allow candidate compounds to be identified much more quickly than is the case when using conventional methods. The result will be better candidate compounds, some of them available for partnering, with improved drug properties for less invested capital. We believe these features of the platform will help the pharmaceutical industry to improve its return on R&D investments and potentially increase the period of exclusivity of new medicines in the marketplace. Finally, and most importantly, it may result in the development of safer and more efficacious medicines for patients.

NOMINATION COMMITTEE PROCEDURE

At the annual general meeting (AGM) of Nuevolution AB (publ), which will be held on October 5, 2016, the procedures for establishing a Nomination Committee will be adopted, and such procedures are expected to be in line with the rules set out in the Swedish Corporate Governance Code (the 'Code'). The procedures will include rules on how the representatives of the Nomination Committee are appointed and the agenda items for which the Nomination Committee will present proposals (including Board and Auditor elections, remuneration to the Board and Auditors, and establishing procedures for the Nomination Committee).

As the company currently has no such procedures in place, given that it has only been listed on Nasdaq First North Premier since December 17, 2015, representatives of the three largest shareholders (SEB Venture Capital, Industrifonden and Sunstone Capital) and I will, as a group, present proposals for such agenda items at the AGM 2016. In subsequent years these will be presented at our AGMs by the Nomination Committee.

On behalf of the Board, I would like to conclude by thanking all the employees of Nuevolution for doing an outstanding job during this intense business year. The coming business year, 2016/17, looks exciting and could very well bring significant business results. I am personally looking forward to following our progress closely, both as Chairman and as a shareholder.

Stockholm, September 2016

Stig Løkke Pedersen
Chairman

CEO

Alex Haahr Gouliaev

2015/16 has been an outstanding year

WORDS FROM THE CEO

Dear shareholder, Dear reader,

The financial year 2015/2016 has been outstanding for Nuevolution, and I would like in particular to start by expressing my gratitude to the almost 10,000 new shareholders supporting our IPO in December 2015. Nuevolution is a well-funded biotech company and with our management, Board and major pre-IPO and post-IPO shareholders – SEB Venture Capital, SEB Utvecklingsstiftelsen, Sunstone Capital and Industrifonden – we are all committed to applying the company's unique high-performance low-cost platform for the discovery of tablet-based medicines to developing treatments for cancer and chronic inflammatory diseases, and to working with maximum focus on the creation of shareholder value.

R&D WITH LOWER RISKS

Following our successful IPO, it remains a key objective for Nuevolution to continuously capitalize on our research investments through revenue generation while in parallel seeking to mitigate risks. With the proceeds from the IPO we are determined to realize five or six business opportunities during the next three years with the goal of having three or four of our programs out-licensed to partners in exchange for upfront payments, future milestones and royalties while also aiming to keep one or two for our own further development. In addition, research will produce the seeds for new businesses post year three. With our multiple shots at goal and our operational approach, we take many measures to mitigate risks both in science and in business in realizing our strategy.

During 2015/16, Nuevolution's research progressed according to plans. Exciting proof-of-concept studies are ongoing or in preparation in multiple programs and will be presented in press releases and in our quarterly reports.

In October 2015, among other activities, Nuevolution entered into a new collaboration agreement with Janssen Biotech Inc., which marked the 15th collaborative agreement in the company's history. The agreement was then further expanded by Janssen in April 2016. During the year we also announced the achievement of a USD 2 million milestone payment from our collaboration with Novartis. These two developments further emphasize the scientific and commercial value of Nuevolution's technology platform.

As part of our strategy to reduce both the scientific as well as the business risk of our drug discovery programs, Nuevolution has broadly explored business opportunities for entering into risk-sharing collaborations, resulting in negotiations with multiple potential partners with the objective of closing one or two such multi-target agreements prior to the end of second quarter 2017.

POSITIVE RESULTS FOR THE RORγt INVERSE AGONIST PROGRAM

Also during the year, exciting pre-clinical studies in Nuevolution's RORγt inverse agonist program showed positive results for our potential development candidate targeting severe inflammatory diseases. Furthermore, non-regulatory toxicity testing in mice and dogs showed that the lead and backup candidate were well tolerated and did not lead to any safety alerts. In parallel with this continuing internal development of the program, Nuevolution is exploring opportunities to form an attractive out-licensing agreement with a highly committed partner to complete further development of this program.

SOLID PATENT POSITION

In March, Nuevolution announced the granting of four new technology patents by the European Patent Office. This further solidifies our strong technology patent position with a total of 200 granted patents validated in countries around the world that represent important markets for Nuevolution.

THE START OF A CONTINUOUS PROCESS OF COMMUNICATION

As a smaller company listed on an unregulated market we are cognizant of the fact that we have to work intensively to maintain investor interest in our stock. This is of particular importance for a First North Premier company, where larger institutional investors are less active. Our IPO in 2015 was the start of a continuous process of communication through several Investor Relation activities: during the first half of 2016, in addition to releasing our quarterly reports we participated in eleven events in Denmark and Sweden thereby taking advantage of maximizing the number of opportunities to communicate with our shareholders. In parallel with our activities in Scandinavia, we also participated in events and presented Nuevolution to international investment funds. We plan to continue our communication activities at a similarly ambitious level during the financial year 2016/17.

Nuevolution has also engaged corporate finance and equity research specialists Jarl Securities and Remium to follow the company and report on our performance and opening reports have been released by these analysts. During the coming financial year, we plan to expand with additional analyst coverage and, assuming continued positive development of the company, we will pursue our ambition to uplist the stock to a main market at the optimal point in the future.

Finally, but not the least, I would like to thank all the employees of Nuevolution for their dedicated performance and high flexibility during the financial year with their constant focus on realizing our key objectives.

Stockholm, September 2016

Alex Haahr Gouliaev
Chief Executive Officer

Group - Key ratios

TSEK, if not stated otherwise	2011/12*	2012/13*	2013/14*	2014/15*	2015/16*
INCOME STATEMENT					
Revenues	23,184	14,343	79,458	29,801	21,314
Operating expenses	-43,574	-50,885	-71,233	-93,618	-171,872
Operating expenses without share-based payment	-43,574	-50,489	-70,965	-93,552	-123,344**
Operating loss	-22,576	-38,214	6,905	-64,891	-151,886
Net financial items	-278	-314	-624	2,836	-22
Net loss	-21,343	-37,098	7,408	-54,732	-144,997
Comprehensive loss for the year	-21,343	-37,098	7,408	-54,794	-144,087
BALANCE SHEET					
Non-current assets	5,302	4,974	4,167	4,228	7,112
Current assets	73,788	32,897	59,321	67,431	227,853
Total assets	79,090	37,871	63,488	71,659	234,965
Share capital	266,405	265,622	277,815	352,922	42,858
Equity	70,476	22,658	31,654	51,553	198,055
Non-current liabilities	525	1,702	1,372	1,451	3,482
Current liabilities	8,089	13,511	30,462	18,655	33,428
Net working capital (NWC)	-13,778	-9,550	34,716	-5,125	-24,718
Investment in intangible and tangible assets	833	1,872	320	1,109	4,094
CASH FLOW					
Cash flow from operating activities	-20,671	-31,056	-35,038	-19,475	-81,450
Cash flow from investing activities	-171	-1,418	-321	-1,120	-4,145
Cash flow from financing activities	89,975	-8,811	-310	74,868	244,532
Total Cash flow	69,133	-41,285	-35,669	54,273	158,937
FINANCIAL RATIOS					
Earnings per share (EPS basic and diluted), SEK	-1.46	-1.64	0.33	-2.26	-3.98
Shareholders' equity per share, SEK	3.12	1.00	1.40	1.80	4.62
Year-end share price	N/A	N/A	N/A	N/A	9.00
Equity ratio (%)	89	60	50	72	84
Number of shares outstanding, average, million shares	14.6	22.6	22.6	24.2	36.5
Number of shares outstanding, end-period, million shares	22.6	22.6	22.6	28.6	42.9
Average number of employees (FTE)	33	33	39	41	43
Number of employees (FTE) at year-end	30	36	39	43	44

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 1 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 1 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 af the increase from 2015/14 to 2015/16 is related to non-recurring cost from the listing in December 2015.

Business Strategy

Nuevolution initiated commercialization of the Chemetics® drug discovery platform in 2005-06 after completing its initial development during the period 2001-06. Over the following years, the technology platform was improved, expanded and refined and provided the company with significant income (about SEK 395 million) from high-profile partnerships (15 deals in total including repeat deals with partners), with companies such as Novartis, Merck & Co. (MSD), Boehringer Ingelheim, GlaxoSmithKline, Lexicon Pharmaceuticals and, more recently, Janssen Biotech, Inc. (Johnson & Johnson). Since 2013, we have transformed our business model to also include drug discovery and development of our own programs as well as risk-sharing/pre-sale collaborations using our proprietary discovery platform to create high-value drug programs.

The company's hybrid business model allows revenue generation from both technology-based partnerships and out-licensing agreements with pharmaceutical and biotechnology companies, as well as development of proprietary programs within oncology, immuno-oncology and inflammatory diseases. Through this strategy, Nuevolution both develops proprietary drug projects and realize attractive revenues through upfront payments, milestone payments associated with development and commercial goals, and royalties on future sales.

The basis of Nuevolution´s success lies in the company's propriety cost effective drug discovery platform, Chemetics®, a platform that has enabled discovery of novel small molecules in a number of internal and partnered research programs. Through the application of the Chemetics® drug discovery platform, Nuevolution pursues multiple biological targets against billions of molecules each year in the search for novel medicines for more efficacious, safer and personalized treatment of cancers and inflammatory diseases. We will thereby seek to establish and develop a pipeline of clinical programs and a broad portfolio of pre-clinical programs, some of which will be partnered, whereas other programs will be developed by the company under Nuevolution's own management.

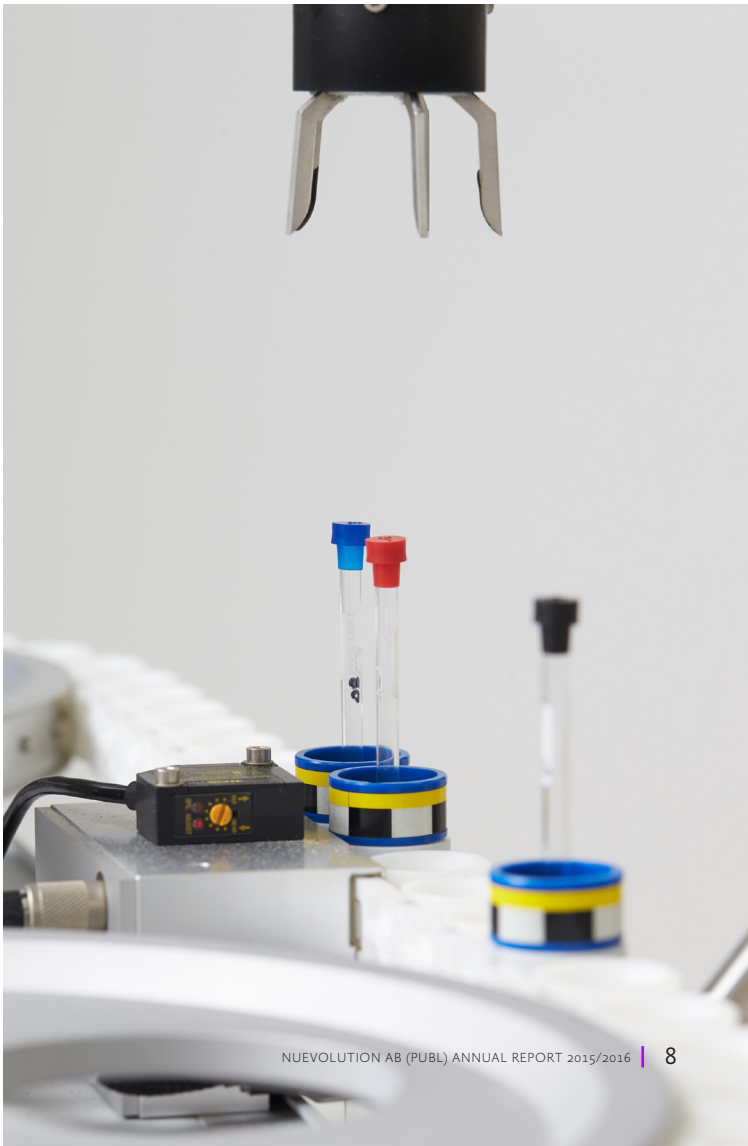
The typical biotechnology company maintains a high cost for conducting research, and is therefore often forced to become a 'one-product' company with a high risk profile. In contrast, Nuevolution differs from this by being capable of continuously and efficiently fueling a broad pipeline of drug candidates through the use of the Chemetics® platform ('multiple shots at goal'). A similar business model has been adopted successfully by, for example, antibody-focused companies such as Morphosys, Genmab and Regeneron. Nuevolution's discovery platform is capable of identifying small-molecule drug candidates that are equally effective to those developed with technologies for antibodies/biologics. In contrast to antibodies, Nuevolution identifies small molecules, which are orally available, cheaper to produce and, furthermore, capable of interacting with (intracellular) targets, which are inaccessible to antibodies.

Objectives:

The company´s objective is two-dimensional: pipeline build and business realization.

- Pipeline development goals: Over the period 2016-2018, we plan to realize five or six programs for out-licensing or further proprietary development.
- Business goals: We plan to out-license select pre-clinical programs while retaining attractive financial terms (upfront payments, milestones and royalties) for the company in such programs.

We also plan to enter early-stage risk-sharing/pre-sale collaborations with pharmaceutical companies for biological targets of mutual interest, with an option for the pharmaceutical company to obtain rights for further development of the program against upfront, milestone and royalty payments to Nuevolution. Through this structure, Nuevolution seeks to reduce the business risk by signing its partner up already at the start of the research project.



Chemetics®

The nomination of a clinical drug candidate is the ultimate goal of a drug discovery project. Getting there by conventional approaches normally requires years of hard work. It all starts with the selection of a biological disease target against which a successfully developed medicine has the potential to prevent or cure a disease. This selection process is followed by so called 'high-throughput-screening' (HTS) against the target. Within pharmaceutical companies, HTS is typically carried out against a library of one to three million compounds with the aim of identifying 'hits', i.e. compounds that can form the starting point for further optimization and fine-tuning of properties toward the drug candidate. This is a costly and time-consuming approach compared to applying Nuevolution's extremely powerful Chemetics® platform, which allows both screening of libraries of billions of compounds and fast lead optimization at a fraction of the cost and time required when using traditional HTS and conventional optimization processes. A more effective screening that enables significantly more hits to be evaluated can not only increase the chance of a successful research program but also decrease the risk of failure of drug candidates later in the development process, which in turn has the potential to dramatically improve overall R&D productivity.

Nuevolution is the sole inventor of the patent-protected Chemetics® drug discovery platform and since 2008 the company has applied this platform to deliver promising programs for multiple world-leading pharmaceutical companies. From early 2013, we have also applied our discovery platform in the building of our own pipeline of programs, with the focus on the identification of novel medicines for the treatment of cancer and inflammatory diseases and, through the creation of a collection far exceeding one billion drug-like small molecules (which is more than 1,000 times larger than molecule collections within the largest pharmaceutical companies) Nuevolution has become established as a leading company in small-molecule drug discovery.

Applying Chemetics® for the DNA-encoded synthesis of these billions of chemically diverse drug-like small-molecule compounds, and their efficient screening and optimization, facilitates effective identification of potent drug candidates at an unprecedented speed and scale.

HIGH SPEED – LOW COST – BETTER QUALITY

Screening: During Nuevolution's screening of a biological disease target, hundreds of millions to billions of molecules are exposed to the biological target simultaneously. In this screening step, inactive compounds are eliminated and active compounds isolated. This process applies a 'survival of the fittest molecules' principle. The structures of the active compounds are then determined by sequencing of the DNA code, which essentially functions as a molecular barcode. By applying this principle, we are capable of scaling conventional screening applied by large pharmaceutical companies by a factor of 1,000 to one million, enabling a significantly higher success rate in identifying appropriate molecules for further drug optimization.

Optimization: For the hit-to-lead optimization phase (H2L), where further compounds must be synthesized to improve drug properties, Nuevolution has developed the platform to increase the production of compounds by 10- to 100-fold and at the same time lower the cost of production for each of these by 10- to 50-fold compared to conventional techniques used by pharmaceutical companies. This enables us to fine-tune our compounds faster, cheaper and by use of fewer resources than with conventional methods before entering the final lead optimization phase and candidate selection process.

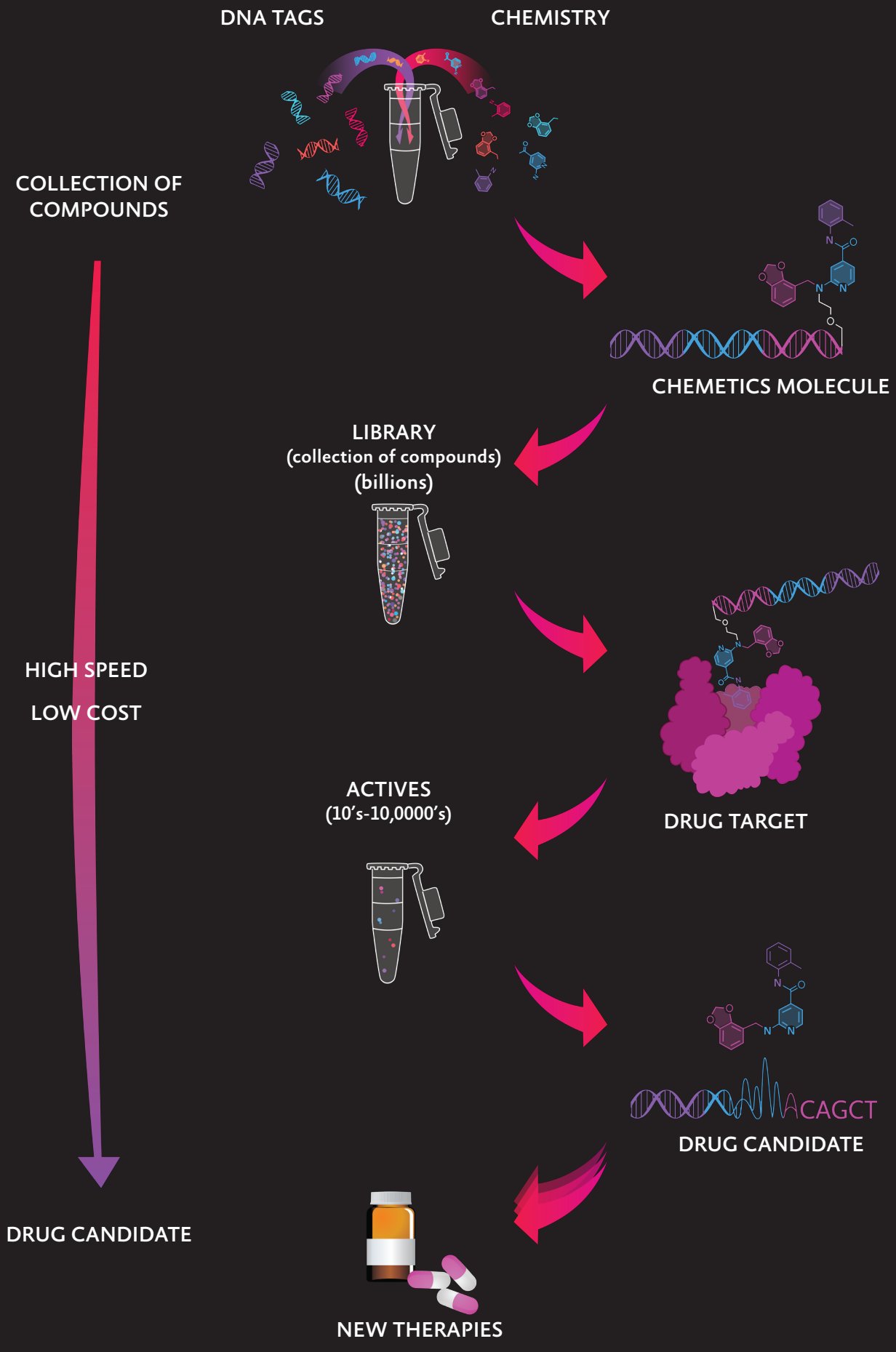
Nuevolution will continue to screen about 15 biological disease targets per year, with the objective of identifying the most promising programs for further optimization. Over a period of three years, we plan to develop five to six programs for out-licensing or for further development in-house.
Only the most promising and viable programs with strong medical and business prospects will receive continued investment. We therefore conduct a stringent project prioritization review on a quarterly basis.

TECHNOLOGY HIGHLIGHTS OF THE YEAR AND PLANS FOR 2016/17

During the year, we have applied our technology for the production of focused libraries, i.e. libraries for optimization of hits identified from the first screens of up to a billion small-molecule compounds against very challenging disease targets. This approach has enabled us to use and explore billions of compounds during the hit-to-lead optimization process. In comparison, a typical big pharma company would generally be able to explore 500-5000 compounds during its optimization process. Our approach has identified solutions to various project challenges and issues during the optimization process in a much more efficient manner than is possible when using conventional approaches.

In 2016/17, Nuevolution plans to produce four to five novel libraries covering unchartered chemistry space with more than two billion compounds. Based on successes achieved during 2015/16, we will also use the technology to develop further focused libraries throughout 2016/17.

Opposite page: *Chemetics® technology overview cartoon.*


DNA TAGS
CHEMISTRY
COLLECTION OF COMPOUNDS
CHEMETICS MOLECULE
LIBRARY
(collection of compounds)
(billions)
HIGH SPEED
LOW COST
DRUG TARGET
ACTIVES
(10's-10,0000's)
ACAGCT
DRUG CANDIDATE
DRUG CANDIDATE
NEW THERAPIES

Developing New Molecule Libraries

Nuevolution's original business concept was the development of DNA-encoded molecule libraries which formed the basis of the company's patented Chemetics® drug discovery platform.

"The drugs that are easy to develop have already been produced. Our focus is to find compounds for challenging targets, that play an important role for a specific disease," says Titi, Research Scientist and Head of Library Production.

The team working on the development of new molecule libraries consist of five people, a mix of biologists, chemists and technicians. Not always taking the easy way is something that strongly characterises the way the team works.

"We would not have a business if it were not for our library. It is the foundation of the entire company," says Eva, who has overall responsibility for biology in the library team.

The Chemetics® platform makes it possible to search for several drug candidates in a shorter time and at a lower cost than the more traditional methods used by the large pharmaceutical companies. The technology combines molecular biology and chemistry in a unique way, and the interaction between the two disciplines characterizes the entire organization.

"Throughout in the process biologists work hand-in-hand with chemists, and that interaction is the key to our work on the molecule libraries," says Eva.

Diversity and quality are the two most important factors when the team puts together new molecule libraries.

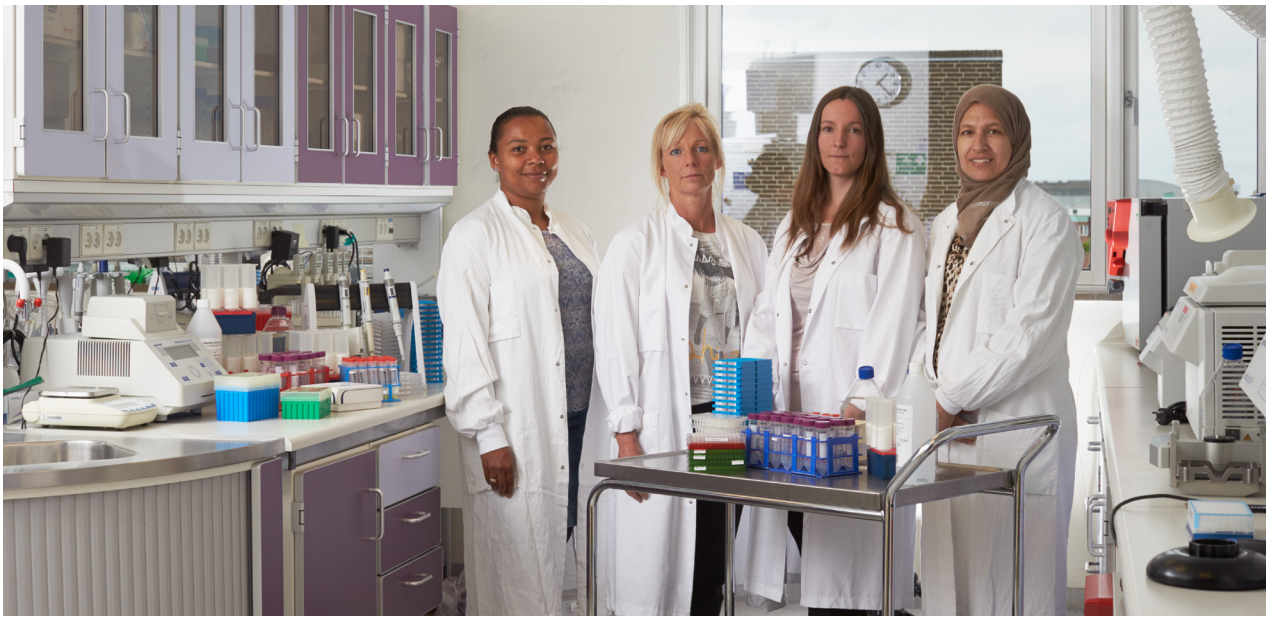
"We are extremely selective and critical about the molecules we include in our libraries. We put quality before quantity, but also ensure that we have significant diversity amongst our molecules," says Titi.

The team's focus on quality and diversity reduces the time it takes to find a molecule that can bind to a specific receptor and that may therefore become a potential drug candidate.

The goal of the team is to build a total of three to five new libraries per year. Currently they are working on five different libraries. Over time, the molecule libraries have become broader in scope and more complex. The largest library to date, the one they are working on at the moment, consists of 40 trillion (40.000.000.000) chemical molecules. .

As a rule of thumb, a library may be used for as much as 500 screenings. Most of the libraries are not built for a specific purpose, but in some cases the team puts together a 'focused' library with a specific target in mind.

The team buys 3000 to 5000 new fragments (building blocks) per year from a range of different suppliers with which they cooperate closely. When buying fragments the team sends a list of the required



THE LIBRARY PRODUCTION TEAM

characteristics to the supplier. These characteristics can include specific reactive handles; the weight of the molecule; or how "oil"- or "water"-soluble the substances should be.

Today, the team has a gross list of about 60,000 fragments that have been subject to thorough quality control. The team has developed tools that facilitates this selection process of new fragments, which means they can more effectively choose the fragments they wish to purchase.

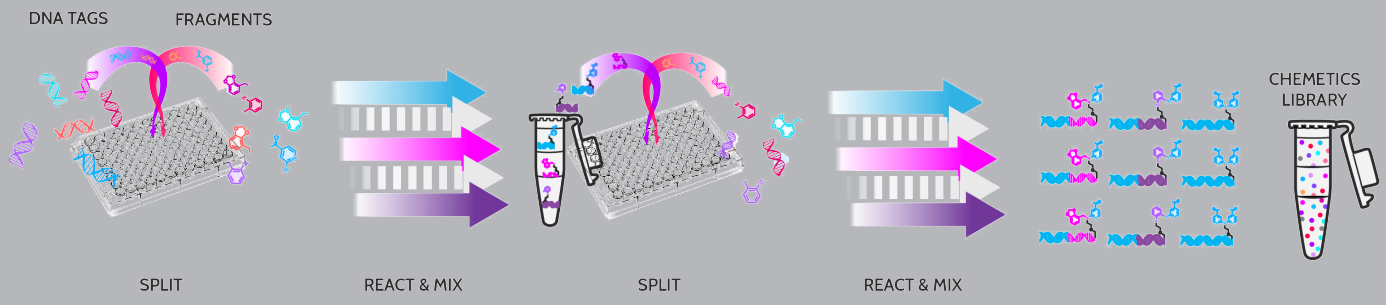
The library primarily consists of fragments that have been bought as well as fragments designed by the team.

"Designing fragments takes longer of course, but it does make the libraries more unique. Sometimes, when we are looking for a molecule with a specific property and cannot purchase it from suppliers, we also choose to assemble the fragments ourselves. Such fragments are generally of complex structure" says Titi.

In recent years Nuevolution has invested more resources in developing proprietary small-molecule compounds. Each compound is given a unique DNA code, a 'biological barcode', which means that the screening process allows easy compound identification following screening of the receptor (target). It has been no easy task to develop the DNA coding system that is in use today.

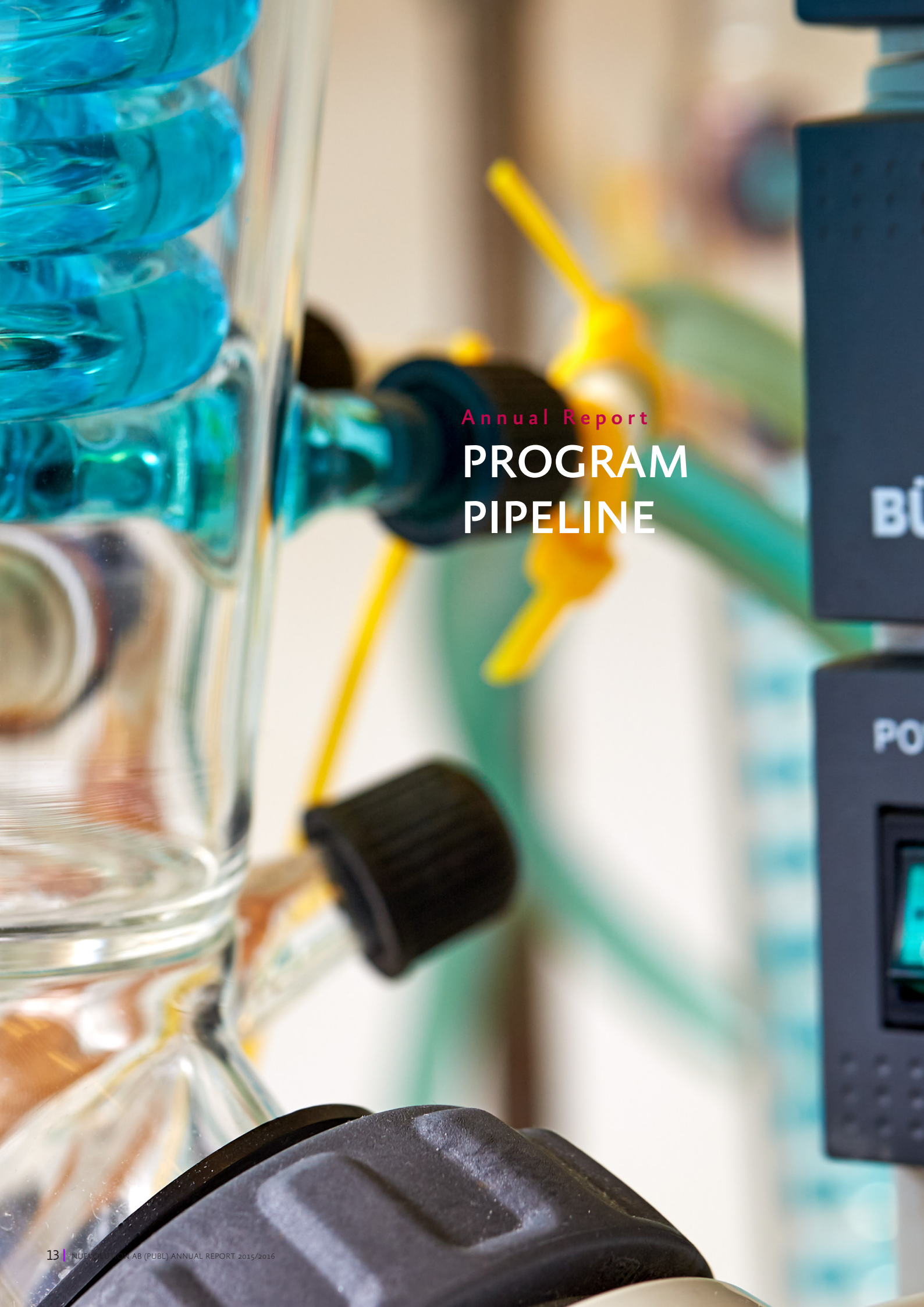
"Our greatest initial challenge was how to assemble different chemical molecules while at the same time retaining the DNA code. In other words, getting the substances to react without destroying the DNA," Eva explains.

Today the team has a robust process that they work with, and they continue to improve and optimize their procedures.



Chemetics® libraries are synthsized by a method known as split-and-mix where chemical fragments in consecutive rounds of sythesis are combined to generate large libraries of drug-like compounds. Unique to the Chemetics® technology is the formation of a DNA-tag on each small molecule compound allowing identification and tracking of the molecules during the process of screening.

THE LIBRARY PRODUCTION PROCESS



Annual Report

PROGRAM PIPELINE

Pipeline

Nuevolution's program pipeline originates from the company's unique Chemetics® platform, which combines efficient exploration of many disease-relevant drug targets with billions of drug-like small molecules followed by highly efficient methods for further optimization toward clinical candidate level. This innovative platform engine allows multiple parallel screening and optimization processes for several disease targets, enabling rapid and cost-effective drug discovery (See section 'Chemetics®' for details).

Nuevolution focuses on developing small molecules for diseases with high unmet medical need or where a small-molecule treatment will offer significant benefit compared to existing treatments. In general, the benefits of small molecules include the convenience of oral (tablet) administration, low production cost compared to biologics, shorter half-lives offering better safety, and access to disease targets inaccessible to antibodies, e.g. targets inside cells.

Our pipeline of projects is focused on three different, but interrelated, core areas: inflammation, oncology and immuno-oncology. On an annual basis, approximately 15 disease targets enter screening, providing for fast identification of small-molecule hits with the expectation of producing starting points for five to eight new discovery projects per year. Subsequently, a subset of these projects will mature to become Nuevolution's pipeline programs – either wholly owned by the company, partially owned through a joint venture with collaboration partners or fully out-licensed to other companies.

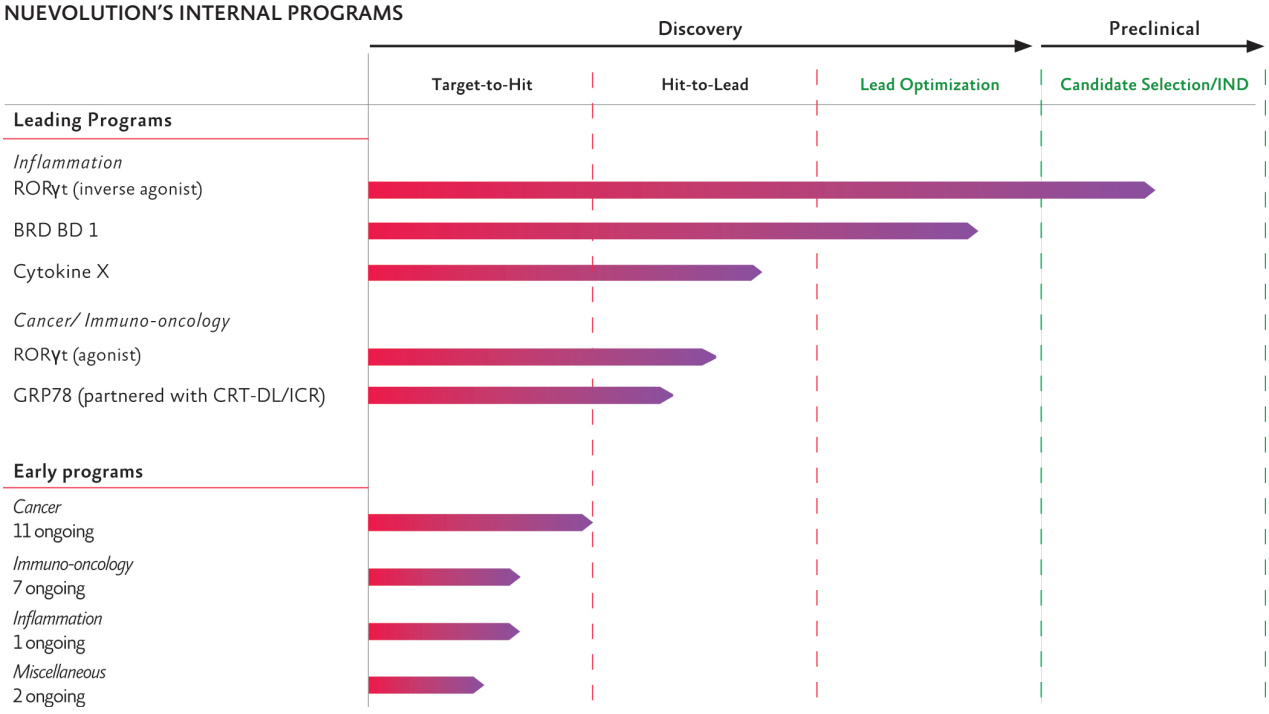
The selection of new targets entering screening is based on a number of parameters balancing market interest, disease linkage and validation, and risk spread across therapeutic areas. In addition, part of our screens are devoted to identifying novel hits for targets with clear disease validation, but where the protein target is considered too tough-to-drug by conventional means.

During 2015/16, we saw good progress for a number of our discovery programs, including the key anti-inflammatory programs on RORγt inverse agonists, BET bromodomain inhibitors and undisclosed target identity cytokine X inhibitors. The pipeline below shows the current status of these programs. In addition, Nuevolution also made good progress in the company's drug discovery collaboration with Janssen Biotech signed in October 2015 and further expanded in April 2016.

RORγt INVERSE AGONIST PROGRAM – NUEVOLUTION'S LEAD PROGRAM

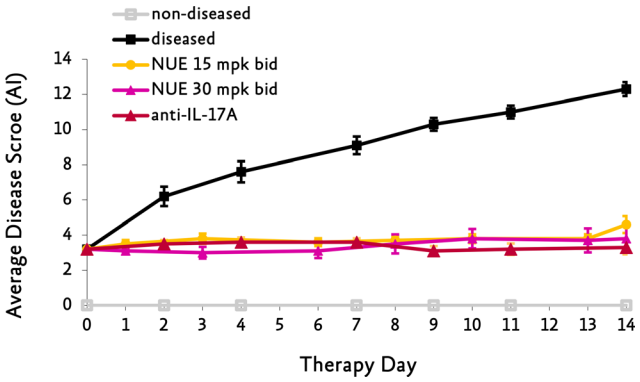
By screening close to one billion small molecules or about 1000 times as many molecules as is available in a typical large pharmaceutical company, Nuevolution has been able to identify multiple attractive small molecules with good properties and activity. The company has optimized the best molecules to arrive at what we believe will most likely be the development candidate and has identified several backup candidates. As such, we believe that our program will allow access to a tablet-based treatment and a medicine that can

NUEVOLUTION'S INTERNAL PROGRAMS



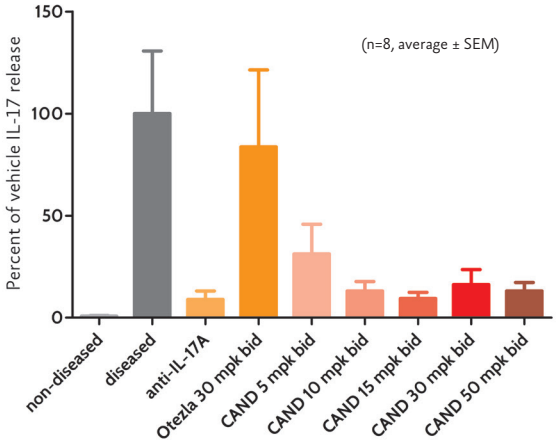
Rheumatoid arthritis model

(Collagen Induced Arthritis, mouse model of rheumatoid arthritis)



Psoriasis model

(IL-23 induced dermatitis, mouse model of psoriasis)



be produced at significantly lower cost than antibodies but, more importantly, that has a much shorter human half-life than antibodies, and thereby potentially offering a safer treatment paradigm.

During 2015/16, Nuevolution made significant progress with its RORγt inverse agonist program, completing lead optimization and identification of two pre-clinical candidates, a candidate and a backup compound for the program. These compounds have been validated in multiple mouse disease models and were selected for non-GLP toxicology studies to assess pre-clinical safety.

Nuevolution's small-molecule lead candidate compound and the leading backup compound with the potential for becoming tablet-based medicines were profiled in two mouse disease models (collagen-induced arthritis, CIA, figure above, left panel, and IL23-induced ear swelling and IL17A induction, figure above, right panel), confirming good efficacy by disease scoring as well as by observing clinically relevant biomarkers following oral treatment. The results were on a par with those obtained with an antibody therapeutic delivered by injection. In a non-GLP (non-regulatory) seven-day toxicity study of the lead candidate in mice, the 'no observed adverse effect level' (NOAEL) was established to be at least 600 mg/kg per day, or 10-20 times higher than the efficacious dose, indicating a good safety margin. NOAEL denotes the level of exposure of a drug candidate at which there is no biologically or statistically significant increase in the frequency or severity of any adverse effects.

BACKGROUND RORγt INVERSE AGONISTS

When an inflammatory process targets a person's own tissue, this leads to tissue degradation, which may result in a severe auto-immune condition causing development of diseases such as multiple sclerosis, rheumatoid arthritis and psoriasis, as well as several others. Over the past ten years, the combined efforts of academia and industry have significantly increased the understanding of the underlying mechanisms behind this inflammatory process.

A specific cell subtype of the immune system named T_H17 functions as a key driver for the inflammatory process. Following the appropriate stimulation (activation) of immature T cells, these transform into active T_H17 cells by a process that is highly dependent on a number of biological factors. Current promising medicines for treatment of inflammatory indications such as, for example, psoriasis, seek to reduce the activity of or effectiveness of T_H17 cells. This is achieved by either reducing/eliminating the further cell signaling of these cells with others in the immune system through the elimination of their signaling molecule (transmitter) IL17 or by destabilization of the T_H17 cells themselves. Human clinical studies have confirmed that blockade of this biological pathway offers an effective approach to seek control of an unwanted T_H17 driven inflammatory process. This approach has already been validated for the treatment of psoriasis, psoriatic arthritis and ankylosing spondylitis. Large pharmaceutical companies continue to investigate the usefulness of this approach by seeking to expand its use into additional indications.

However, the currently approved medicines targeting the T_H17 pathway are antibodies against IL-17A and can only be administered by injection. They are very expensive to produce, which may be one explanation for why the cost of treatment using antibodies, for example Cosentyx or Stelara for the treatment of psoriasis, is more than SEK 45,000 in the first month of treatment and more than SEK 11,000 per month thereafter (this is the pharmacy selling price in Sweden). Furthermore, the half-life of antibodies is very long (the human half-life of Cosentyx is 18-46 days), which essentially means that the TH17 pathway is not available for the body's normal support against infections. It has been reported that more than 10% of all patients experience infections in the upper airways following use of Cosentyx (see Summary of Product Characteristics, EMEA, April 2016), and the potential breakout of latent tuberculosis has to be carefully monitored.

The nuclear hormone receptor RORγt, which is present in the nucleus (center) of T cells, represents a key component for maturation of immature T cells into T_H17 cells, and furthermore is a required component in fully functional T_H17 cells. Therefore for some considerable time, the pharmaceutical industry has searched for molecules that could block RORγt. However, because this biological target is present inside the cell, it cannot be accessed by antibodies,

In addition, a dog telemetry study (a measure of cardiovascular safety) with the lead candidate was also performed. Data from this study demonstrate that the compound is well tolerated with no apparent alerts. The leading backup compound has also shown good efficacy in the CIA and IL23-induced disease models and is also entering full pre-clinical characterization including non-GLP toxicology allowing for a head-to-head comparison on all parameters with the lead candidate. Both the lead candidate and the leading backup compound exhibit promising profiles and offer Nuevolution the ability to proceed with a development candidate showing optimal safety and efficacy when it enters IND (Investigonal New Drug) enabling studies and first-in-man studies in 2017. In addition, having a promising backup candidate minimizes the risk of failure of the program. In parallel with this, chemistry optimization and test scale-up is ongoing with the aim of starting API production during the second half of 2016, provided no stumbling blocks are met.

In March 2016, Vitae Pharmaceuticals Inc. reported positive efficacy results from a clinical Phase I/II study of their RORγt inhibitor, VTP-43742. This demonstrates the promise of the RORγt inhibitor approach for the treatment of inflammatory diseases.

Psoriasis is likely to be the first indication to be pursued within this program but additional indications are also being explored. One of these includes the novel opportunity of using RORγt compounds to inhibit prostate cancer cells resistant to standard-of-care enzalutamide (also known as CRPC – Wang et al,. 2016, Nature Medicine). Nuevolution's compounds began testing against a subset of CRPC cell lines in mid-2016. The second indication (undisclosed), represents a novel indication for a disease with high unmet medical need. This potential indication has not yet been reported in the literature for RORγt inhibitors, however Nuevolution has completed a first in vivo efficacy study showing a statistically significant effect and follow-up studies will be conducted.

The next steps in developing the RORγt inverse agonist program are:

- Finalization of synthetic route optimization and API production for regulatory GLP toxicity testing in two species.
- Discussions with the regulatory authorities in preparation for human clinical studies in 2017.

We expect to file for an IND or the equivalent during the first half of 2017, provided that no adverse results delay the program.

but only by small molecules (classical tablet-based medicines). Several large pharmaceutical companies have tried to identify such small molecules with good activity, good properties and good safety, but have so far not been successful, as inhibition of RORγt has turned out to be very challenging.

The blocking of RORγt would correspond to turning off a main switch of the T_H17 pathway, thereby both blocking the maturation process as well as blocking any T_H17 cells that are already present. A small molecule capable of this would also offer access to a tablet-based medicine that could be produced at significantly lower cost than that of antibodies. In addition, the half-life of small molecules is generally of the order of 8-24 hours and, in the case of an infection, the patient may simply be taken off the RORγt blocking medicine, thereby allowing the patient's T_H17 pathway to become active again to combat the infection.

BACKGROUND RORγt AGONISTS

In recent years, several novel approaches in immuno-oncology (IO) have emerged as effective means of treating multiple cancers, particularly lung and skin cancers. The industry is focusing much of its resources on expanding the treatment regime to other types of cancers, identifying new modalities for IO treatment and seeking the best combination treatment for each specific cancer.

We pursue many of these novel IO targets including IDO1/TDO, CD39, E3 ligases etc. in our early discovery programs. One of Nuevolution's IO programs now in lead discovery is the RORγt agonist (stimulatory) program providing immune stimulation using the T_H17 pathway.

In contrast to our RORγt inverse agonists, which aim to inhibit disease driven by activation of the T_H17 pathway in inflammatory and autoimmune disease conditions, the use of an agonist will stimulate the pathway, providing a potentially useful means of destroying tumor cells. It is well established that lymphocytes including T_H17 cells infiltrate the tumor – so-called 'tumor-infiltrating lymphocytes' (TILs) – and stimulation of T_H17 cells in the tumor should further stimulate pro-inflammatory cytokine production, thereby attracting immune effector cells to the tumor and accelerating its destruction. Data have been presented showing that the activity of key checkpoint regulators such as PD1 and TIGIT, which act as suppressors as well as regulators of immune

NEXT-IN-LINE PROGRAMS

RORγt AGONISTS (STIMULATORY)

In 2015, Nuevolution identified very potent RORγ agonists capable of stimulating RORγt function in reporter cell lines and, in 2015/16, several compounds were characterized and their properties further optimized. These RORγt agonists are currently being tested for their ability to stimulate both IL17 production and the proliferation of mouse splenocytes (immune cells in the spleene). The compounds will be further tested in an in vivo tumor model when data that support effective splenocyte stimulation are obtained. This is expected to occur during the second half of 2016.

While these proof-of-concept studies are being initiated, our focus is on optimizing compounds for in vivo stability and other properties in the expectation of carrying out in vivo PoC (proof-of-concept) studies in early 2017.

GRP78 INHIBITORS

Nuevolution is pursuing this important cancer target in collaboration with UK-based Cancer Research Technology Discovery Labs (CRT-DL) and the Institute of Cancer Research. Together with CRT-DL, the company has identified potent small molecules capable of inhibiting GRP78, and in 2015/2016 obtained three-dimensional crystal structures of these small molecules bound to this ER sensor, thereby giving key information for guiding further optimization. The compounds under investigation are selective and show good potencies for binding of the target in an allosteric manner: the compound optimization plan for 2016 aims to establish cell-based proof-of-concept in relevant cancer cell lines by the end of the year, the program having made good progress throughout 2015/16 and currently at the hit-to-lead optimization stage.

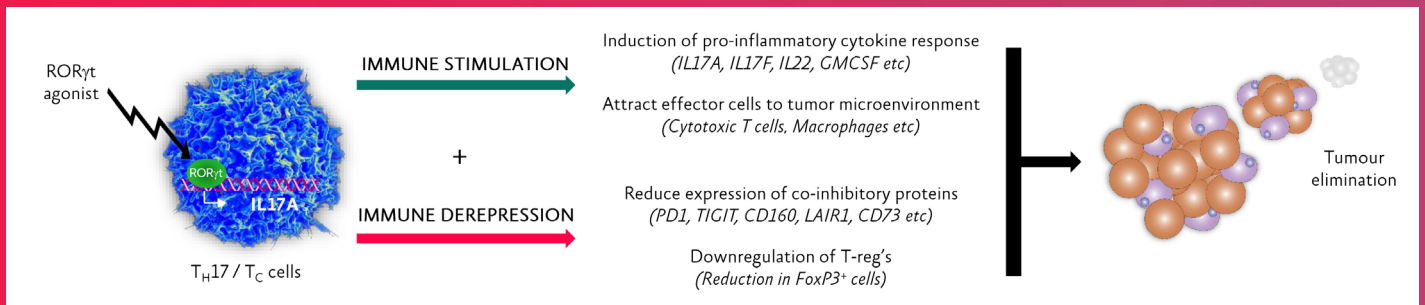
BET BROMODOMAIN INHIBITORS

Further research programs are being pursued by Nuevolution within inflammation, including several selective BET bromodomain inhibitors. BET bromodomain proteins play an important role in regulation of gene expression, which thereby affect inflammatory responses and the ability of cancer cells to sustain growth and survive.

Currently known BET bromodomain inhibitors developed by other companies and now in clinical testing for treatment of leukemias and solid tumors show a number of liabilities including dose-limiting toxicities (DLT). These DLTs include thrombocytopenia (reduction in blood platelets) and an adverse effect on the gastrointestinal tract. Such DLTs may prevent sufficient compound efficacy due to reduced dosing regimens as well as compliance issues with patients in current Phase I/II clinical trials. The compounds currently being clinically tested against cancers all represent non-selective BET inhibitors.

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 is expected to translate into reduced toxicity while maintaining efficacy in a subset of relevant diseases of the immune system dependent on bromodomain 1.

response (immune suppression cells), is reduced upon T_H17 activation. Collectively, this argues for a compelling and novel mechanism for immune therapy using RORγt agonists to achieve T_H17 pathway stimulation. The figure depicts some of the key immune regulatory steps expected to be affected by RORγt activation causing immune stimulation and tumor cells to be attacked.



In the first half of 2016, Nuevolution initiated compound scale-up of a lead compound to be challenged in non-GLP toxicology with head-to-head comparison with a non-selective compound that targets all BET family proteins, and which has been documented as having toxicity issues. The full dataset for this comparative study is expected later in 2016 with the aim of showing the reduced toxicity of Nuevolution's selective bromodomain inhibitor compared to that of a non-selective BET inhibitor.

The plan for our BET program is to provide validation of efficacy in three inflammatory models relevant for human disease. In 2015/16, the lead BET compound was validated in a mouse model of arthritis (CIA), showing good efficacy in reducing therapeutic clinical disease by scoring at 30 mg/kg in line with the compound's effect on IL17A producing TH17 cells. The second mouse model resembles systemic lupus erythematosus (SLE), a severe and debilitating autoimmune disease causing immune attack on healthy tissue, including organs, and ultimately causing cardiovascular diseases and kidney failure. In one mouse model of human SLE, pristine, a natural saturated terpenoid alkane, is being used to cause an immune response affecting kidneys and inducing proteinuria. In the third model, idiopathic pulmonary fibrosis (IPF), mice are being challenged with bleomycin to produce lung tissue scarring and thereby mimic human lung fibrosis caused by collagen deposits, for which there is no current effective treatment. Data on the selective BET inhibitor from the SLE and IPF models are expected during the third quarter of 2016, and we will decide the further disease-specific focus and optimization of these BET program compounds during late 2016 and early 2017.

CYTOKINE X

This inflammatory cytokine (undisclosed identity) is a key regulator with significant clinical data supporting its role in multiple inflammatory diseases. Nuevolution is, to the best of our knowledge, the only company that has potent true small molecules for this target with confirmed inhibition of cytokine stimulation in a number of cell-based assays. We have obtained unique crystal structure data providing atomic resolution of the mechanism of compound binding to the target enabling structural guidance for fast-tracking compound optimization. The program made good progress in 2015/16 and is currently in late-stage hit-to-lead optimization.

EARLY DISCOVERY PROJECTS

In parallel with our main programs, Nuevolution continues to establish new projects in the areas of oncology and inflammation, prioritizing these projects with a clear, fast and tractable route to the clinic and thereby building a high-value program portfolio. Furthermore, the identification of novel targets is supported by our world-class advisory team in co-operation with the company´s Scientific Board (see the 'Scientific Board' section of this Annual Report), as well as through drug discovery collaborations with leading institutions globally. In 2015/16, we explored 15 disease targets with the aim of identifying novel medical treatment opportunities for the future. Internal project reviews have been conducted every quarter in order to prioritize and progress only the most viable and commercially interesting early discovery projects. In addition to these internal quarterly reviews, bi-annual pipeline project reviews with the company's Scientific Board were conducted in 2015/16. Nuevolution puts great emphasis

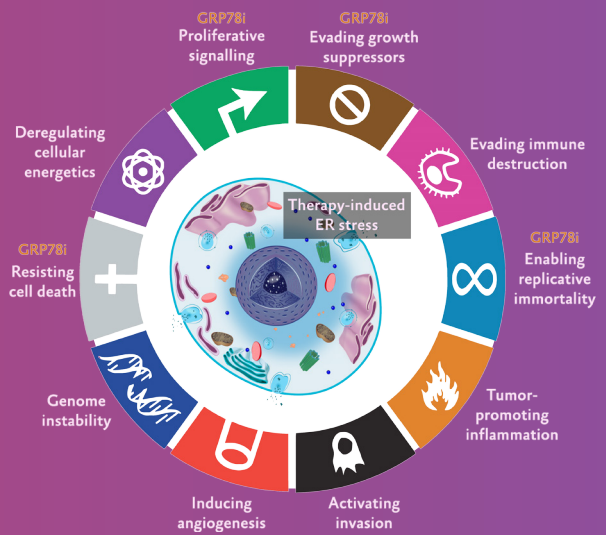
BACKGROUND GRP78 INHIBITORS

In contrast to normal cells, cancer cells exist in permanent stress activating the unfolded protein response (UPR) of the endoplasmatic reticulum (ER). GRP78 is the main ER sensor of unfolded protein and the master regulator of the UPR: its inhibition will lead to accumulation of unfolded ER proteins, which results in

- loss of growth factor signaling needed for cancer cell proliferation,
- induction of p53-independent cancer cell death (apoptosis) and
- inhibition of the cancer spreading by metastasis.

UPR deregulation was recently shown to inhibit the growth of multiple cancer cell lines such as melanoma, prostate, breast, colon, glioblastoma and cervix (Cerezo et al., Cancer Cell, 2016). GRP78 is overexpressed in, for example, certain glioblastomas (brain cancer) and prostate cancer, as well as being relevant in more than 70% of breast cancers. Although more than 4,000 scientific papers have been published on GRP78, no small molecules effectively and directly targeting it have been reported.

Inhibition of GRP78 is expected to inflict multiple and selective effects on cancer cell survival and proliferation, arguing for a strong anti-cancer effect and the clinical significance of GRP78 inhibitors.



on the continuous prioritization of resources and programs to maximize value generation and to minimize risk.

By year-end 2016, we expect to have progressed two additional programs into lead optimization and further proof-of-concept (PoC) studies in cell-based assays and in vivo disease models to be carried out during 2017.

HIGHLIGHTS

- All required data needed for initiation of investigational new drug (IND or the equivalent) enabling studies for the RORγt inverse agonist lead candidate compound have now been completed.
- Dose-dependent disease modification and clinical biomarker responses in two further pre-clinical models of rheumatoid arthritis and psoriasis (CIA and IL-23 biomarkers, respectively) were obtained for both the lead candidate compound and leading backup compound in the RORγt inverse agonist program.
- The RORγt inverse agonist program is currently being progressed in accordance with Nuevolution's development plan, which aims for filing of its IND or the equivalent during the first half of 2017.
- Nuevolution is currently engaged in multiple discussions on potential partnering opportunities for the RORγt inverse agonist program.
- RORγt agonist (stimulatory) compounds have entered testing for splenocyte differentiation and proliferation for subsequent testing as an immuno-therapy agent providing anti-tumor effects by adoptive T cell transfer and immune stimulation of T_H17 cells.
- Selective BET bromodomain inhibitors, GRP78 inhibitors and cytokine X (undisclosed) inhibitors represent attractive next-in-line and maturing programs, where important validation studies are ongoing with the aim of producing further business opportunities for the company.
- The technology transfer under the collaboration and license agreement with Novartis for the Chemetics® technology was successfully completed in second quarter 2016.
- The Janssen Biotech collaboration is proceeding according to schedule, and we expect initiation of an additional project within the next six months.

R&D AND BUSINESS OBJECTIVE

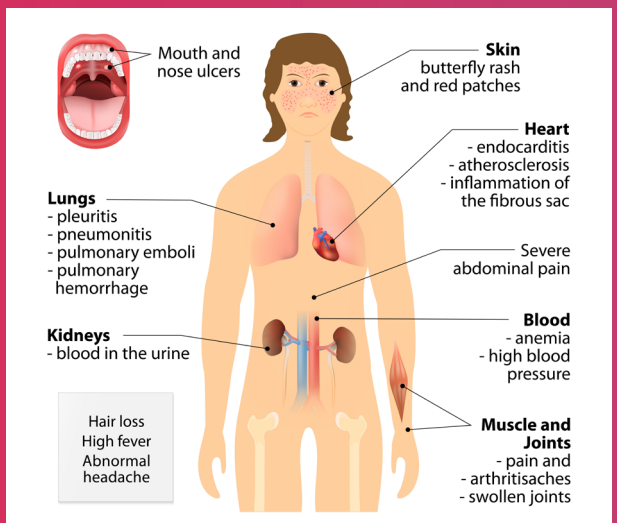
Nuevolution expects to realize five or six business opportunities from its internal programs or Chemetics technology during 2016-2018, where three or four programs will be partnered and one or two programs will be retained internally for further development and first-in-human trials.

BACKGROUND BET BROMODOMAIN INHIBITOR

SYSTEMIC LUPUS ERYTHEMATOSUS (SLE)

Systemic lupus erythematosus (SLE) is a systemic disease targeting any tissue or organ in the human body with the most severe manifestation 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 six major markets (USA, France, Germany, Italy, Spain, UK) was above 400,000 in 2014, and there is a significant age- and sex-specific bias toward women in menopausal transition.

The heterogeneity of SLE complicates disease diagnosis and management, however the overall treatment strategy is to address the chronic state of inflammation and prevent resulting organ damage. Treatment is managed based on disease severity. Cases of mild SLE are typically treated with steroids, NSAIDs, immune suppressants (methotrexate) and anti-malarials, whereas in moderate to severe SLE, biologics such as Benlysta and Rituxan are used.



Manifestations of Systemic Lupus Erythematosus

"The Chemetics® technology generates the optimal starting point for the medicinal chemistry optimization of hits into small molecule drug leads"

Alhough therapeutic options are available, 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 treatment is associated with severe toxicity. Patients diagnosed with SLE face long-term use of medications, and all currently available therapies are associated with significant side effects, including organ damage and malignancies due to long-term use and high doses. Therefore there is a significant need for drugs with new modalities offering better efficacy and fewer long-term side effects.

IDIOPATHIC PULMONARY FIBROSIS (IPF)

Idiopathic pulmonary fibrosis (IPF) is a highly disabling disease with impairment of lung function due to continued scarring (fibrosis) of the lung tissue over time. The survival prognosis following an IPF diagnosis is only three to five years. IPF represents an area of significant unmet medical need, most importantly due to lack of efficacious drugs and the cost of treatment.

The burden on the health care system associated with idiopathic pulmonary fibrosis is becoming increasingly severe due to the highly disabling features of the disease and its age-related epidemiology. IPF most often shows its onset between the ages of 50 to 70, and therefore represents a growing burden in an aging population. In 2014, almost 40,000 new cases of IPF were diagnosed in the six major markets (USA, France, Germany, Italy, Spain, UK).

Only a very few drugs are approved for IPF treatment, Esbriet (pirfenidone – approved in 2011) and Ofev (nintedanib) are currently the only options. Esbriet is the market leader, and is approved for mild to moderate IPF. The drug slows disease progression but does not change patient outcomes. In addition, accessibility to the treatment is limited due to the very high cost of treatment, which averages almost SEK 375,000 per patient per year. No alternative treatments are expected to reach the market prior to 2020, which means there is a very major need to develop therapies that effectively stop or reverse fibrosis.

The RORγt Inverse Agonist Project

Searching for a compound with the potential to become an effective pharmaceutical agent is like looking for a needle in a haystack. The team running Nuevolution's pharmaceutical lead project to counter chronic inflammation may have found that needle.

"We have a lead candidate that we found by screening 800 million small molecules. We have identified a molecule with good pharmaceutical characteristics that binds to the correct location in the human cell," says Sanne, Principle Scientist and Project Manager for the team running the RORγt inverse agonist project.

In fact, 10,000 potent compounds were found that seemed to be of interest in satisfying the project objective – finding a molecule that binds to a specific nuclear receptor inside a cell.

In this case, the relevant nuclear hormone receptor is the RORγt receptor, which regulates the body's production of inflammatory proteins such as cytokines.

A molecule with the right properties or, in technical terms, an RORγt inverse agonist or RORγt inhibitor, which can bind to the receptor, will reduce the body's production of cytokines and so constitute the active ingredient in an anti-inflammatory drug.

This drug could be effective against chronic inflammatory diseases such as psoriasis, rheumatoid arthritis and multiple sclerosis, among others.

It is Nuevolution's unique libraries, containing billions of different molecules, that have made this discovery possible. However, the enormous size of the libraries would have had no intrinsic value if the team had not invented a screening method so rapid that it would become possible to quickly sift out the molecules of no interest to the project.

"We carried out the first screening in a week. However, the difficult part is not finding a molecule that can bind the receptor; the difficult part is finding the right molecule from all of these. Through less than a year we were able to have truly interesting molecules – those that bind to the receptor, and, do what we want them to do and only that," says Sanne.

From the very start the team have been pioneers in the search for attractive molecules for a very challenging target and have realized a goldmine by having access to the company's extensive molecule libraries, and through dedication and innovation they were able to overcome many challenges.

Despite being a small company with limited resources we have been able to achieve what giant pharmaceutical companies have been struggling with.

"There were times at the beginning when we were ready to give up. But through hard work by the team and with good starting points delivered by our technology we made a major breakthrough," says Sanne.

THE RORγt INVERSE AGONIST PROJECT

The team consists of nine people, five chemists and four biologists working in good harmony. The two disciplines do not always find it easy to "speak the same language", but at Nuevolution they work very closely to progress effectively in the search for the right chemical molecules.

As work progressed, a total of 20 molecules became strong candidates, and this has been narrowed down to just two, one of which is the lead candidate.

These agents are currently being tested in animals. Nuevolution does not have an animal research facility; instead the company sends its compounds to contract research organisations (CRO) throughout the world. For reasons of cost and effective throughput, the outsourcing of this part of the pre-clinical development phase is most effective for a small company in this sector.

"We employ the CRO's to conduct testing in animals, and so far the results are good. We know that we have competitors that are working on the same target (RORγt), but we feel confident that our lead candidate has good prospects. Our agent does not bind to other, unwanted, targets and has not displayed any toxic effect in mice," says Sanne.

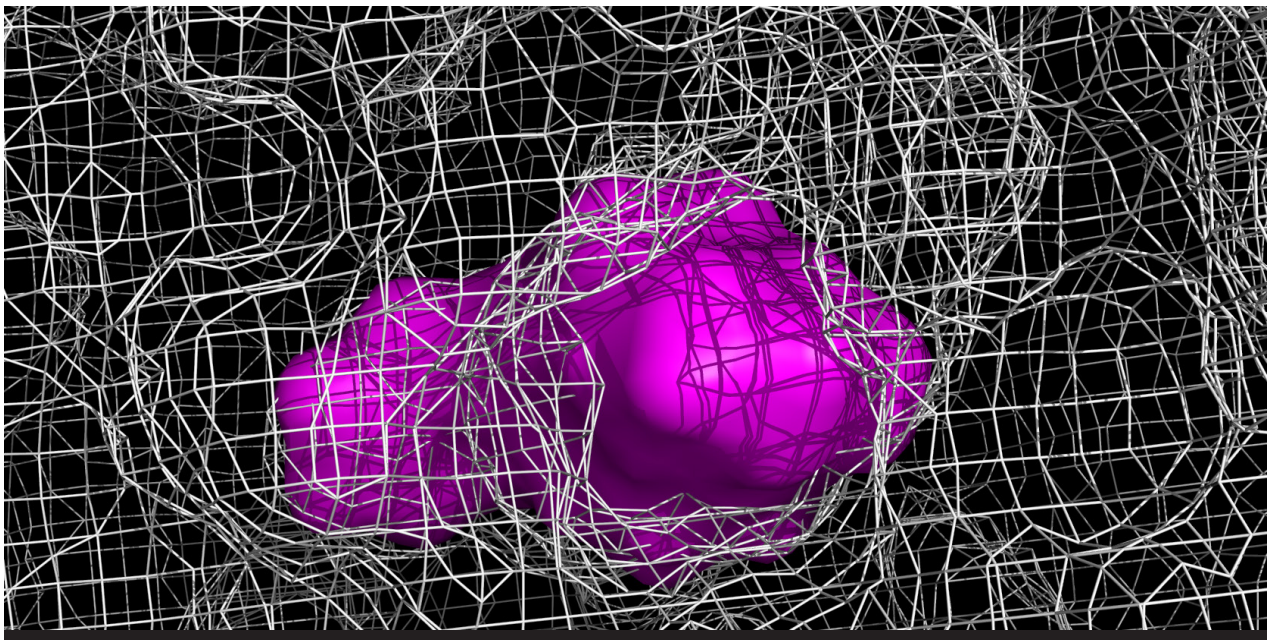
The team's goal is to take the project to first-in-man trials in 2017.

The continued studies in mice are aimed at determining how large a dose of the active substance, the drug for humans should contain.

"We have identified a potential drug that can be administered in tablet form in contrast to the already available and expensive medicines that are administered by injection." says Sanne.

Sanne has been at the company since 2001 and started by working on Nuevolution's original business concept – designing the molecule library.

"We continue to pioneer. In this project by searching solutions where others have failed until now." she says.



Structural model of Nuevolution inverse agonist compound complexed with the RORγt protein.

Annual Report

BUSINESS DEVELOPMENT & PARTNERING

"We embrace partnerships to advance novel promising programs rapidly through clinical development to commercialization and thereby benefit patients"

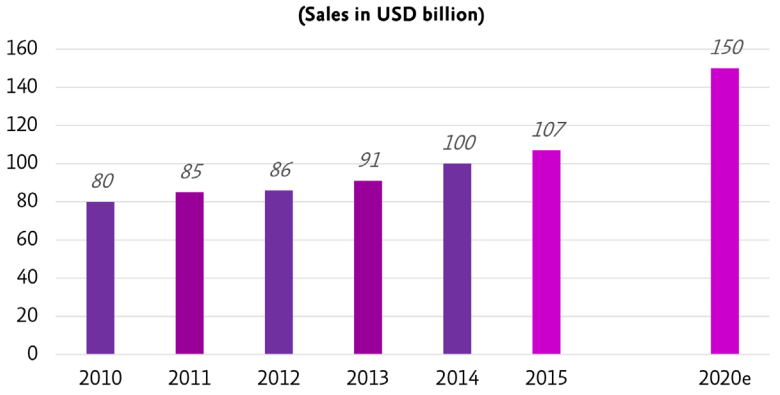
Business Development & Partnering

Nuevolution's business model aims at realizing business opportunities primarily based on the development of therapeutic drug programs where the company chooses to maintain full ownership for value creation in the market or to out-license programs to realize revenues.

The company's internal program development is focused on the identification of novel and effective treatment options in chronic[1] diseases and on treatments that address unmet medical needs within oncology, immuno-oncology and inflammatory conditions.

These therapeutic market segments are highly attractive from a business point of view. They are large and growing and are characterized by high unmet medical need. In recent years, this has been demonstrated by significant levels of business and partnership activity, even at the early stages of development, with attractive terms for licensors.

ONCOLOGY SALES DEVELOPMENT 2010 – 2020 (GLOBAL)

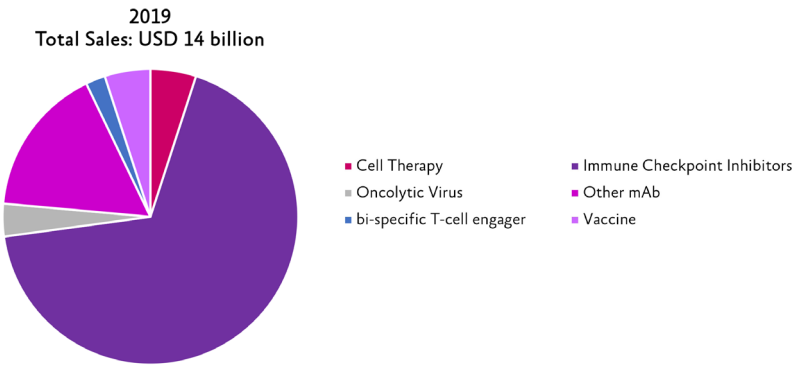


Source: IMS, 2016

BOX 1: US ONCOLOGY MARKET

According to a study by IMS[2], targeted therapies in the US oncology market accounted for USD 27.8 billion in sales in 2015 with a compound annual growth rate (CAGR) of 18% between 2011 and 2015. In 2015, the market for oral targeted therapies was USD10.8 billion, accounting for about 39% of the overall market for targeted therapies. Growth in oral targeted therapies was 28% between 2011 and 2015, outpacing the overall 18% growth in this segment. Oral therapies are becoming increasingly common in cancer treatment, and make up a larger portion of costs than five years ago.

IMMUNO-ONCOLOGY SALES DEVELOPMENT 2019-2024 (7MM)



Source: Global Data, 2016

BOX 2 : CANCER IMMUNOTHERAPY MARKET

Cancer immunotherapies have the objective to create an immune response in a cancer patient thereby eliminating or slowing the growth of tumor cells. Cancer immunotherapies stimulate the immune system to work harder by attacking the tumor cells. Although (cancer) immunotherapy has been subject to decades of research, only in the last decade it has become an important additional treatment option within cancer treatment. In 2010, the FDA approved ipilimumab (Yervoy), the first checkpoint inhibitor immunotherapy cancer drug to extend survival in metastatic melanoma. In 2013 and 2014 further approvals were given to checkpoint inhibitor nivolumab (Opdivo), bispecific T cell engager blinatumomab (Blincyto) and checkpoint inhibitor pembrolizumab (Keytruda). These approvals have put cancer immunotherapy at the starting point of a new era in cancer drug development (further reference: http://www.cancerresearch.org/our-strategy-impact/timeline-of-progress/timeline-detail).

[1] 70% of death causes in the USA were chronic disease related (National Center for Chronic Disease Prevention and Health Promotion, 2016).

[2] Global Oncology Trend Report. A Review of 2015 and Outlook to 2020. IMS, June 2016

Global Leaders (2015 Sales)*		Global (Specialty Pharma) Leaders (2015 sales)*	
Oncology	**Immunology**	**Dermatology****	**Gastrointestinal Diseases**
Roche	AbbVie Inc.	Galderma (Nestlé)	Takeda
Amgen	Johnson & Johnson†	Pierre Fabre	AstraZeneca
Novartis†	Amgen	Bayer	Allergan
Celgene	Pfizer	Allergan (Actavis)	Shire
Johnson & Johnson†	Astellas	Valeant	Daiichi Sankyo
Bristol-Myers Squibb	Merck & Co†	LEO Pharma	AbbVie
Takeda	Roche	Stiefel (GSK)	Eisai
Astellas	Bristol-Myers Squibb	Merck & Co†	Kyorin
Eli Lilly	Novartis†	Meda	Otsuka
Pfizer	UCB	Almirall	Astellas
AstraZeneca	Mitsubishi Tanabe	Merz	Ironwood
Bayer	Shire	Sanofi	Kyowa Hakko Kirin
AbbVie	Takeda		Mitsubishi Tanabe
Otsuka	Celgene		Sumitomo Dainippon
Merck & Co	Sanofi		Nippon Shinyaku

*Privately owned companies or Pharma specialty subsidiaries not included. **2014 sales
†existing partnership

Source: Global Data, 2016; Nuevolution

Attractive remuneration has been seen as early as the drug discovery and pre-clinical stages, as well as in the early stages of clinical development (Phase I and Phase I/II), as shown in the chart top page 26. Thus there is the opportunity for Nuevolution to form financially attractive early-stage partnerships.

Financial terms for Phase II programs are similar to those for deals in discovery and pre-clinical development. Upfront payments for Phase II programs are, however, three times higher and do not take into account the cost of drug development from the pre-clinical stage through Phase IIb proof-of-concept in humans: therefore, the main attraction for out-licensing at or after Phase IIb is the opportunity to achieve better royalties. Nuevolution's approach is to carefully balance its portfolio, so that some programs will be out-licensed early for revenue generation, while other programs will be kept for long-term value generation through out-licensing at the later stages of development.

BROADER PARTNERSHIP BASE FOR PRODUCT OUT-LICENSING

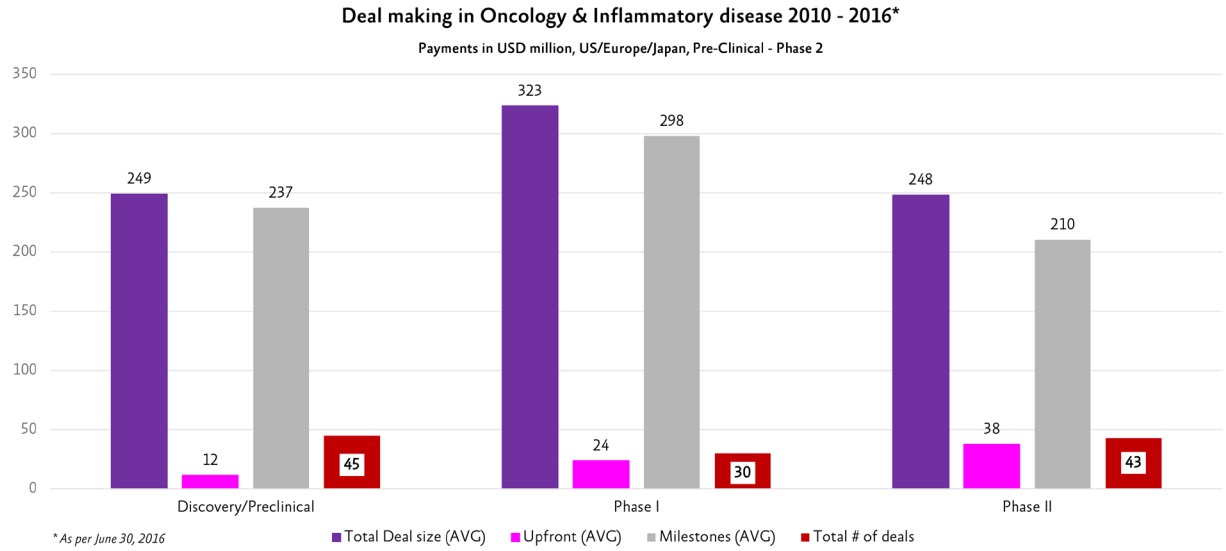
Since the company's founding in 2001, Nuevolution has received partnership revenues through upfront payments, research funding and pre-clinical milestones from collaborations with leading global pharmaceutical companies, biotechnology companies and research organizations of approximately SEK 395 million. In October 2015, Nuevolution and Janssen Biotech, a subsidiary of Johnson & Johnson, announced a drug discovery collaboration focused on the discovery and development of new medical programs for the treatment of oncological, infectious and inflammatory diseases. Revenues from this collaboration include upfront payments, research funding and future milestones payments based on specific achievements in research, as well as clinical and commercial milestone payments and additional royalty payments on future net sales. This is Nuevolution's 15th deal, demonstrating management's strong commitment to business development and the realization of revenues.

Nuevolution's revenues obtained in the past were from deals structured so that the partner obtains access to the company's technology from a discovery partnership or a technology licensing agreement. However, even more attractive revenues can potentially be obtained through the out-licensing of programs.

Since 2013, the company has pursued the development of several novel internal programs with the goal of achieving higher overall remuneration through the out-licensing of selected programs, as well as by maintaining ownership of other programs, thereby creating long-term shareholder value. Applying our business strategy, strongly supported by our Chemetics® technology platform, the time for a program to reach the stage of potential deal making is approximately two-and-a-half to four years. As the company's pipeline progresses, it is expected to establish several drug candidate licensing partnerships by advancing five or six programs to late-stage pre-clinical and early-stage clinical trials and making three or four of these programs available for out-licensing.

Other programs will remain fully owned by the company. This will create a continuous flow of revenues and build a company with a strong asset base from program ownership, all by using a well-balanced risk/reward business model for program development.

With the development of Nuevolution's own pipeline of programs, the company has furthermore obtained a



The number of deals within oncology and inflammation at various stages during the years 2010-2016 shows significant deal-making as early as the pre-clinical stage. Other numbers show the average upfront payments, milestones and total deal values.

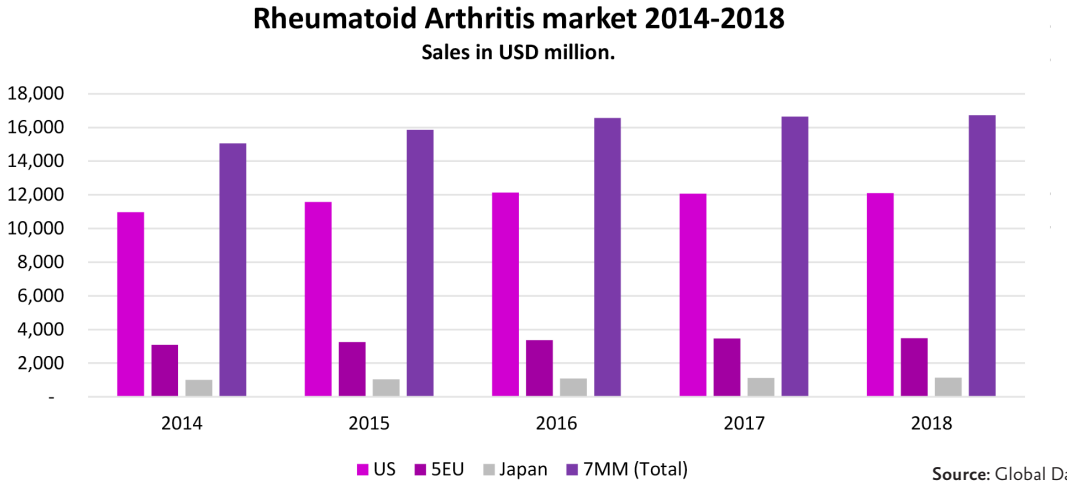
Source: Global Data, 2016; Nuevolution

Nuevolution's business model aims at realizing business opportunities primarily based on the development of therapeutic drug programs where the company chooses to maintain full ownership for value creation in the market or to out-license programs to realize revenues.

RISK-SHARING/PRE-SALE COLLABORATIONS

In the risk-sharing/pre-sale partnerships, Nuevolution collaborates with a partner on a number of specific biological disease targets, where the early development (screening to lead) is solely covered by Nuevolution. The partner has the opportunity to join in the development process when the program reaches lead stage, and therefore contribute to the further development costs up to candidate stage. The costs for IND-enabling and Phase I studies are then fully covered by the partner. During the collaboration, the partner has the exclusive option to license the program at previously specified financial terms.

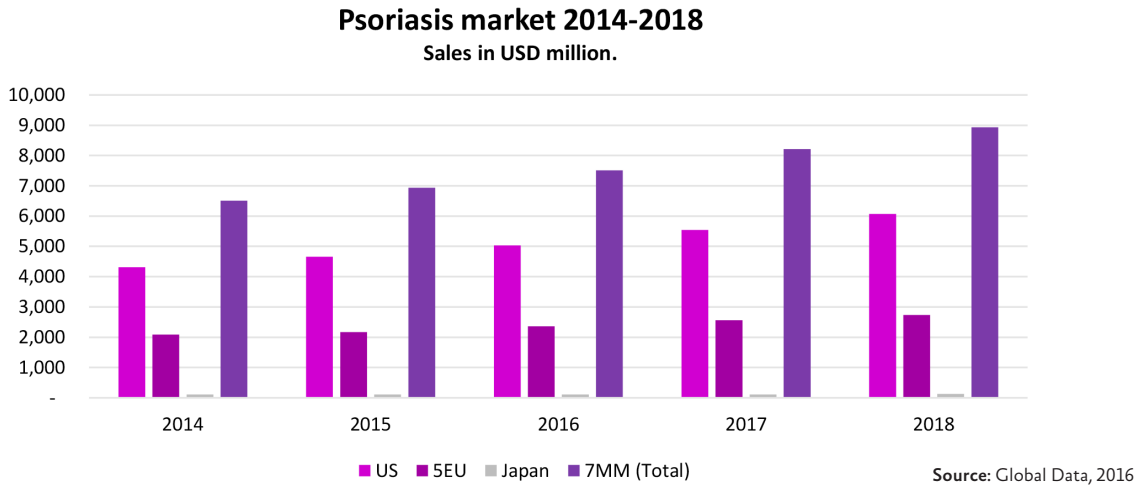
Although the company takes on the early-stage risks of the program solely, which essentially means carrying out the same activities as if the company was developing the program on Nuevolution's own behalf and therefore taking on the same risk, the partnership for the program is in place 'from day



Source: Global Data, 2014

BOX 3: RHEUMATOID ARTHRITIS MARKET

Rheumatoid arthritis is a chronic inflammatory disorder that typically affects the small joints in hands and feet. Subject to the severity of the disease, the treatment paradigm has shifted to novel treatment such as target specific biologics or the recently launched small molecule treatments, such as the JAK-inhibitors. Global Data expects the market to grow to USD 16.7 billion in sales in 2018, driven by increased prevalence and increased treatment options with novel mechanism of action.



Source: Global Data, 2016

BOX 4: PSORIASIS MARKET

Traditionally the market for psoriasis treatment was recognized by its low level of innovation. Since 2009 a number of targeted therapeutic biological treatment options have entered the market with success, however systemic, orally available drug options, like PDE4 inhibitors presently seem to outpace the average growth in the market. Global Data expects to see the therapeutic market grow to almost USD 9 billion in sales in 2018, primarily driven by an increased psoriasis diagnosed prevalent patient population and the introduction of a number of high-priced, though effective treatment options. Attractive remuneration has been seen as early as the drug discovery and pre-clinical stages, as well as in the early stages of clinical development (Phase I and Phase I/II), as shown in the table above[3]. Thus there is the opportunity for Nuevolution to form financially attractive early-stage partnerships.

one', thereby significantly minimizing business risk in program development and out-licensing without adversely affecting the commercial licensing terms that are usually applicable in the market.

HIGHLIGHTS OF THE YEAR

- In October 2015, Nuevolution entered into a technology-based discovery partnership with Janssen Biotech (a subsidiary of Johnson & Johnson).
- In February 2016, the company announced that it had met further milestones in its collaboration with Novartis, triggering a further payment of USD 2 million, and in April, Nuevolution announced that Janssen Biotech had expanded its current collaboration with the company, thereby triggering a further payment of USD 0.6 million.
- In 2015/16, Nuevolution's partnering activities continued at a fast pace, the company having had more than 80 meetings with potential partners during the year for various types of agreements.
- For the company's development programs, partnering activities have centred on the RORγt inverse agonist program. These partnering activities intensified during the year as the RORγt inverse agonist program delivered positive pre-clinical results and Nuevolution is now currently engaged in multiple discussions on potential partnering opportunities for this program. In addition to the increase partnering activities around the RORγt inverse agonist program, the drug discovery risk sharing collaboration was promoted and discussed with several large biotechnology and pharmaceutical companies.

[3] This is however in stark contrast to e.g. programs focusing on central nervous system (CNS) diseases or cardiovascular diseases, i.e. programs with significantly higher development risk, where proof-of-concept in Phase II (human) studies typically have to be demonstrated before programs can be partnered.

"Chemetics® is a state-of-the-art technology handling billions of drug-like molecules in small scale"

Risk Management

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

Nuevolution is exposed to different risks, some of which are beyond the control of the company. External financial influences, such as interest and currency rates and policies impacting the end markets for the company's development programs can only be partly mitigated, whereas other risks can be controlled by the company. The following table summarises the key risks for Nuevolution and how we attempt to mitigate such risks.

Risk area	Risks	Management
Business	**Partners:** for biotechnology companies, the time spent on finding a collaboration partner can be long and the costs involved can be substantial	We mitigate the partnering risks by pursuing two different partnering models (reference to 'Business Development and Partnering'): i.) Program licensing and ii.) Risk-sharing/pre-sale collaborations. In particular, the risk-sharing/pre-sale collaboration model lowers business risk because the business partner is already 'signed up' when programs commence. Our business strategy, strongly supported by our drug discovery platform, shortens the time-to-deal (ie 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 (reference to 'Business Development and Partnering'). 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 areas. Within these areas, deal-making is also often already 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 identify most of the oncology targets, which we then pursue for our internal development programs. In other programs, we select the target because known compounds have issues, and for these we aim for becoming best in class.
Science	**Therapeutic areas:** the predictability of animal models for human disease varies	Animal models of oncological and inflammatory diseases, the two therapeutic areas we focus on, often have good predictive animal models mimicking the human diseases and thereby reducing the (scientific) development risk.
	Pre-clinical development risk: the attrition rate in discovery (target-to-hit, hit-to-lead and lead optimization) is significant. Moreover, significant financial loss may be incurred if programs are not halted or discontinued early enough	Chemetics® platform mitigates several discovery and development risks compared to conventional small-molecule platforms and technologies. Chemetics® platform enables DNA-encoded synthesis of billions of chemically diverse (different) drug-like small-molecule compounds and optimization of multiple hits (hundreds of analogs synthesized and purified per week) in contrast to conventional high-throughput methods (see 'Chemetics®'). This shortens pre-clinical development time, lowers development costs, and increases success rates.

Risk area	Risks	Management
		We develop several programs in parallel (*'multiple shots at goal'*), contradictive to other biotechnology companies, which mitigates the company's risk from a shareholder perspective. 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 development programs. In 2015/16, more than ten programs were discontinued or put on hold. Bi-annually, the company's CSO, heads of chemistry and biology, project leaders and the head of early discovery meet the group's external as well as Board member-level 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 terminated if Nuevolution finds the potential partner has little interest.
	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.
Intellectual property	**Patents:** we are dependent on protection of our own intellectual property rights and may be exposed to patent infringements	Nuevolution spends SEK 7-8 million annually on patents to protect Chemetics® and our internal development program candidates. The company continues to file and prosecute patent applications to protect Chemetics® and our internal development candidates (see 'Intellectual Property Rights'). 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 development programs may generally elevate the **risk for refinancing**	Nuevolution's strategy is 'multiple shots at goal'. We therefore aim to minimize our dependence on one or a few development programs by performing parallel development (in the discovery and pre-clinical stages) of several programs to maximize our means of generating revenue and thereby limit the immediate need of refinancing.
	Need for **additional funding**	Additional funding may be required if Nuevolution decides to advance select internal programs for clinical development. Therefore, it is a main objective of the company to maintain investor and creditor confidence and aim for revenue generation through licensing and drug discovery collaborations
	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 the group's cash is placed in cash deposits; these are currently placed at a zero and a slightly negative interest rate.

During 2015/16, Nuevolution's management took several steps to reduce risk. During the year, the company reached out to several large pharmaceutical and biotechnology companies with the aim of signing risk-sharing collaboration.

The science risk was reduced for the company's lead program, the RORγt inverse agonist program, on two fronts during 2015/16. First, positive pre-clinical efficacy (two animal studies) and safety (non-GLP toxicology model) results were observed with the lead candidate. Second, a competing RORγt inhibitor showed a significant reduction of psoriasis symptoms in a four-week clinical Phase I/II study and a benign side effect profile. This proof-of-concept study firmly supports inhibition of RORγt in human psoriasis.

In terms of intellectual property risks, four new patents covering the Chemetics platform were issued by the European Patent Office in March 2016.

In February 2016, the Danish Maritime and Commercial High Court decided that Nuevolution cannot contest issues regarding the inventorship and ownership of patents in the case against Henrik Pedersen and Chemgene Holding ApS. Nuevolution has been granted leave to appeal this decision at the Eastern High Court.

The company's financial risk was reduced marketly in 2015/16 by the gross proceeds of SEK 250 million in connection with the listing on Nasdaq First North Premier in December 2015.

Intellectual Property Rights (IPR)

Since the company's inception, Nuevolution has applied an aggressive patenting strategy, where business requirements have formed the basis for all tactical IPR decisions. Nuevolution typically invests an average of about SEK 7-8 million per year in IPR activities, i.e. patent filing, patent prosecution, patent validation, patent licensing and patent oppositions, etc. 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 selected 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 has been of great importance to and is a clear focus area for the company.

TECHNOLOGY IPR

Nuevolution's technology IPR broadly covers the following:

- Methods for the synthesis of oligonucleotide-encoded libraries
- Methods for the screening of oligonucleotide-encoded libraries against therapeutically important targets
- The composition (content) of oligonucleotide-encoded libraries.

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

Over 15 years, Nuevolution has developed a number of proprietary technologies for synthesizing and screening large oligonucleotide (such as DNA) encoded libraries and about 200 patents have been granted to the company worldwide since 2001. Our oligonucleotide-encoded libraries patents cover thousands of patent claims, protecting multiple important aspects for the practising of our technology. Numerous pending patent applications allow us to continue filing of divisional and continuation applications offering protecting 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 led to 15 agreements in total.

Besides seeking grant of strong patents to serve Nuevolution, we also file third party observations or enter into litigation procedures to limit others from having patents granted or to restrict the scope of other patents in the technical field.

During the financial year, the company successfully contested the granting of two competitor patents and was awarded four significant technology patent grants by the European Patent Office (EPO) in March 2016.

PROGRAM IPR

In combination with Nuevolution's increased focus on its own drug discovery programs, Nuevolution is now transitioning an increasing part of IPR investments from technology patents to investments in composition of matter/utility (product) patents and method of synthesis (method) patents to protect pipeline products. The company's future business opportunities will 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.

Three patent applications covering chemical matter and utility (product patents) have been filed to date and additional applications will follow. The patent applications filed were published in 2016 and have obtained positive search reports from patent offices.

NUEVOLUTION'S PATENTS

Nuevolutions patent portfolio comprises both granted patents as well pending patent applications. In the table on page 33, we list the scope of various patent families as per June 30, 2016. The three most important technology patent families are valid until 2023, 2026 and 2032. The three product patents will be valid until 2034 provided that the patent applications proceed to grant.

The increase in number of issued and validated patents is shown in parenthesis. As of June 30, 2016, Nuevolution had 200 technology platform patents issued from nine different patent families in countries throughout the world. This corresponds to an increase of 99 patents since the IPO in December of 2015, and represent a strong testimony to the solid technology patent position of Nuevolution. Nuevolution applies a similar ambitious IPR strategy regarding its product patents to maximize value of its research. Intellectual property rights (IPR) is an integral part of our overall business strategy.

PATENT DISPUTE

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 a former employee, 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 a 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 remainder of the case before the Danish Maritime and Commercial High Court is therefore presently suspended awaiting the Eastern High Court's decision in the appeal.

Technology Patents	Brief Description	Registered Patents	Patent Applications
Family 1	Method of synthesis of compound library Compound library Method of screening compound library	43 (+39)	1
Family 2	Method of synthesis of encoded compound Method of synthesis of compound library Compound library Method of screening compound library	31 (+27)	1
Family 3	Compound library Method of screening compound library	31 (+31)	1
Family 4	Method of synthesis of encoded compound Method of synthesis of compound library Encoded compound Compound library Method of screening compound library	9	-
Family 5	Method of synthesis of compound library Method of screening compound library	1	-
Family 6	Method of synthesis of compound library Compound library Method of screening compound library	11	-
Family 7	Method of synthesis of encoded compound Method of synthesis of compound library Compound library Method of screening compound library	60 (+2)	7
Family 8	Method of synthesis of compound library Method of screening compound library	-	1
Family 9	Method of synthesis of encoded compound Method of synthesis of compound library Method of screening compound library	1	-
Family 10	Method of synthesis of encoded compound Method of synthesis of compound library Encoded compound Compound library Method of screening compound library	13	4
Family 11	Method of synthesis of encoded compound Method of synthesis of compound library Encoded compound Compound library Method of screening compound library	-	4
Product Patents	**Brief Description**	**Registered Patents**	**Patent Applications**
Family 12	Pharmaceutical product patent	-	1
Famliy 13	Pharmaceutical product patent	-	1
Family 14	Pharmaceutical product patent	-	1
	Total Number of Granted Patents and Pending Applications	200	22

Nuevolution has filed the law suit against Henrik Pedersen as it believes to be the rightful owner of the patent family and considers it part of its general strategy to solidify its patent position, while limiting others in the technical field. The outcome of the proceedings is not expected to adversely impact Nuevolution's use of the Chemetics® platform as used in practice today. The court cases are expected to continue for a longer period of time.

People that make the differrence

At Nuevolution we believe in a goal-oriented working environment where hard work, enthusiasm and team spirit are of key importance for reaching individual and company goals.

Our staff (average age: 41 years) consists of well-educated and highly motivated team players that bring skills and relevant experience 'to the table'. Since 2001 the team has delivered scientific excitement and has been able to translate this into business, in line with our business model – nowadays focusing strongly on program development and out-licensing.

The organization and employees are strongly characterized by a unique interaction between molecular biologists and chemists.

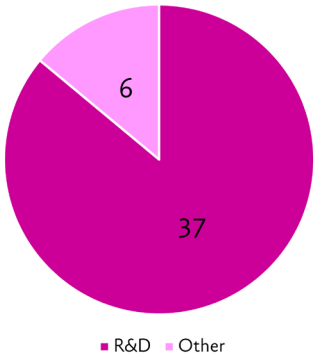
When we are recruiting, we look for people with drive and commitment. We try to attract and retain the most qualified people to support our corporate goals. In this way we always make sure we can maintain workplace diversity and offer equal opportunities in our employment.

People are rewarded for their tangible contribution and all employees are offered participation in long-term incentive programs.

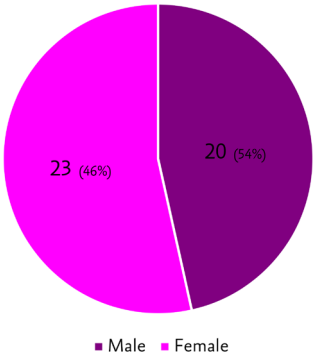
At the end of 2015/2016, executive management consisted of a total of four employees. The Board of Directors consisted of five people.

"We all aim to transform challenges into medicines"

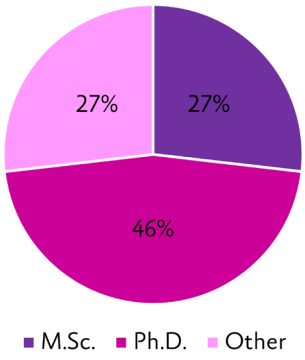
ORGANISATION



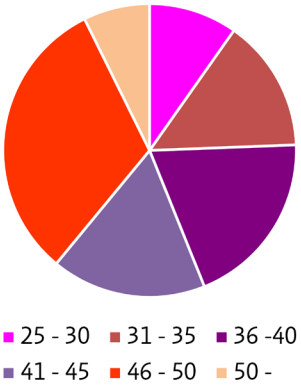
GENDER BREAKDOWN

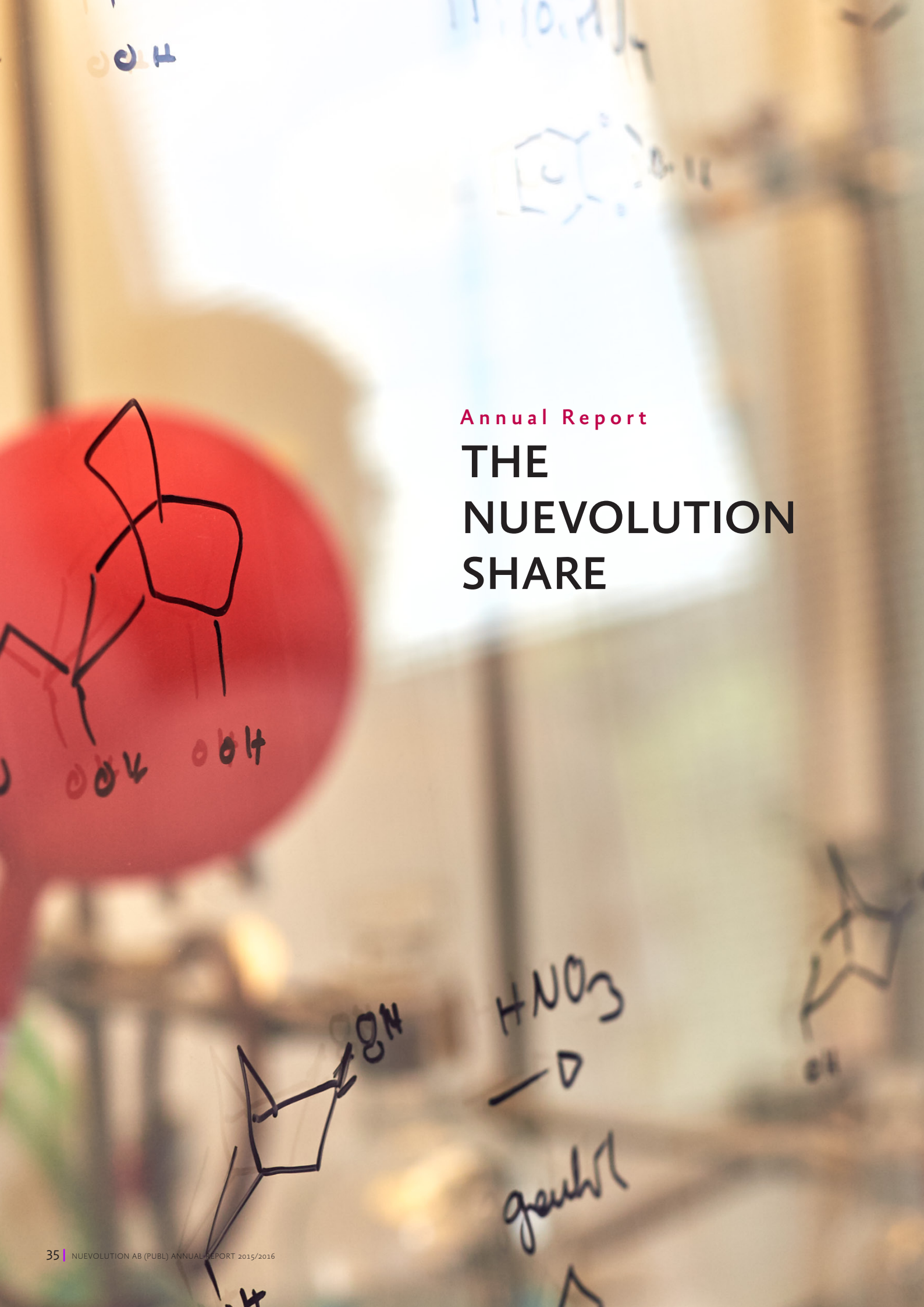


EDUCATIONAL BACKGROUND



AGE STRUCTURE





Annual Report

THE NUEVOLUTION SHARE

The Nuevolution Share

The Nuevolution share was listed on Nasdaq First North Premier, Stockholm, on December 17, 2015. As of June 30, 2016 the company had a market value of approximately SEK 386 million and the share price was SEK 9.00. Nuevolution had 4,368 shareholders at the end of the financial year 2015/2016. Non-Swedish shareholdings in Nuevolution amounted to 29.4 percent of the capital.

First North Premier Stockholm had a negative development of approximately 32 per cent between December 17, 2015 and June 30, 2016. The closing price of the Nuevolution share peaked at SEK 15.50 on December 22, 2015, while the lowest price of SEK 8.65 was recorded on February 17, 2016.

THE SHARE'S TURNOVER

A total of 7.7 million shares were traded between December 17, 2015 and June 30, 2016 at a value of SEK 93.0 million. This represents a turnover rate for the share capital of 24 percent. Total turnover rate among companies listed on First North was 57 percent, while the average for all shares traded at Nasdaq in Stockholm was 72 percent. An average of 113 trades in Nuevolution shares were executed every day.

SHARE CAPITAL

The share capital at the end of the financial year 2015/2016 was SEK 42.9 million divided between 42,858,236 shares. All shares carry equal voting rights and equal rights to the company's capital and profit. Trends in the number of shares are illustrated in the table on the following page.

DIVIDEND AND DIVIDEND POLICY

Historically no dividends have been paid by the company and no proposals on dividends to shareholders will be submitted until long-term profitability has been achieved.

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 30 June 2016. In addition, directors, senior executives and their related parties hold warrants corresponding to 3,214,204 shares.

INFORMATION FOR SHAREHOLDERS

Nuevolution provides information for 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 for journalists and analysts are also available to download. The website is the main distribution channel for the Annual Report, for that reason the report is not sent to shareholders unless specifically requested.

INVESTOR RELATIONS ACTIVITIES

In 2015/16, Nuevolution's management participated in nine investor conferences with predominantly Swedish and Danish institutional and retail investors. In addition, the management participated in two live sessions with Facebook groups focused on equities and small cap stocks and also held several group and one-on-one meetings with US institutional investors.

We also engaged Remium, Jarl Securities (through Aktiesparanna) and Økonomisk Ugebrev to write analytical research reports on Nuevolution stock, and plan to engage more analysts to cover the stock.

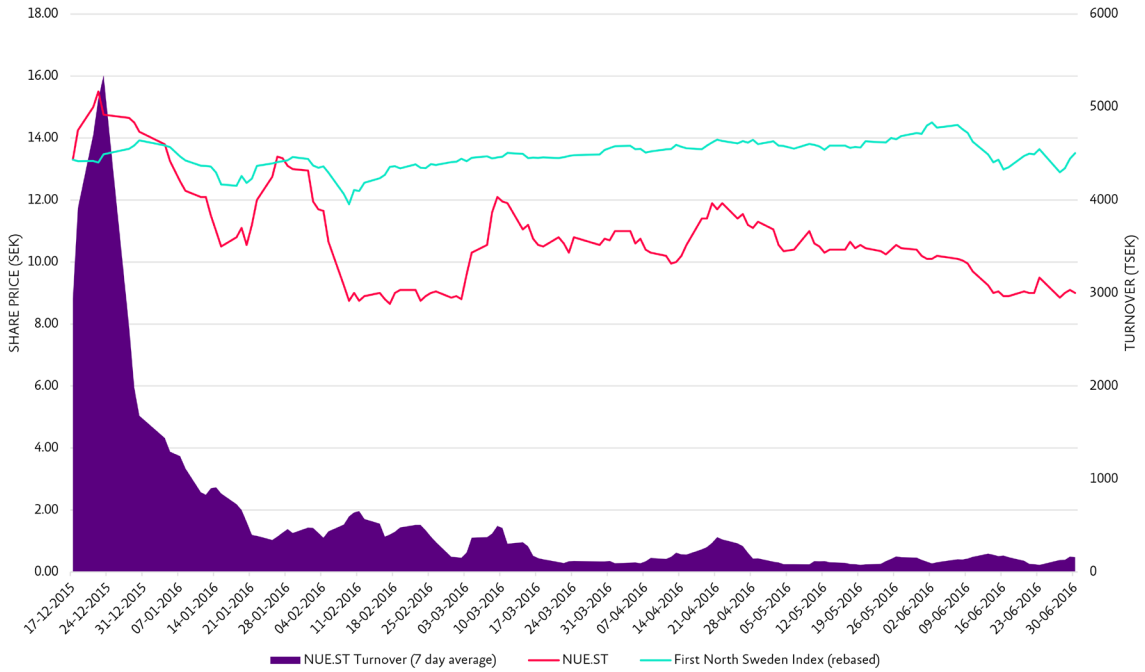
ANALYST COVERING NUEVOLUTION AB (PUBL)

Jarl Securities	Markus Augustsson
Remium	Christian Lee
Økonomisk Ugebrev	Peter Aabo

SHARE DATA

Shares, opening	28,572,530
Shares issued	14,285,706
Shares, closing	42,858,236
Average number of shares	36,469,168
Holdings of treasury shares	0
Operating profit or loss/share SEK	-4.16
Profit/loss after tax per share SEK	-3.98
Cash flow after investments/share SEK	-2.34
Equity per share SEK	4.62
Share price at end of period SEK	9.00
Share price/equity per share SEK	1.95
P/E ratio	N/A

SHARE PERFORMANCE AND TURNOVER



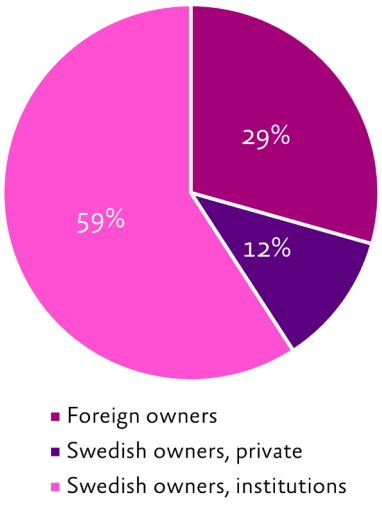
OWNERSHIP STRUCTURE AS OF 30 JUNE 2016

Shareholder	Number of shares	Percent of capital
SEB Venture Capital	10,084,942	23.5
Sunstone Capital	8,930,580	20.8
Industrifonden	8,573,666	20.0
SEB Utvecklingsstiftelse	3,329,658	7.8
LMK Forward	1,300,000	3.0
SEB Pensionsstiftelse	1,142,858	2.7
Avanza Pensionförsäkrings AB	1,025,854	2.4
SSE	731,807	1.7
Midroc Finans AB	400,000	0.9
Nordnet Pensionförsäkrings AB	377,489	0.9
Henry Dunkers Förvaltning	300,000	0.7
Claus Resen Steenstrup and family	244,226	0.6
Stig Løkke Pedersen	212,334	0.5
SEB Life Intl.	144,529	0.3
Peter Ragnarsson	125,000	0.3
TIBIA Konsult AB	120,000	0.3
Granit Småbolag	100,000	0.2
Fynske Bank	96,090	0.2
Hans Engblom and family	79,697	0.2
Alex Haahr Gouliaev	70,778	0.2
Others	5,468,728	12.8
Total no. shares outstanding	**42,858,236**	**100.0%**

SHAREHOLDER SPREAD AS OF 30 JUNE 2016

Number of shares	Number of share-holders	Percent of capital
1-500	2,088	1.7
501-1,000	1,139	1.9
1,001-5,000	958	4.5
5,001-10,000	91	1.6
10,001-15,000	27	0.8
15,001-20,000	19	0.8
20,001-	46	88.7
Total	**4,368**	**100.0**

DISTRIBUTION OF OWNERSHIP BY CATEGORY



SHARE CAPITAL DEVELOPMENT FOR NUEVOLUTION AB (PUBL) SINCE THE FOUNDATION OF THE COMPANY ON 28 AUGUST 2015

						Share capital	
Date	Event	Change in number of common shares	Number of common shares after transaction	Change in number of preference shares	Number of preference shares after transaction	Change	Total
2015-08-28	Foundation	50,000	50,000	-	-	-	50,000
2015-11-13	Non-cash issue	4,449,157	4,499,157	24,123,364	24,123,364	28,572,521	28,622,521
2015-11-13	Decrease in share capital	-50,000	4,449,157	-	24,123,364	-50,000	28,572,521
2015-12-07	Reclassification of shares	24,123,364	28,572,521	-24,123,364	-	-	28,572,521
2015-12-17	Issue in connection with the listing	14,285,715	42,858,236	-	-	14,285,715	42,858,236

Board & Management

Board of Directors

Stig Løkke Pedersen (b. 1961)
Chairman of the Board since

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

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

Current assignments: Executive Chairman of the Board of moksha8 Ltd, Ergolet A/S, Transmedica A/S, and x3 Capital. Board member of Index Pharmaceuticals AB, MSI Ltd, SkyBrands A/S, Broen-Lab A/S. CEO of H&L Invest ApS. Partner of Executive Capital and Operational partner of Catacap.

Previous assignments: Chairman of the Board of Chemometec A/S, Microlytic A/S. 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 on July 2016.

Søren Lemonius (b. 1965)
Member of the Board since 2007

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

Experience: Søren is a founding Partner of Sunstone's Life Science Ventures. Here he focuses among others on diagnostics and therapeutics investments. Søren has 18 years' experience from corporate management in R&D-intensive companies. He managed to adapt new analytical technologies as Innovation Manager at FOSS Analytical, a food diagnostics company. Prior to joining Sunstone Capital, Søren served as Chief Technology Officer at Danionics – an electronic component company – where he participated in developing the company from a private, 30-employee, venture-backed technology company to a EUR 27 million revenue, 300-employee listed company.

Current assignments: Partner Sunstone Life Science Ventures. Board member of Euro Diagnostica AB, Galecto Biotech AB, Sunstone Capital A/S, Sunstone LSV General Partner I ApS, Sunstone LSV Special Limited Partner II ApS, P/S Sunstone Biomedicinsk Venture III, Sunstone LSV Management A/S, Sunstone LSV Special LP II Holding ApS, Sunstone LSV GP I Holding ApS, Sunstone LSV Partners & Co. Holding ApS, Sunstone LSV Partners Holding ApS, Sunstone LSV General Partners BI ApS, Sunstone LSV GP BI Holding ApS. Observer in Symhogen A/S. Managing Director of Sunstone LSV Partners & Co. Holding III ApS, Sunstone LSV Partners Holding III ApS, Betterinvest ApS, Sunstone LSV invest III Holding ApS, Sunstone LSV & Co. Special Limited Partner III Holding ApS, Sunstone LSV Invest III ApS and Sunstone LSV Special Limited Partner III ApS.

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. Managing Director of Chempaq Patent Holding ApS, Sunstone LSV Special Limited Partner III Holding ApS, Sunstone LSV Invest III Holding ApS, Sunstone LSV Partners & Co. Holding III ApS and Sunstone LSV partners Holding III ApS. Strategic advisor for DONG A/S.

Number of shares: 0 (0)

Number of warrants: 0 (0)

Lars Henriksson (b. 1961)
Member of the Board since 2015

Education: M.Sc. Industrial Engineering and Management, 1985.

Experience: Working with investments in the life sciences industry since 2003. Prior to becoming investment manager, Lars gained extensive international experience through his years as strategy, financial and business consultant followed by a CFO assignment within a VC-backed telecom company.

Current assignments: Investment Manager Life Science at Industrifonden. Board member of Advanced MR Analytics AB and Trialbee AB. Deputy Board member of Oncopeptides AB.

Previous assignments: Board member of CellaVision AB, Diashunt Intressenter AB, SHS Intressenter Aktiebolag, BioInvent International AB. Deputy Board member of Carmel Pharma Aktiebolag, RxEye AB and Boule Diagnostics AB.

Number of shares: 0 (0)

Number of warrants: (0)

Jutta Heim (b. 1951)
Member of the Board since 2013
Scientific Advisor to the Board

Education: PhD from the University of Tübingen.

Experience: She holds a professorship in Biotechnology at the Biocenter of the University of Basel. She worked for more than 20 years at Ciba-Geigy/Novartis in Switzerland and in the US. At Novartis, she was involved in the successful development and launch of anti-thrombotic and fibrinolytic products. At Novartis she established the molecular genetics department in oncology, became Novartis' Senior Scientific Expert in Molecular Biology and a member of the Research Management Board. Jutta completed her career at Novartis heading the Novartis Lead Discovery Center with worldwide responsibility. From 2004 to 2009, Jutta 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 Evolva's discovery activities and strengthened the development of its technology platform.

Current assignments: Member of the Advisory Board of Stiftung für Wissenschaftliche Forschung Universität Zürich. Board member of Evolva SA.

Previous assignments: CSO and CTO at Evolva SA, CSO at Basilea Pharmaceutica Ltd.

Number of shares: 0 (0)

Number of warrants: 69,279 warrants series 1.

Jeanette Wood (b. 1952)
Member of the Board since 2015

Scientific Advisor to the Board

Education: PhD in Pharmacology from the University of Otago, Dunedin, New Zealand.

Experience: More than 30 years of drug discovery experience in big Pharma and Biotech 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 CSO at Genkyotex AG in Switzerland, Vice President of Oncology Research for AstraZeneca UK, Head of Biology at S*BIO Pte Ltd in Singapore, and a number of leadership research roles within Novartis AG / CIBA-Geigy AG in Switzerland. She has also served as a part-time lecturer at universities in New Zealand, Switzerland, Singapore and Korea.

Current assignments: Director Inovaid Pte Ltd

Previous assignments: CSO at Genkyotex AG.

Number of shares: 0

Number of warrants: 69,279 warrants series 1.

Executive Management

Alex Haahr Gouliaev (b. 1966)
CEO since 2005

Education: MSc and PhD in Chemistry from Aarhus University, Denmark. During his education, he studied at University of Southern Denmark, Odense; Dept. of Pharmacology, Odense University Hospital; Dept. of Chemistry, Aarhus University and Dept. of Medicinal Chemistry, The Royal School of Pharmacy, Copenhagen University.

Experience: Alex is a co-founder of Nuevolution. He served as Executive Vice President, Chemistry and Drug Discovery from 2001 until he was appointed Chief Executive Officer in September 2005. At Nuevolution, he has been considerably involved in the establishing of the Company´s platform technology for drug discovery from conception to realization. Furthermore, he has been significantly involved in Nuevolution's partnered and internal drug discovery programs. During the period 2005-2015, he has been responsible for the negotiation and execution of 14 out of the Company's 15 agreements based on Nuevolution's drug discovery platform.

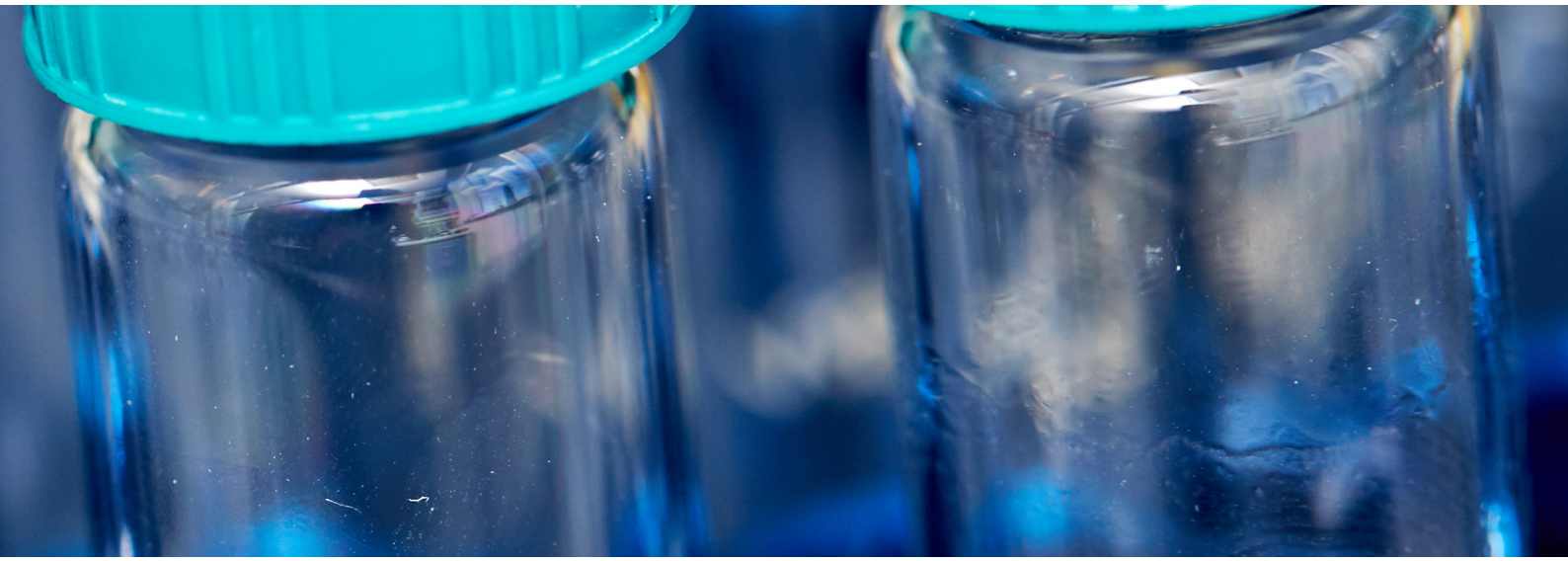
Prior to co-founding Nuevolution, he was Director of Medicinal Chemistry, member of the Management group, and a member of the Board of Directors at NeuroSearch A/S, where he worked for 6 years. During his stay at Neurosearch, he was involved in multiple CNS projects as project manager including responsibility for projects ranging from early discovery to out-sourcing and technology transfer to CRO's for GMP production of API's for clinical study use.

During his 19 years of industry practice, he has gained experience and expertise in medicinal chemistry, pharmacology, process chemistry optimization and up-scaling of clinical candidates, technology platform development, patenting, financing, business development, deal making and capital raising.

Alex has authored or co-authored more than 40 publications and patent applications in the fields of synthetic/medicinal chemistry, CNS pharmacology and technology development. Alex has a Danish nationality.

Number of shares: 70,778 (70,778)

Number of warrants: 1,911,113 warrants series 2*
* Alex held 119,171 warrants with the right to subscribe for class A shares in Nuevolution A/S and 1,191,706 warrants with the right to subscribe for class B shares in Nuevolution A/S, which lapsed in July 2016.



Thomas Franch (b. 1970)
CSO since 2012

Education: MSc and PhD in Molecular Biology from Odense University. During his education he studied at the Institute of Biochemistry and Molecular Biology (BMB) at Odense University and at Uppsala University.

Experience: Thomas started with the company in 2001 and has been a key scientist for the development and patent protection of the Chemetics® technology, serving as project manager on several of the early technology development projects. From 2006 he served both as CTO and Director of Biology leading the company's biology function and technological efforts, including process optimization.

He has strong competences in partnership governance, lead discovery, technology development and significant experience in the fields of gene regulation, nucleic acid structure, function and biological stability, as well as antisense technology.

Prior to joining Nuevolution Thomas was the CEO of RNA Tech Aps enabling kinetic and efficacy improvements to antisense cancer therapeutics.

Thomas Franch has authored or co-authored more than 40 publications and patent applications. Thomas has a Danish nationality.

Number of shares: 1,300 (0)

Number of warrants: 311,755 warrants series 1 and 229,334 warrants series 2*
* Thomas held 238,341 warrants with the right to subscribe for class A shares in Nuevolution A/S as well as 119,171 warrants with the right to subscribe for class B shares in Nuevolution A/S, which lapse in July 2016.

Antonius (Ton) Berkien (b. 1968)
CBO since 2014

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

Experience: Prior to joining Nuevolution, Ton was Acting Head of Corporate Development/M&A at Takeda Pharmaceuticals International in Zurich, Switzerland. Prior to Takeda, he held a similar position at Nycomed Pharmaceuticals in Denmark.

During his period at Takeda and Nycomed, Ton was responsible for leading M&A and 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, Ton was Director of Competitive Intelligence at Ferring Pharmaceuticals (Denmark), where he was responsible CI project management in both the R&D and commercial organisation. Furthermore, Ton was involved, as Director Portfolio Planning, in managing and supporting Portfolio Planning within the R&D organisation.

Earlier, Ton held Senior Manager positions at PricewaterhouseCoopers (Sweden), Rijnconsult, KPMG and Gilde Investment Management (Holland).

In addition, Ton gained extensive experience in corporate finance, venture capital / management buy-outs, business development, competitive and corporate intelligence and strategic consultancy. Ton has a Dutch nationality.

Number of shares: 1,400 (0)

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

Henrik D. Simonsen (b. 1963)
CFO since 2015

Education: MSc in Economics from the University of Copenhagen.

Experience: He joined the company in August 2015. He has extensive experience as analyst of pharmaceutical and biotech companies, experience from IPOs of life science companies in Denmark, Sweden, UK and Belgium, and M&A experience from transactions with Nordic life science companies.

His most recent position was at SEB, where he was Director, responsible for life science, in SEB Corporate Finance. Prior to that, he was senior equity analyst at SEB Equities (2004-11). From 1990-2004, he was equity analyst and senior equity analyst at Nordea Securities. Henrik has a Danish nationality.

Previous assignments: Director, SEB Corporate Finance, senior equity analyst at SEB Equities and Nordea Securities.

Number of shares: 650 (0)

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

Annual Report

DIRECTORS' REPORT

Directors' report

The Board of Directors and the CEO of Nuevolution AB (publ) ('the company'), company reg. no. 559026-4304, hereby present the annual accounts and consolidated accounts for the financial year August 28, 2015 to June 30, 2016 for the Parent Company, and July 1, 2015 to June 30, 2016 for the Group, respectively. The company is registered in Sweden and domiciled in the Stockholm municipality. The registered office is located in Copenhagen, Denmark. Nuevolution AB (publ) has two wholly owned subsidiaries, Nuevolution A/S (operating subsidiary) and Oveun AB (dormant).

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 inflammation and oncology. The company develops 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 2015/16, we saw good progress for a number of our discovery programs, including the key anti-inflammatory programs on RORγt inverse agonists, BET bromodomain inhibitors and cytokine X inhibitors.

RORγT INVERSE AGONIST PROGRAM

In 2015/16, Nuevolution made significant progress with the RORγt inverse agonist program, completing lead optimization and identification of two pre-clinical candidates, a lead candidate and a backup compound for the program. These compounds have been validated in multiple mouse disease models and were selected for non-GLP toxicology studies to assess pre-clinical safety.

Nuevolution's small-molecule lead candidate compound and the leading backup compound with the potential for becoming tablet-based medicines were profiled in two mouse disease models, confirming good efficacy by disease scoring as well as by observing clinically relevant biomarkers following oral treatment. The results were on a par with those obtained with an antibody therapeutic delivered by injection.

In a non-GLP (non-regulatory) seven-day toxicity study of the lead candidate in mice, good safety data were obtained. The 'no observed adverse effect level' (NOAEL) was established to be at least 600 mg/kg per day, or 10-20 times higher than the efficacious dose, i.e. indicating a good safety margin. NOAEL denotes the level of exposure of a drug candidate at which there is no biologically or statistically significant increase in the frequency or severity of any adverse effects.

In addition, a dog telemetry study (a measure of cardiovascular safety) with the lead candidate was also performed. Data from this study demonstrate that the compound is well tolerated with no apparent alerts.

The leading backup compound has also shown good efficacy in the CIA and IL23-induced disease models (mouse models of human rheumatoid arthritis and psoriasis, respectively) and is also entering full pre-clinical characterization including non-GLP toxicology allowing for a head-to-head comparison on all parameters with the lead candidate.

Both the lead candidate and the leading backup compound exhibit promising profiles and offer Nuevolution the ability to proceed with a development candidate showing optimal safety and efficacy when it enters Investigational New Drug (IND) enabling studies and first-in-man studies in 2017.

The nuclear receptor, RORγt, controls the production of certain so-called cytokines involved in inflammation, including IL-17A which has been found to be involved in psoriasis, psoriatic arthritis, ankylosing spondylitis, rheumatoid arthritis, multiple sclerosis and inflammatory bowel disease.

BET BROMODOMAIN INHIBITOR PROGRAM

In the first half of 2016, Nuevolution initiated compound scale-up of a lead compound to be challenged in non-GLP toxicology with head-to-head comparison with a non-selective compound that targets all BET family proteins, and which has been documented as having toxicity issues. The full dataset for this comparative study is expected later in 2016 with the aim of showing the reduced toxicity of Nuevolution's selective bromodomain inhibitor compared to that of a non-selective BET inhibitor.

In 2015/16, the lead BET compound was validated in a mouse model of arthritis (CIA), showing good efficacy in reducing therapeutic clinical disease by scoring at 30 mg/kg in line with the compound's effect on IL17A producing T_H17 cells.

Currently known BET bromodomain inhibitors developed by other companies are tested in leukemia and solid tumors; the majority of known compounds currently being tested against cancers in clinical trials are non-selective BET inhibitors.

Nuevolution's BET bromodomain inhibitors are potent and selective for the first bromodomain of the BET family of proteins. This increased selectivity of our compounds is expected to translate into reduced toxicity while maintaining efficacy in a subset of inflammatory diseases dependent on bromodomain 1.

RORγT AGONIST PROGRAM

In 2015, Nuevolution identified very potent RORγt agonists capable of stimulating RORγt function in reporter cell lines and, in 2015/16, several compounds were characterized and their properties further optimized. These RORγt agonists are currently being tested for their ability to stimulate both IL17A production and the proliferation of mouse splenocytes (white blood cells in the spleen). The compounds will be further tested in an in vivo tumor model when data that support effective splenocyte stimulation are obtained. This is expected to occur during the second half of 2016.

While these proof-of-concept studies are being initiated, our focus is on optimizing compounds for in vivo stability and other properties in the expectation of carrying out in vivo PoC (proof-of-concept) studies in early 2017.

In recent years, several novel approaches in immuno-oncology (IO) have emerged as effective means of treating multiple cancers. We pursue many of these novel IO targets including IDO1/TDO, CD39, and E3 ligases in our early discovery programs. One of Nuevolution's IO programs now in lead discovery is the RORγt agonist (stimulatory) program providing immune stimulation using the T_H17 pathway.

CYTOKINE X PROGRAM

In 2015/16, we obtained unique crystal structure data providing atomic resolution of the mechanism of compound binding to the target (not disclosed), enabling structural guidance for fast-tracking compound optimization. The program made good progress during the year and is currently in late-stage hit-to-lead optimization.

This inflammatory cytokine is a key regulator with significant clinical data supporting its role in multiple inflammatory diseases. Nuevolution is, to the best of our knowledge, the only company that has potent true small molecules for this target with confirmed inhibition of cytokine stimulation.

GRP78 INHIBITOR PROGRAM

Together with Cancer Research Technology Discovery Labs (CRT-DL), the company has identified potent small molecules capable of inhibiting GRP78. In 2015/2016, we and our partner obtained three-dimensional crystal structures of these small molecules, thereby giving key information for guiding further optimization. The compounds under investigation are selective and show good potencies for binding of the target in an allosteric manner. The program made good progress throughout 2015/16 and is currently at the hit-to-lead optimization stage.

GRP78 is involved in multiple cancers such as melanoma, prostate, breast, colon, glioblastoma and cervix Although more than 4,000 scientific papers have been published on GRP78, no small molecules effectively and directly targeting it have been reported.

EARLY PIPELINE

In 2015/16, we explored 15 disease targets with the aim of identifying novel medical treatment opportunities for the future. Internal project reviews have been conducted every quarter in order to prioritize and progress only the most viable and commercially interesting early discovery projects.

JANSSEN BIOTECH DRUG DISCOVERY COLLABORATION

In October 2015, Nuevolution entered into a multi-target collaboration with Janssen Biotech, Inc., one of the pharmaceutical companies of Johnson & Johnson. The collaboration focuses on the discovery and development of new medical entities for the treatment of cancer, and of infectious and inflammatory diseases. Within the framework of the collaboration, Nuevolution will apply the Chemetics® drug discovery platform to discover and advance drug candidates against drug targets of interest to Janssen.

Nuevolution has received an undisclosed upfront payment in November 2015, and is entitled to research funding and eligible to receive milestone payments upon achievement of specified research, development and commercial milestones. In addition, Nuevolution is subject to receive royalty payments on net sales of products that may be commercialized as a result of the collaboration. The collaboration was expanded in April 2016 and an upfront payment of USD 0.6 million was received in June 2016.

NOVARTIS TECHNOLOGY TRANSFER AGREEMENT

In April 2016, Nuevolution received a milestone payment of USD 2.0 million from the company's drug discovery collaboration with Novartis. It remains part of our strategy to increase the use of the Chemetics® drug discovery platform in both internal programs and through its application in strategic part-

nerships and product licensing arrangements. Thus the collaboration with Novartis is testament to the attractiveness and applicability of our proprietary Chemetics® platform.

NEW CHEMETICS PATENTS
In March 2016, the European Patent Office issued four new patents to Nuevolution related to the Chemetics® platform covering broad structural classes of compounds (e.g. small non-peptide molecules, scaffolded molecules, macrocyclic molecules etc.) bound to the encoding oligonucleotide (barcode).

Nuevolution has 11 patent families covering the technology and patents have been issued from eight of these. With the four new patents being issued, Nuevolution will hold more than 200 issued patents in various countries. Previously granted patents cover different methods for synthesizing and encoding libraries with a barcode, as well as a number of patents covering the composition and structure of oligonucleotide barcodes.

PATENT DISPUTE WITH FORMER EMPLOYEE
In February 2016, the Danish Maritime and Commercial High Court (Sø-og Handelsretten) decided one aspect of the company's case against a former employee, 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 a 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 remainder of the case before the Danish Maritime and Commercial High Court is therefore presently suspended awaiting the Eastern High Court's decision in the appeal.

The outcome of the proceedings is not expected to adversely impact Nuevolution's use of the Chemetics® platform as used in practice today. The court cases are expected to continue for a considerable period of time.

CFO RECRUITMENT
The company's executive management team was expanded with the recruitment of Henrik Damkjær Simonsen as CFO in August 2015.

Events after the end of the financial year

On July 1, 2016, an extraordinary shareholder's meeting (EGM) unanimously resolved to amend the terms and conditions of the company's incentive program, warrant program 2015/2021, in accordance with the major shareholders' proposal. The resolution entails an amendment of the terms and conditions of warrants of Series 1 and Series 2. The warrant program was expensed in the fourth quarter of 2015/16, as majority pre-approval was obtained prior to the EGM.

It was, inter alia, resolved to amend the terms and conditions for warrants of Series 1 and Series 2 so that applicable so-called 'exit events' shall also include a listing on Nasdaq First North. In addition, in order for the applicable exit event relating to warrants of Series 1 to occur, the value per share at the time of application for subscription of shares by exercise of warrants shall correspond to at least SEK 22.975. Upon fulfilment of an exit event relating to Series 1, the subscription price per share shall be lowered to SEK 17.50, and for Series 2, the subscription price per share shall be lowered to SEK 11.25. As a result of the general meeting's resolution to amend the terms and conditions of the warrants, an exit event relating to warrants of Series 2 has been fulfilled. No warrants have been exercised since the balance sheet date.

Organization and employees

At the end of fiscal 2015/16, the Board of Directors consisted of the Chairman Stig Løkke Pedersen and Directors Lars Henriksson, Søren Lemonius, Jutta Heim and Jeanette Wood. Viktor Drvota resigned as Director of Nuevolution's Board of Directors in February 2016. Mr Drvota took up a position outside SEB Venture Capital, the largest shareholder in Nuevolution AB (publ) and resigned from the Board of Nuevolution AB (publ). The executive management consists of CEO Alex Haahr Gouliaev, CSO Thomas Franch, CBO Ton Berkien and CFO Henrik Damkjær Simonsen.

There were 44 full-time employees (FTEs) as per June 30, 2016 as compared with 43 FTEs as per June 30, 2015.

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, not in any order of significance, considered to have the greatest significance for the company's future development. Not all risk factors can be 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-CLINICAL 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 set-backs 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 material 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 fulfil 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 others ways, through literature research, expertise contributed by members of the company's advisory panel or through collaboration with strategic partners. Candidate programs are developed through internal discovery and pre-clinical research efforts based on input from e.g. Nuevo-

lution'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

For a review of risk management, please refer to the section 'Risk management' in the Annual Report.

Financial review

REVENUES

Consolidated revenues for 2015/16 decreased to SEK 21.3 million from SEK 29.8 million in 2014/15. Revenues from upfront and milestone payments amounted to SEK 20.7 million in 2015/16, largely stemming from Novartis and Janssen Biotech, compared with SEK 26.1 million in the prior financial year, mainly coming from the technology transfer agreement with Novartis and the drug discovery collaboration with Boehringer Ingelheim. Reimbursement income of SEK 0.6 million was recognized in 2015/16 against SEK 3.7 million in 2014/15, which was positively impacted by a larger income from Novartis and a minor income from Boehringer Ingelheim.

EXPENSES

Total group operating expenses (excluding depreciation and amortization) amounted to SEK 171.9 million in 2015/16 against SEK 93.6 million in 2014/15. These expenses include two non-recurring costs. First, it includes IPO costs of SEK 11.9 million. Second, it includes non-cash expenses for the warrant program of SEK 48.5 million. Excluding these non-re-

curring costs, total operating expenses amounted to SEK 111.5 million in 2015/16, an increase of SEK 17.9 million over 2014/15. Depreciation and amortization amounted to SEK 1.3 million in 2015/16 against SEK 1.1 million in 2014/15.

Costs of sales rose by SEK 13.4 million, mainly due to increasing test activities for both the leading and early programmes, higher expenses for CROs primarily in support of RORγt agonists and inverse agonists and Cytokine X compounds, building of new Chemetics® libraries, and higher fees for patents covering Chemetics® and RORγt inverse agonists. Other external expenses (excluding IPO costs) decreased by SEK 1.5 million, mainly led by lower expenses for lawyers, counterbalanced by listing costs and start-up costs for investor relations activities. Staff costs (excluding non-cash expenses for the 2015/21 warrant program) rose by SEK 6.0 million, due to the company employing more people, wage increases for staff and bonus payments to the executive management.

PROFIT & LOSS

In 2015/16, the group showed an operating loss of SEK 151.9 million against a loss of SEK 64.9 million in 2014/15. Excluding the above-mentioned non-recurring costs, the operating loss amounted to SEK 91.5 million in 2015/16. Net financial income amounted to SEK 0.0 million in 2015/16 as compared with SEK 2.8 million in the prior financial year, which was boosted by a gain on foreign exchange of SEK 2.9 million. The loss before tax was SEK 151.9 million in 2015/16 against SEK 62.1 million in 2014/15. Excluding non-recurring costs, the 2015/16 loss before tax amounted to SEK 91.5 million. The group recorded a tax income of SEK 6.9 million in 2015/16 against SEK 7.3 million in 2014/15.

In 2015/16, the group recorded a net loss of SEK 145.0 million against a net loss of SEK 54.7 million in 2014/15, and an EPS of SEK -3.98 in 2015/16 compared with an EPS of SEK -2.26 in 2014/15. Excluding the above-mentioned non-recurring costs, the group's EPS for 2015/16 was SEK -2.32.

CASH FLOW AND FINANCIAL POSITION

In 2015/16, group cash flow from operations amounted to an outflow of SEK 81.5 million against an outflow of SEK 19.5 million in 2014/15. Excluding IPO costs of SEK 11.9 million, cash flow from operations was an outflow of SEK 69.6 million.

Investments in equipment in 2015/16 amounted to SEK 4.1 million compared with SEK 1.1 million in the prior financial year. Investments consisted mainly of the purchase of laboratory equipment and minor improvements to the company's premises.

Cash flow from financing amounted to SEK 244.5 million in 2015/16, where the share issue in connection with the listing provided SEK 250.0 million, IPO costs resulted in an outflow of SEK 8.0 million, and new leasing activities caused an inflow of SEK 3.6 million for the financing of investments in laboratory equipment. The instalment of leasing debt amounted to SEK 1.1 million. Cash flow from financing amounted to SEK 74.9 million in 2014/15 related mainly to capital increase from large shareholders.

Cash and cash equivalents amounted to SEK 206.0 million as per June 30, 2016, as compared with SEK 46.3 million at June 30, 2015. Net cash amounted to SEK 201.3 million as per June 30, 2016 (SEK 44.0 million at June 30, 2015) after the deduction of leasing liabilities of SEK 4.7 million (SEK 2.2 million at June 30, 2015).

SHAREHOLDER'S EQUITY

As of June 30, 2016, total shareholders' equity amounted to SEK 198.1 million against SEK 51.6 million at June 30, 2015. This increase mainly reflects net proceeds from the initial public offering of shares in Nuevolution AB (publ) in connection with the listing on Nasdaq First North Premier and impact from share-based payments of SEK 48.5 million, offset by the loss for the year.

ISSUE OF SHARES IN CONNECTION WITH LISTING

The company issued 14,285,706 new shares in the initial public offering of shares in connection with the listing on Nasdaq First North Premier, raising the total number of outstanding shares to 42,858,236 at June 30, 2016.

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 2015/16 of SEK 0.6 million. It incurred total expenses of SEK 62.8 million in 2015/16, mainly related the IPO in December 2015, non-cash expenses for the 2015/21 warrant program, costs for investor relation activities and board member fees. The operating result amounted to SEK -62.1 million in 2015/16. The net profit was SEK -62.1 million in 2015/16.

The parent company's cash and net cash amounted to SEK 174.0 million at June 30, 2016. Shareholders' equity amounted to SEK 728.4 million at June 30, 2016.

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

The Nuevolution share has been listed on Nasdaq First North Premier in Stockholm, Sweden since December 2015.

At June 30, 2016, 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 37 of this Annual Report.

WARRANT PROGRAM 2015/21

In 2015-16, the Board of Directors implemented the 2015/21 warrant program for the executive management and full-time employees. The program comprises 5,087,837 warrants: 2,684,558 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.

WARRANT PROGRAM 2011/16

Nuevolution A/S established a warrant program in 2011 addressed to the company's Board of Directors, executive management and other employees. The program comprises a total of not more than 4,147,667 warrants in Nuevolution A/S with the right to subscribe for class A shares and not more than 1,525,384 warrants with the right to subscribe to class B shares. These warrants lapsed on July 15, 2016.

ANNUAL GENERAL MEETING

The annual general meeting of Nuevolution AB (publ) will take place on October 5, 2016 in Näringslivets Hus, Storgatan 19, Stockholm, Sweden. Notice to attend the annual general meeting will be published on Nuevolution's website www.nuevolution.com.

FINANCIAL CALENDAR

Q1 2016/17 (July-September 2016)	17 November 2016
Q2 2016/17 (October-December 2016)	8 February 2017
Q3 2016/17 (January-March 2017)	17 May 2017
Q4 2016/17 (April-June 2017)	6 September 2017

PROPOSED APPROPRIATION OF PROFITS

Unrestricted shareholder's equity in the parent company

SEK	
Share premium reserve	699,202,739
Share-based payments	48,462,951
Result for the year	-62,116,829
Total	**685,548,861**

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

SEK	
Carried forward	685,548,861
Total	**685,548,861**

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FINANCIAL REPORT

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Group - Consolidated income statement

1 July 2015 - 30 June 2016

	Note	2015/16 TSEK	2014/15 TSEK
Revenue	4	21,314	29,801
Cost of sales		-45,065	-31,674
Other external expenses	5	-36,551	-26,126
Gross profit		**-60,302**	**-27,999**
Staff costs	6	-90,256	-35,818
Amortization and depreciation	12	-1,328	-1,074
Operating loss		**-151,886**	**-64,891**
Financial income	7	1,925	3,593
Financial expenses	8	-1,947	-757
Loss before tax		**-151,908**	**-62,055**
Corporate tax	9	6,911	7,323
Loss for the year		**-144,997**	**-54,732**
Distribution of the year's result			
Net comprehensive loss attributable to shareholders of the Parent Company		**-144,997**	**-54,732**
Earnings per share (EPS basic and EPS diluted), SEK	10	-3.98	-2.26

Group - Consolidated statement of comprehensive income

Net loss for the year		-144,997	-54,732
Other comprehensive income			
Amount which will be re-classified to the income statement:			
Foreign exchange adjustments on subsidiary		910	-62
Total net comprehensive loss for the year		**-144,087**	**-54,794**
Distribution of the year's result			
Net comprehensive income attributable to shareholders of the Parent Company		**-144,087**	**-54,794**

Group - Consolidated statement of financial position

	Note	30 June 2016 TSEK	30 June 2015 TSEK
ASSETS			
Non-current assets			
Property, plant and equipment	12	4,928	2,257
Other fixtures, fittings, tool and equipment	12	566	404
Total property, plant and equipment		**5,494**	**2,661**
Income tax receivables	9	6,967	7,257
Other non-current receivables	13	1,618	1,567
Total other non-current assets		**8,585**	**8,824**
Total non-current assets		**14,079**	**11,485**
Current assets			
Work in progress for third parties	4	0	7,321
Trade receivable	14	367	2,824
Income tax receivable		7,443	1,176
Other financial assets	15	6,016	1,585
Other current assets	16	1,105	1,018
Cash and cash equivalents	21	205,955	46,250
Total current assets		**220,886**	**60,174**
TOTAL ASSETS		**234,965**	**71,659**
EQUITY AND LIABILITIES			
Share capital	17	42,858	352,922
Share premium		699,203	0
Exchange adjustment reserve		848	-62
Retained earning		-544,854	-301,307
Total shareholders' equity		**198,055**	**51,553**
Lease liabilities	18	3,482	1,451
Total non-current liabilities		**3,482**	**1,451**
Current liabilities			
Current portion of long-term lease liabilities	18	1,222	782
Trade payables	19	12,162	8,641
Other current liabilities	19	7,322	5,846
Deferred income	4	12,722	3,386
Total current liabilities		**33,428**	**18,655**
Total liabilities		**36,910**	**20,106**
TOTAL EQUITY AND LIABILITIES		**234,965**	**71,659**

Group - Consolidated statement of cash flows

1 July 2015 - 30 June 2016

	Note	2015/16 TSEK	2014/15 TSEK
Operating activities			
Loss before tax		-151,908	-62,055
Adjustment for amortization and depreciation of plant and equipment		1,328	1,074
Adjustment for non-cash effect of the share-based payments		48,528	66
Financial income		-1,925	-3,593
Financial expenses		1,947	757
Cash flow before change in working capital		**-102,030**	**-63,751**
Change in working capital		19,594	39,840
Cash flow from operations		**-82,436**	**-23,911**
Interest received		134	3,593
Interest paid		-358	-757
Corporate Tax received		1,210	1,600
Cash flow from operating activities		**-81,450**	**-19,475**
Investing activities			
Investments in plant, equipment, fittings and tools		-4,094	-1,109
Investments in financial assets		-51	-11
Cash flow from investing activities		**-4,145**	**-1,120**
Financing activities			
New share issue		250,050	74,784
Costs related to the share issue		-7,989	-153
New lease agreements		3,590	894
Repayments of lease liabilities		-1,119	-657
Cash flow from financing activities		**244,532**	**74,868**
Net change in cash		**158,937**	**54,273**
Currency translation adjustments		768	-80
Cash and cash equivalents, beginning of period		46,250	-7,943
Cash and cash equivalents, end of period	21	**205,955**	**46,250**

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 period.

Cash flows from operating activities are stated as the group's profit or loss 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 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 new financial lease agreements and lease payments made on assets held under finance lease.

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

Group - Consolidated statement of changes in equity

TSEK

	Share capital	Share premium	Retained earnings	Currency translation reserve	Total equity
Equity at 1 July 2015	352,922	0	-301,307	-62	51,553
Loss for the year	0	0	-144,997	0	-144,997
Other comprehensive income	0	0	0	910	910
Total comprehensive income	0	0	-144,997	910	-144,087
Transactions with owners					
Impact from reverse acqusition	-324,350	471,428	-147,078	0	0
Share issue	14,286	235,764	0	0	250,050
Share based payments	0	0	48,528	0	48,528
Costs related to the share issue	0	-7,989	0	0	-7,989
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**

	Share capital	Share premium	Retained earnings	Currency translation reserve	Total equity
Equity at 1 July 2014	278,295	0	-246,641	0	31,654
Loss for the year	0	0	-54,732	0	-54,732
Other comprehensive income	0	0	0	-62	-62
Total comprehensive income	0	0	-54,732	-62	-54,794
Transactions with owners					
Share issue	74,627	0	0	0	74,627
Share based payments	0	0	66	0	66
Total transaction with owners	74,627	0	66	0	74,693
Total changes in equity	74,627	0	-54,666	-62	19,899
Equity at 30 June 2015	**352,922**	**0**	**-301,307**	**-62**	**51,553**

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 other external 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 recognised in the income statement as a portion of the gain/loss on the sale.

Parent - Income statement*

28 August 2015 - 30 June 2016

	Note	2015/16 TSEK (10 months)
Revenue	4	645
Cost of sales		0
Other external expenses	5	-14,097
Gross profit		**-13,452**
Staff costs	6	-48,656
Amortization and depreciation		0
Operating loss		**-62,108**
Financial income	7	47
Financial expenses	8	-56
Loss before tax		**-62,117**
Corporate tax	9	0
Loss for the period		**-62,117**

Parent - Consolidated statement of comprehensive income

Net loss for the period	-62,117
Other comprehensive income	
Total comprehensive loss for the year	**-62,117**

* No comparative figures available, since Nuevolution AB was formed on 28 August 2015.

Parent - Statement of financial position*

	Note	30 June 2016 TSEK
ASSETS		
Non-current assets		
Investment in subsidiary	11	550,052
Total non-current assets		**550,052**
Current assets		
Trade receivable, Group company		641
Other financial assets	15	4,357
Other current assets	16	255
Cash and cash equivalents	21	173,983
Total current assets		**179,236**
TOTAL ASSETS		**729,288**
EQUITY AND LIABILITIES		
Share capital	17	42,858
Share premium		699,203
Retained earning		48,463
Loss for the year		-62,117
Shareholders' equity		**728,407**
Current liabilities		
Trade payables	19	341
Other current liabilities	19	540
Total current liabilities		**881**
TOTAL EQUITY AND LIABILITIES		**729,288**

* No comparative figures available, since Nuevolution AB was formed on 28 August 2015.

Parent - Statement of cash flows*

28 August 2015 - 30 June 2016

	Note	2015/16 TSEK
Operating activities		
Loss before tax		-62,117
Adjustment for non-cash effect of the share-based payments		48,463
Financial income		-47
Financial expenses		56
Cash flow before change in working capital		**-13,645**
Change in working capital		-4,368
Cash flow from operations		**-18,013**
Interest received		0
Interest paid		-13
Cash flow from operating activities		**-18,026**
Investing activities		
Investments in subsidiary		-50,052
Cash flow from investing activities		**-50,052**
Financing activities		
New share issue		250,050
Costs related to the share issue		-7,989
Cash flow from financing activities		**242,061**
Net change in cash		**173,983**
Cash and cash equivalents, beginning of period		0
Cash and cash equivalents, end of period	21	**173,983**

* No comparative figures available, since Nuevolution AB was formed on 28 August 2015.

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 period.

Cash flows from operating activities are stated as the company's profit or loss 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, as well as the raising and repayment of loans and instalments on interest-bearing debt. Also recognized are cash flows in the form of lease payments made on assets held under finance lease.

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

Parent - Consolidated statement of changes in equity

TSEK

	Note	Share capital	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		14,286	235,764	0	0	250,050
Share based payments	20	0	0	48,463	0	48,463
Costs related to the share issue	17	0	-7,989	0	0	-7,989
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 other external expenses.

Notes to the consolidated financial statements

Note 1: Accounting policies

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 and Swedish subsidiaries, Nuevolution A/S and Oveun AB, respectively. The Company and its subsidiaries are collectively referred to as the "Group"

Nuevolution is a biopharmaceutical group focused on developing treatments for human diseases within oncology and autoimmune 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 1 billion 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. Comparative figures are the amounts for the legal subsidiary Nuevolution A/S.

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 17 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.

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.

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.

Based on new information minor adjustments to comparative figures in primary statements and notes have been implemented.

NEW STANDARDS AND INTERPRETATIONS
With effect from 1 July 2015, the group has adopted:
- IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19
- Annual Improvements to IFRSs 2010-12 Cycle
- Annual Improvements to IFRSs 2011-13 Cycle

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

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 2016 and 2017. None of those are expected to have any material effects on Nuevolution's financial reports.

- 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 shall be applied as from 2018 but has not yet been endorsed by EU.
- 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 shall be applied as from 2018 but has not yet been endorsed by EU.
- 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. Lessor accounting will in all essentials remain unchanged. The standard shall be applied as from 2019 but has not yet been endorsed by EU.

Nuevolution has not yet evaluated the abovementioned new standards but the preliminary assessment is 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.

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 the Board of Directors together with the CEO, to make decisions about resources to be allocated to the segment and assess its performance. Present the group and parent company's business is seen as one whole segment.

REVENUE

Revenue is recognized when it is probable that future economic benefits will flow to the group and these benefits can be measured reliably.

Revenue from contract research and other services is recognized by reference to the assessed stage of completion.

Upfront payments and milestone payments that are deemed attributable to subsequent contract research or other services are initially recognized as deferred income and recognized as revenue based on the stage of completion.

Revenue from the sale of goods and reimbursements of defrayed expenses are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery. Revenue is measured exclusive of VAT, discounts and taxes.

COST OF SALES

This item consists of raw materials, consumables etc. for use in the group partnership programmes as well as in the group internal programmes. The item furthermore consists of costs relating to the extension and maintenance of patent families, external scientific consultancy and assistance, together with repair and maintenance of fixed assets used in production and processes.

All research costs are recognized in the statement of comprehensive income in the period in which they incur. Development costs are capitalized if the criteria are met. If criteria are not met, development costs are recognized in the statement of comprehensive income in the period in which they incur.

OTHER EXTERNAL EXPENSES

Other external expenses comprise cost related to the premises, office expenses, audit, lawyer, telephone, it etc. and the part of cost related to issue of new share not recognised directly in the equity.

STAFF COSTS

Staff costs comprise of wages and salaries for staff engaged in research, development, sales and marketing, administration and management. The item also comprise all other staff-related costs as well as share-based payments.

RESEARCH AND DEVELOPMENT COSTS

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.

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.

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 2016.

As a biopharmaceutical company all costs are directly or indirectly related to research and development activities.

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 issued comments for listed companies.

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 financial assets + Other current Assets - Trade payable - Other Current Liabilities

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

Earning per Share Basic (EPS Basic):
Net profit/loss / Average number of shares

Shareholders' equity per share:
Equity / Number of shares, year end

Note 2: 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 the following 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 and 9.

Note 3: Risk management

RISKS

All business operations in Nuevolution involve risk. Risk management is essential and an integral part of the company's operations and strategy. Risk may be due to events in the external environment and may affect certain industries more than other. Risk may also be specific to the individual company. Nuevolution is exposed to some specific risk categories:

- Operational risks, e.g. due to the capital-intensive and risky nature of new drug development, dependence on external partners, risks in clinical trials, dependence on qualified personnel and key individuals.

- External risks such as patent infringements, competition, rapid technological development, regulatory requirements, pricing and reimbursement of and access to medicine.

- Financial risks, such as currency risk, interest risk, credit risk and funding risk.

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.

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 1,609 (2014/15: TSEK 676) 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 205,955 as of 30 June 2016 compared to TSEK 46,250 as of 30 June 2015.

For a more detailed description of the risks associated with the company, please see the Annual Report, page 29-30 and 49-52.

Note 4: Revenue

Group

TSEK	2015/16	2014/15
Upfront & milestone	20,697	26,055
Reimbursement income	617	3,746
Total	**21,314**	**29,801**
Revenue split by Geographical Area		
Sweden	0	0
Switzerland	13,647	25,194
Germany		4,607
USA	7,630	0
Japan	37	0
Total	**21,314**	**29,801**

Revenues are based on contracts with two partners both in 2015/16 and 2014/15 as the following:

Customer 1	36%	0%
Customer 2	64%	85%
Customer 3	0%	15%
Deferred income	12,722	3,386
Total	**12,722**	**3,386**

To be recognised in the income statement		
2015/16	0	3,386
2016/17	9,260	0
2017/18	3,462	0
Total	**12,722**	**3,386**

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

Work in progress for third parties	0	7,321
Total	**0**	**7,321**

Parent Company	2015/16
TSEK	
Service fee, Group Companies	645
Total	645

Accounting Policy

Revenue

Revenue is recognized when it is probable that future economic benefits will flow to the group and these benefits can be measured reliably.

Revenue from contract research and other services is recognized by reference to the assessed stage of completion.

Upfront payments and milestone payments that are deemed attributable to subsequent contract research or other services are initially recognized as deferred income and recognized as revenue based on the stage of completion.

Revenue from the sale of goods and reimbursement of deferred expenses are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery. Revenue is measured exclusive of VAT, discounts and taxes.

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.

MANAGEMENT'S JUDGMENTS AND ESTIMATES

Evaluating the criteria for revenue recognition with respect to the group's customer agreements requires management's judgment to ensure that all criteria have been fulfilled prior to recognizing revenue. In particular, such judgments are made with respect to determination of whether upfront payments and milestone payments relating to collaboration agreements are attributable to subsequent contract research or other services, whether simultaneous transactions shall be considered as one or more revenue-generating transactions, whether work in progress for third parties exist which should be recognized as receivables and the determination of whether the significant risks and rewards have been transferred to the buyer.

Collaboration agreements are reviewed carefully to understand the nature of risks and rewards of the arrangement. All of the group's revenue-generating transactions have been subject to such evaluation by management.

Upfront payments that are deemed attributable to subsequent research and development work are initially recognized as deferred income and recognized and allocated as revenue over the planned development period. This estimate is made when entering the agreement and is based on development budgets and plans. The planned development period is assessed on an ongoing basis. If the expected development period is changed significantly, this will require a reassessment of the allocation period. The allocation periods have not been changed in the period.

Note 5: Fee to auditors appointed at the General Meeting

Group		
TSEK	2015/16	2014/15
Audit of financial statement	497	212
Tax advisory	112	6
Other services	994	0
Total	**1,603**	**218**

Parent Company	
TSEK	
Audit of financial statement	63
Tax advisory	37
Other services	371
Total	**471**

Other assurance services include TSEK 360 (2014/15: 0) related to the IPO in December 2015.

Note 6: Staff costs

Group

TSEK	2015/16	2014/15
Wages & salaries	36,395	32,983
Bonus	2,175	0
Share-based payment	48,529	66
Pension (defined contribution)	293	276
Other social security costs	193	151
Total	**87,585**	**33,476**
Board of directors (remuneration)	381	324
Board of directors (share-based payment)	4,894	4
Management (Wages & salaries)	2,343	2,336
Management (Bonus)	1,172	0
Management (Share-based payment)	19,724	24
Management (Pension - defined contribution)	234	233
Management (Other social security costs)	4	3
Total	**28,752**	**2,924**
Employees:		
Average number of FTE	43	41
Number of FTE end of year	44	43

Parent Company

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

Accounting Policy

Staff costs

Staff costs comprise of wages and salaries for staff engaged in research, development, sales and marketing and 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 20 for further details.

Note 7: Financial income

Group

TSEK	2015/16	2014/15
Interest income	72	0
Foreign exchange gain	1,853	3,593
Total	**1,925**	**3,593**

Parent Company

TSEK	
Foreign exchange gain	47
Total	**47**

Accounting Policy

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

Note 8: Financial expenses

Group

TSEK	2015/16	2014/15
Interest expenses	28	114
Leasing interest	138	89
Bank fees and other financial expenses	151	127
Foreign exchange loss	1,630	427
Total	**1,947**	**757**

Parent Company

TSEK	
Interest expenses - Group Companies	15
Bank fees and other financial expenses	13
Foreign exchange loss	28
Total	**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 recognised in the statement of comprehensive income at the amounts that relate to the reporting period.

Note 9: Corporate and deferred tax

Group
Taxation - income statement

TSEK	2015/16	2014/15
Loss before tax	-151,908	-62,055
Tax rate	22.0%	23.5%*
Tax on loss for the year	33,420	14,583
Tax value of non-deductible expenses	1,687	18
Tax on share-based payment	-10,650	-15
Utilization of Danish tax credit	6,885	7,309
Adjustment of deferred tax	1,259	-935
Accounting estimate for utilisation of tax losses	-25,690	-13,637
Total	**6,911**	**7,323**

* The tax rate for 2014/15 related to the former parent company - Nuevolution A/S, Denmark

Taxation - statement of financial position

Component of the deferred tax asset are as follows:		
Property, plant and equipment	-997	494
Net payments under finance lease	1,035	-492
Other current assets	367	224
Accrued income	2,798	866
Share-based payments	-10,761	0
Tax loss carry-forward	-123,388	-101,812
	-130,946	**-100,720**
Unrecognized deferred tax asset	130,946	100,720
	0	**0**

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

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

Parent Company
Taxation - income statement

TSEK	2015/16
Loss before tax	-62,117
Tax rate	22.0%
Tax on loss for the year	13,666
Tax value of non-deductible expenses	1,686
Tax on share based payment	-10,662
Adjustment of deferred tax	-69
Accounting estimate for utilisation of tax losses	-4,621
Total	**0**

Taxation - statement of financial position

Component of the deferred tax asset are as follows:	
Other current assets	69
Tax loss carry-forward	-4,621
	-4,552
Unrecognized deferred tax asset	4,552
	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 loss 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 recognised in the statement of comprehensive income as regards the portion that relates to the net profit/loss 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 statement of financial position, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

The group recognises tax credits relating to R&D work in Denmark as per the Danish Tax rules with a maximun of 22% of DKK 25 million.

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

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognized in the statement of financial position at the value at which they are expected to be utilised, 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 5 years. Based upon this assessment no deferred tax assets relating to tax losses carried forward have been recognized as at 30 June 2016.

Note 10: Earnings per shares

Group

TSEK	2015/16	2014/15
Net result	-144,997	-54,732
Average number of shares	36,469,168	24,216,365
Average number of shares-based instruments, diution	6,487,882	3,644,269
Average number of shares, diluted	42,957,050	27,860,634
Earnings per share (EPS basic and EPS diluted), SEK	-3,98	-2,26

In the calculation of the diluted net result per share for 2015/16, 3,644,269 of the 2011 warrants programme (of which none were vested) and 5,087,837 of the 2015/21 warrants programme (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.

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 11: Investments in subsidiary

Parent Company

TSEK	2015/16
Cost at 1 July	0
Additions	550,052
Cost at 30 June	**550,052**
Impairment loss at 1 July	0
Impairment for the year	0
Impairment loss at 30 June	0
Carrying amount at 30 June	550,052

Accounting Policy

Investment in subsidiaries are measured at cost reduced by impairment write-down.

Additions relate to contribution in kind and capital increase. 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 annual report 2015/16, based on the sum-of-the-parts DCF model, the management has performed an impairment test of the carrying value of Nuevolution A/S. It comprises a risk-adjusted NPV (rNPV) of lead programs, the Chemetics platform and all costs not associated with the lead programs and the Chemetics platform.

We have applied a Weighted Average Cost of Capital (WACC) of 12% after tax, and applied the program success rates for oncology and inflammation from 'Clinical development success rates for investigonal drugs', Michael Hay et al., Nature Biotechnology, January 2014.

MSEK	**Impairment test**	**Sensitivity**
	rNPV	**WACC +2%**
Sum-of-the-parts	716	644

Note 12: Property, plant and equipment

Group

TSEK	Property, plant and equipment	Other fixtures, fitings, tools and equipment	Total
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**		
Cost at 1 July 2014	32,460	11,361	43,821
Exchange rate adjustment	117	41	158
Additions	926	183	1,109
Disposals	0	0	0
Cost at 30 June 2015	**33,503**	**11,585**	**45,088**
Depreciation and impairment at July 2014	-30,149	-11,056	-41,205
Exchange rate adjustment	-108	-40	-148
Depreciation and impairment for the year	-989	-85	-1,074
Disposals	0	0	0
Depreciation and impairment at June 2015	**-31,246**	**-11,181**	**-42,427**
Carrying amount at 30 June 2015	**2,257**	**404**	**2,661**
Hereof leased tools and equipment	**2,148**		

All assets are located in Denmark

Accounting Policy

Tangible fixed assets
Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses.

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

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

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

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

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

Impairment of fixed assets
Fixed assets are reviewed at the statement of financial position date to determine whether there are any indications of impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Note 13: Other non-current receivables

Group

TSEK	2015/16	2014/15
Deposit	1,618	1,567
Total	**1,618**	**1,567**

Accounting Policy
Other non-current financial receivables are initialy measured at fair value, and subsequently at amortised cost using the effective interest method less impairment.

Note 14: Trade receivables

Group

TSEK	2015/16	2014/15
Trade receivables, gross value	367	2,824
Trade receivables, impaired	0	0
Total	**367**	**2,824**

Parent Company

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

Accounting Policy
Trade receivables are measured at fair value, and subsequently at amortised 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 15: Other financial assets

Group

TSEK	2015/16	2014/15
VAT	5,615	1,208
Other financial assets	401	377
Total	**6,016**	**1,585**

Parent Company

TSEK	
VAT	4,357
	4,357

Accounting Policy

Other financial assets are measured at fair value, and subsequently at amortised cost using the effective interest method less impairment.

Note 16: Other current assets

Group

TSEK	2015/16	2014/15
Prepayments	1,105	1,018
Total	**1,105**	**1,018**

Parent Company

TSEK	
Prepayments	255
Total	**255**

Accounting Policy

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

Note 17: Share capital

Group

	No. of shares	Share Capital (TSEK)
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**
Balance at 1 July 2014	225,725,299	278,295
New share issue	60,000,000	74,627
Balance at 30 June 2015	**285,725,299**	**352,922**

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 millin of related expenses. Of the expenses, SEK 8.0 million was direct and incremental costs associated with the IPO which has been recognised 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 18: Lease liabilities

The Group has finance 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	2015/16	2014/15
Non-current lease liabilities	3,482	1,451
Current portion of long-term lease liabilities	1,222	782
Total	**4,704**	**2,233**

Finance lease obligations

TSEK	2015/16		2014/15	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
0-1 year	1,358	1,222	862	782
1-5 years	3,662	3,482	1,533	1,451
> 5 years	0	0	0	0
Total minimum lease payments	**5,020**	**4,704**	**2,395**	**2,233**
Less amounts representing finance charges	316	0	162	0
Total	**4,704**	**4,704**	**2,233**	**2,233**

Parent Company

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

Accounting Policy

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

On subsequent recognition, lease liabilities are 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 19: Trade payables and other current liabilities

Group

TSEK	2015/16	2014/15
Trade payable	12,162	8,641
Other current liabilities	7,322	5,846
Total	**19,484**	**14,487**

Parent Company

TSEK	
Trade payables	341
Other current liabilities	540
Total	**881**

Accounting Policy

Trade creditors are measured at fair value, and subsequently at amortised cost using the effective interest method less impairment. 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 20: Share based payments

Group and Parent Company

Warrant Program 2011

There are 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 and no warrants have been exercised. In 2015/16, SEK 66 thousand (2014/15: 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 members of Group Management	Number of warrant held by employees	Total outstanding warrants
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**
Outstanding at 1 July 2014	**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 2015	**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 2015	**238,341**	**1,310,877**	**357,512**	**1,737,539**	**3,644,269**

Warrant Program 2015/2021

At the extraordinary general meeting held on 9 December 2015, prior to the listing on Nasdaq First North Premier, it was resolved to implement a warrant program, with two series, addressed to the board of directors, 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.

Nuevolution has received acceptance for the ratification of the warrant program from a majority of shareholders before the extraordinary shareholders meeting held on 1 July 2016. The warrant program was ratified on this extraordinary shareholders meeting.

The program comprise of 5,087,837 warrants, hereof 2,684,558 Series 1 warrants and 2,403,279 Series 2 warrants. The program has an initially term of five years.

Subject to the fulfilment of an Exit Event (as described below and in the warrant terms), the exercise price for Series 1 warrants will be lowered and may be exercised at a price of SEK 17.50 per warrant, and the exercise price for Series 2 warrants will be lowered and may be exercised at a price of SEK 11.25 per warrant. 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 5,087,837. The warrants may be exercised for subscription of shares from 31 August 2016 up until and including 31 August 2021.

Pursuant to the terms and conditions for 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 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 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 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 SEK 22.975 per share multiplied by the total number of outstanding shares in the company.

Pursuant to the terms and conditions for 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:

	Number of warrant held by the Board of Directors	Number of warrant held by the Executive Management	Number of warrant held by the other members of Group Management	Number of warrant held by employees	Total outstanding warrants
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**

The fair value of warrants granted in 2015/16 is TSEK 48,463, is recognised in the income statement in the financial year 2015/16 and is set off against equity.

The fair value at the time of allocation is based on the Black & Scholes pricing formula. Preconditions for calculating the fair value of grant in 2015/16:

- All warrants are granted and the warrants are exercised 5.72 years after the date of grant.
- A volatility of 65%
- A dividend pay-out ratio of 0%
- A risk-free interest rate of 0.3%
- All warrants are assumed to be exercised

The expected volatility is based on the historical volatility of selected peers of health care and biotech companies listed on Nasdaq First North Premier measured for a period of 90 days at 9 December 2015.

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 at 9 December 2015.

If the Warrant Program 2015/2021 is fully exercised, the dilution effect will correspond to 10.6 percent based on the current number of outstanding shares. The company has no other outstanding incentive programs as the Warrant Program 2011 lapsed on 15 July 2016.

Note 21: Pledges and guarantees

Group and Parent Company
A deposit of TSEK 50 was pledged with SEB as a guarantee to Euroclear Sweden AB in connection with the listing of Nuevolution AB (publ), in accordance with the rules of Euroclear. The parent company has issued a letter of support of SEK 120 million to secure the operation of its subsidiary Nuevolution A/S.

Note 22: Contractual obligations

Group and Parent Company
The group has entered into rent contracts, which all can be terminated at maximum of 6 months notice (TSEK 934). Annual rent payment 2015/16 TSEK 1.845 (2014/15: TSEK 1.795).

The group has finance leases for various items of tangible assets. For detailed information of futures minimum lease payments under leases together with the present value of the net minimum lease payments, please refer to note 18.

Note 23: Contigent assets and liabilities

Group and Parent Company
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 recognaized in the annual report. Deferred tax assets not recognized for 2015/16 were TSEK 130.946 (2014/15: TSEK 100.720). Please refer to note 9 for further details.

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.

Note 24: Related parties

Group and Parent Company
Apart from the significant shareholders of Nuevolution AB (publ), SEB Venture Capital, Sunstone Capital, Industrifonden and SEB Utvecklingsstiftelse, there are no other 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 these persons. Related parties also comprise companies in which the individuals mentioned above have material interests.

Related parties furthermore comprise subsidiaries in which Nuevolution AB has controlling influence, see note 27.

Apart from salaries and warrants (see note 6 and 20), there were no significant transactions with Management. In addition to board fees, board members Jutta Heim and Jeanette Wood also receive fees for consultancy services to the executive management. In 2015/16, Mrs. Heim and Mrs. Wood received TSEK 63 and TSEK 61, respectively (2014/15: TSEK 62, for Mrs. Heim) in consultancy fees.

The Group has during 2015/16 utilized SEB as their day-to-day bank. As of 30 June 2016 the group has short term deposits of SEK 199.0 million (30.6.2015: SEK 0 million) in the SEB group. These deposits carry interest on market terms. Interest and fees paid during 2015/16 TSEK 68 (2014/15: TSEK 0).

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.

In 2015/16 the Parent Company has revenue (TSEK 645) from sales of services to subsidiary, interest cost (TSEK: 15) from reimbursement account and granted warrant (see note 20) to employees of its subsidiary. During 2015/16 there have been a capital increase in the subsidiary. Nuevolution AB has issued a guarantee (note 23) for the operation of its subsidiary. The transactions were made according to market conditions.

In addition to the above, there were no transactions with other related parties and shareholders during 2015/16. All intra-group transactions etc. have been eliminated and described in note 4,8 and 11.

Note 25: Significant events after balance sheet date

Group and Parent Company
No significant events of importance to the consolidated financialstatements have occured since 30 June 2016.

Note 26: Exchange rates

Group and Parent Company

	Average Exchange Rates		Year-end Exchange Rates	
	2015/16	**2014/15**	**30 June 2016**	**30 June 2015**
SEK/DKK	125.27	123.52	126.68	124.64

Note 27: Companies in the Nuevolution Group

NAME Subsidiaries	Reg. Office	Ownership 2015/16	Ownership 2014/15
Nuevolution A/S	Denmark	100%	-
Oveun AB	Denmark	100%	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, 14 September 2016

EXECUTIVE MANAGEMENT

Alex Haahr Gouliaev
CEO

BOARD OF DIRECTORS

Stig Løkke Pedersen
Chairman of the Board

Lars Henriksson

Søren Lemonius

Jutta Heim

Jeanette Wood

Auditors' Report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts of Nuevolution AB (publ) for the year 2015-08-28 to 2016-06-30and consolidated accounts of Nuevolution AB (publ) for the year 2015-07-01 to 2016-06-30. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 45–80.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

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 2016 and of its financial performance and its cash flows 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 2016 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, 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 annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Other matters

As stated in the financial statements under accounting principles, IFRS 3 relating to reverse acquisitions has been applied which means that comparative figures in the group's statements of income, financial position and cash flow relate to the historical operations of the subsidiary Nuevolution A/S. The audit of the annual accounts for the year 2014/15 has been performed by another auditor who has submitted an auditor's report dated November 3, 2015, with unmodified opinions in the Report.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nuevolution AB (publ) for the year 2015-07-01 to 2016-06-30.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

We recommend to the annual 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.

Stockholm, 14 September 2016

ERNST & YOUNG AB

Beate Lihammar
Authorized Public Accountant

Other information

Quarterly information

TSEK	2015/16 1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Total	2014/15 1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Total
	Unaudited					Unaudited				
Income Statement										
Revenue	1,089	11,196	5,964	3,065	21,314	12,887	6,982	4,289	5,643	29,801
Operating expenses	26,396	38,772	27,286	79,418	171,872	19,311	24,437	22,708	27,162	93,618
EBITDA	-25,307	-27,576	-21,322	-76,353	-150,558	-6,424	-17,455	-18,419	-21,519	-63,817
Operating profit/loss (EBIT)	-26,165	-27,318	-21,672	-76,731	-151,886	-6,689	-17,717	-18,683	-21,802	-64,891
Profit/loss before tax	-25,617	-27,318	-22,599	-76,374	-151,908	-5,766	-15,825	-18,613	-21,851	-62,055
Profit/loss for the year	-23,855	-25,603	-20,880	-74,659	-144,997	-3,952	-13,995	-16,764	-20,021	-54,732
Comprehensive income for the year	-23,871	-25,086	-21,127	-74,003	-144,087	-3,952	-13,995	-16,324	-20,523	-54,794

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 allosteric 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 hallmark 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
CRO	Contract Research Organization is an organization that provides support to the pharmaceutical, biotechnology, 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.)
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
High-throughput screening	High-throughput screening (HTS) is a method for scientific experimentation especially used in drug discovery. Using robotics, data processing, control software, liquid handling devices, and sensitive detectors, HTS allows a researcher to quickly conduct millions of pharmacological tests
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 Investigational 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
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
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
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
Th17 cells	A class of immune cells involved autoimmune disease
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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