BioInvent

# 2017
## Annual Report

# Content



# BioInvent in 2017

## New clinical studies

- In October BioInvent announced the Company's decision to conduct a phase I/IIa study in patients with Non-Hodgkin Lymphoma (NHL) with a combination of BI-1206 and the current standard treatment, rituximab, aiming at broadening its potential use and bringing benefits to additional patient populations. The study will supplement the current development programme and the trial is planned to start in the first half of 2018. BI-1206 exerts its effect with high specificity and is assumed to have its own tumour-suppressing ability, at the same time as it is expected to reduce the problem of the development of resistance to rituximab. The new study will give BioInvent an opportunity to more rapidly investigate safety, therapeutic dose for BI-1206 and efficacy of the combination treatment.
- In January ThromboGenics started a phase II study with the drug candidate THR-317 for the treatment of diabetic macular edema. BioInvent is entitled to 5 percent of the financial value of the project.

## Research and development partnerships

- BioInvent and Transgene announced in December that the companies had entered into a collaboration to develop new ways to treat solid tumours based on next generation oncolytic viruses and antibodies against the target structure CTLA-4. Research and development costs, as well as revenue and royalties from candidates generated by the collaboration, will be shared equally.
- In July BioInvent and ThromboGenics amended their agreement on the development of the monoclonal antibodies TB-403 and THR-317. BioInvent increased its share of the economic value of TB-403 from 40 to 50 percent. Development costs will still be shared equally by the parties. ThromboGenics also gained full and exclusive ownership of THR-317 in all non-oncology indications, but BioInvent has the right to 5 percent of the project's economic value.

## Expanded patent protection

- The European Patent Office notified BioInvent in April of its intention to grant the Company a core patent relating to the immuno-oncology antibody BI-1206, and the patent was granted in September. The maximum patent term expires in 2031 and the patent covers, among other things, the use of BI-1206 in combination with the antibody drug rituximab in the treatment of cancer or inflammatory diseases in certain groups of patients.
- In September a corresponding patent was granted for BI-1206 by the Japanese patent office.

## Change in executive management

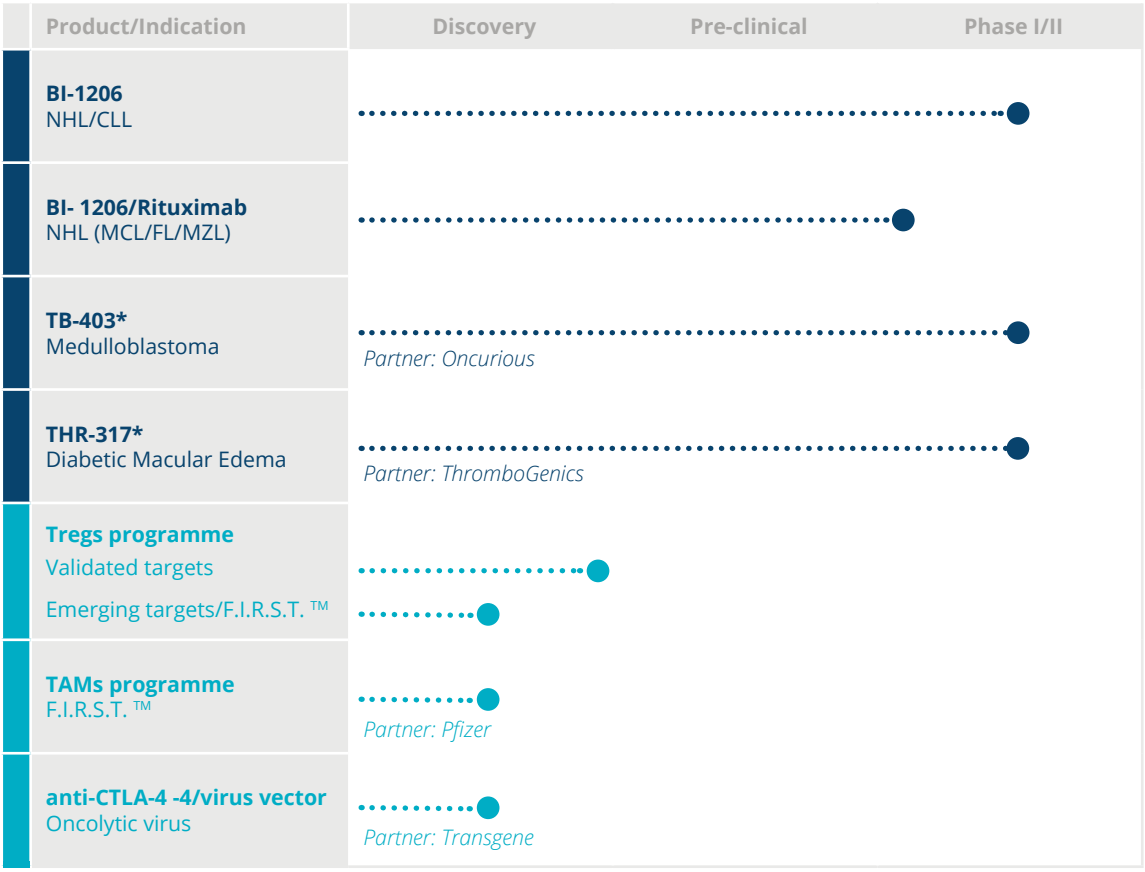
- In October it was announced that CEO Michael Oredsson would leave the Company at the end of the year. He has held the position as CEO since 2013. The Company's Chief Scientific Officer Björn Frendéus took over as acting CEO on 1 January 2018 and will remain until the process of recruiting a permanent successor is completed.

## Events after the end of the financial year

- In January 2018 the European Patent Office notified the Company of its intention to grant a patent that expands the protection for BioInvent's technology platform F.I.R.S.T.™.
- In March 2018 BioInvent announced that a directed new issue was completed of approximately SEK 85 million before transaction costs.

| SEK million | 2017 | 2016 |
|---|---|---|
| Net sales | 45 | 71 |
| Profit/loss for the year | -101 | -63 |
| Liquid funds | 134 | 226 |

## Clinical and Pre-Clinical Pipeline




*THR-317 is based on the same antibody as TB-403, and this antibody targets the PlGF protein.
BioInvent has a 50 percent equity stake in TB-403 and 5 percent in THR-317.

# BioInvent in brief

### BioInvent's business focus

Based on its cutting-edge expertise in immunology, cancer biology and antibody biology, BioInvent develops immuno-therapies to improve and prolong cancer patients' lives. The Company strives for excellence in drug development, aiming to create better health for cancer patients and significant value for the Company's shareholders.

### Future cancer therapies

Although treatment options have improved over time, mortality in many forms of cancer are high and drug side effects are often serious. The body's immune system is one of the most effective weapons to fight cancer, and the development of immuno-oncology drugs that aim the immune system at cancer is expected to revolutionise the treatment. Researchers and pharmaceutical companies throughout the world are working intensively to find anti-bodies that can affect the target structures on tumour cells and in the immune system that inhibit tumour growth and at the same time help the immune system to fight cancer. If antibodies can be identified that are effective but do not negatively impact the body's healthy cells, patients will survive longer and their quality of life will be improved.

BioInvent has a deep understanding of this promising research field. The Company also has attractive platforms enabling the development of next generation immune-boosting, antibody-based drugs to treat cancer. Ensuring that as many patients as possible have access to good treatment and improved health is crucial in a world where one in three people are affected by cancer.

### BioInvent's platforms for developing immuno-oncology drugs

BioInvent's n-CoDeR® antibody library is one of the largest in the world, with more than 30 billion unique antibodies. In order to identify the antibodies that affect target struc-

"Several of the Company's projects have attracted international attention and generated articles that have been published in highly respected scientific journals"

tures and activate the immune system, the Company's extensive expertise in immunology, cancer biology and immunooncology is combined with the proprietary F.I.R.S.T.™ tool. The technology platforms give the Company unique opportunities to identify new target structures and mechanisms of action, and to develop new treatments for life-threatening cancer diseases.

### An attractive partner for pharmaceutical companies and academic research teams

Apart from BioInvent's internal drug projects the Company has established collaboration with Pfizer, Transgene and Oncurious to develop new treatments for cancer diseases. The Company also has collaboration agreements with other global pharmaceutical companies that pay for access to the Company's antibody library and methodology to find suitable antibodies for new drug projects. Research collaborations with partners such as the University of Southampton, Cancer Research UK, Lund University and Penn Medicine are further confirmation of BioInvent's position at the cutting-edge of immuno-oncology research.

### Several drug candidates in the clinical phase and a series of promising preclinical projects

BioInvent's projects that have advanced the farthest are in clinical phase I/II studies. They are being evaluated in patients with B-cell cancer or in a rare form of brain tumour that affects children and adolescents. BioInvent's preclinical research is focused on developing novel immuno-modulatory antibodies for cancer therapy. Several of the Company's projects have attracted international attention and generated articles that have been published in highly respected scientific journals. Over the next few years results are expected to be available from the clinical trials in progress today and preclinical projects expected to enter the clinical phase.

# Comments by the CEO

"BI-1206 with its mechanism of action – to counteract and overcome resistance against rituximab – has the potential to significantly improve the treatment of patients with non-Hodgkin lymphoma and chronic lymphocytic leukaemia"

Björn Frendéus, Acting Chief Executive Officer and Chief Scientific Officer.

Developing new drugs that help the body's immune system to discover and destroy cancer cells could give patients who are seriously ill the chance of better and longer life. In recent years BioInvent has made significant progress in this important research field and is an innovative and appreciated partner of global pharmaceutical companies as well as world-leading immuno-oncology research teams.

Over the past year the inclusion of cancer patients has continued in the first clinical study with BI-1206, BioInvent's immuno-oncology project that has advanced the farthest. Preclinical trials have shown that this unique antibody is able to selectively block a receptor on cells in the immune system that could otherwise be used by the tumour to render cancer drugs ineffective. In preclinical models BI-1206 has also shown a strong ability to directly inhibit tumour cells. With this mechanism of action the drug candidate may be able to improve the already good efficacy of one of the world's most validated and effective antibodies – rituximab – in treatment of non-Hodgkin lymphoma and chronic lymphocytic leukaemia.

We believe that BI-1206 could be a significant complement to the drug rituximab which is the current dominant therapy for these cancer diseases. In order to generate data as quickly as possible for this type of combination therapy, we decided in the autumn of 2017 to initiate preparations for an additional clinical study. We are planning to launch a clinical phase I/IIa study in the first half of

2018 in which patients with non-Hodgkin lymphoma who have had a relapse or have developed resistance to the current treatment will receive BI-1206 in combination with rituximab. The results from this study have the potential of being an important platform for future collaboration discussions with major pharmaceutical companies about continued clinical development and commercialisation.

BioInvent's preclinical projects continue being aimed at finding new ways to fight tumours by affecting regulatory T-cells (Tregs) or tumour-associated myeloid cells (TAM). Our TAM project is a collaboration with our partner Pfizer. A pool of antibodies has been generated and these will be characterised with respect to functional activity. I am especially pleased that the partnership with Pfizer is progressing well because under the terms of the agreement there is potential for significant revenue in the future.

In December we announced a new collaboration agreement; this time with the French biotech company Transgene. The objective is to develop a new drug against solid tumours by combining Transgene's virus vector (which enables selective production of antibodies in the tumour cells) with BioInvent's antibodies against the CTLA-4 target structure. There are already antibody drugs on the market aimed at the same target structure. Yervoy®, for example, achieved sales of USD 1 billion last year. The ability to deliver an antibody against CTLA-4 with high precision directly into tumour cells could result in a significantly improved effect, and in particular also to a reduced risk of side effects.

The clinical phase I/II trial with the antibody TB-403 in patients with medulloblastoma – a rare but life-threatening form of brain tumour that mainly affects children and adolescents – has progressed according to plan. The trial is being conducted in collaboration with a leading network of specialists in the USA and has advanced to the third dose level.

The dedicated work of our employees in 2017 has paved the way for several interesting projects, and the Company's progress provides good potential for value creation in 2018. We have already during the first quarter 2018 co-published new research results in the reputable immune-oncology journal Cancer Cell. We are also looking forward to launching a new phase I/IIa study with BI-1206 and we are expecting the first results from the study with the same drug candidate already in progress. There is no doubt that immuno-oncology drugs have the potential to revolutionise the treatment of cancer diseases, and BioInvent will continue to do its utmost to contribute to this development.

Lund, April 2018

Björn Frendéus
Acting Chief Executive Officer and Chief Scientific Officer

"There is no doubt that immuno-oncology drugs have the potential to revolutionise the treatment of cancer diseases, and BioInvent will continue to do its utmost to contribute to this development"

Interview with Andres McAllister, Chief Medical Officer

# BioInvent is expanding its clinical development programme

"BioInvent is active in one of the most exciting and promising medical research fields of our time – the development of new drugs to help the body's immune system discover and destroy cancer cells"

In 2017 Dr Andres McAllister was recruited as BioInvent's new Chief Medical Officer. He is a Doctor of Medicine and Surgery, gaining his degree from Universidad del Rosario, Bogotá and has a PhD from Institut Pasteur/Université, Paris. He has conducted research for many years in cancer immunotherapy at Institut Pasteur and at the University of California, San Francisco. Dr McAllister served most recently as Chief Scientific Officer at Debiopharm and has previously held senior positions at IDM and bioMérieux/Pierre Fabre.

**What are the benefits of BI-1206 as a potential new cancer drug?**
Cancer cells employ many different mechanisms to avoid being rendered harmless by the immune system. For a number of years now it has been possible to successfully treat cancer patients with new immuno-oncological drugs that make it impossible for cancer cells to use some of these mechanisms. Unfortunately these drugs only help a fraction of patients and the need for new drugs that can control other undesirable biological processes is therefore great. BI-1206 is, as far as we know, the first antibody in a clinical phase that can block the Fc-gamma receptor 2B (FcgR2B, also called CD32b) – the only human inhibitory receptor capable of blocking the activity of antibody drugs against cancer. BI-1206 exerts its effect with high specificity and is assumed to have its own anti-tumour effect at the same time as it can increase the efficacy of other drugs.

**Can you describe the background to BioInvent's decision to initiate another clinical study with BI-1206?**
Our decision is based on research results that show that many patients with B-cell cancer who are receiving the current standard therapy, rituximab, are overexpressing the receptor FcgR2B. This means that a large percentage of patients are becoming resistant to the treatment. Our hypothesis is that by combining rituximab with BI-1206 we will be able to restore and improve the anti-tumour effect. There are already results available from preclinical trials to support this hypothesis and we now want to determine as soon as possible if this works as well in cancer patients as in animal models. A positive outcome from the planned study would give us a good chance of signing income-generating agreements with larger pharmaceutical companies for continued clinical development, and in the longer term increase the possibility of prolonging the survival of this patient group.

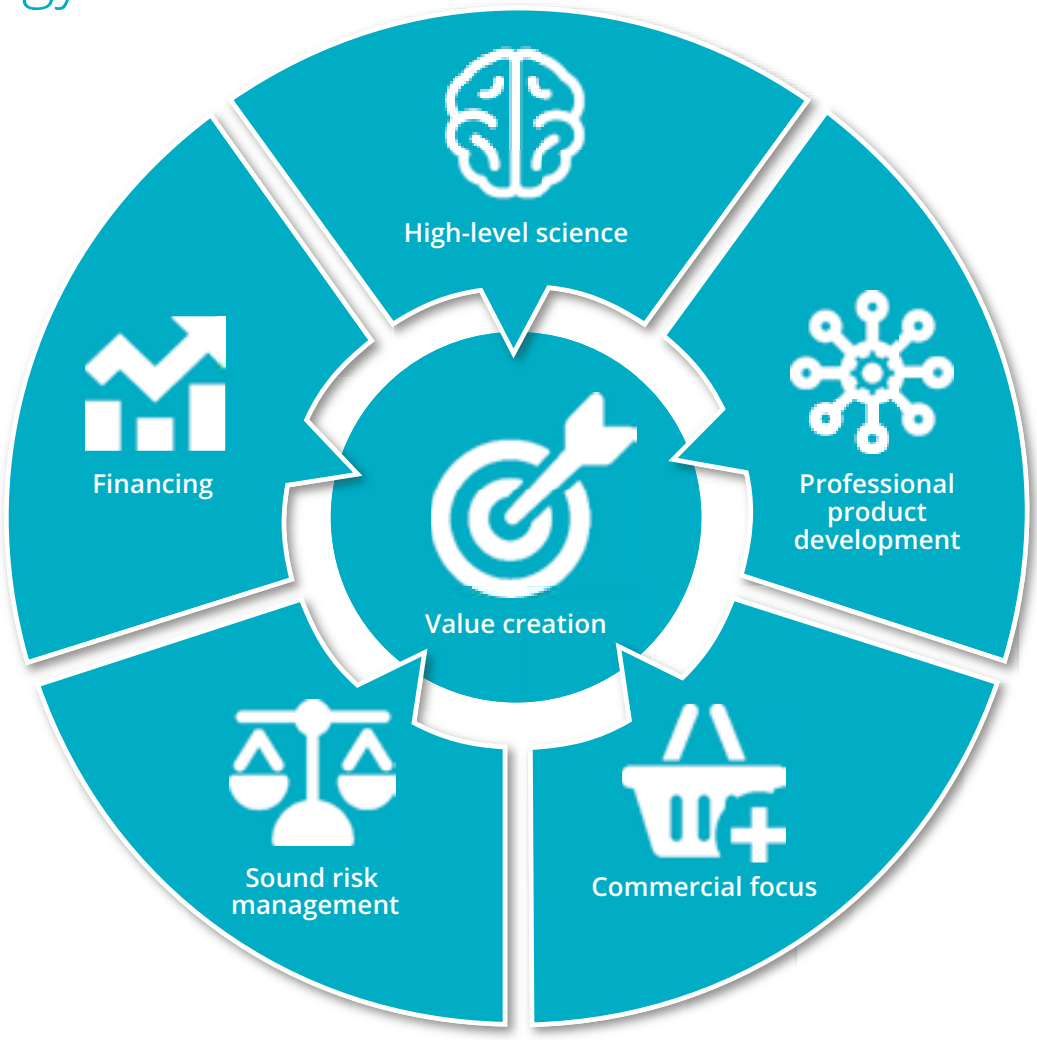
**How far have you come in your preparations for the launch of the study, and when can we expect the first results?**
We expect to be able to start the study in the first half of 2018. The timing of the first results depends on what dose levels will be studied initially.

**What is the status of the ongoing clinical study that you initiated in 2016 in partnership with Cancer Research UK?**
Recruitment for the study is still ongoing. The initial safety and dose readouts from this study are expected in the first half of 2018

**What is your long-term ambition for the BI-1206 project?**
Provided that the results from the clinical studies are as expected, we believe there is a good possibility of quickly making the treatment available to patients who are currently in need of improved cancer treatment. A registration application may be made using the regulations for so-called breakthrough therapy. In addition we will evaluate the possibility of expanding development to include other forms of cancer where the FcgR2B receptor plays an important role in the development of resistance to current treatments and where it would be possible to combine BI-1206 with other antibody drugs. We are open to partnerships with larger pharmaceutical companies because that would increase the possibility of expanding and expediting development.

**Which projects are next in line to move into the clinical development phase?**
The level of activity is high in our preclinical research organisation and we have projects that have the potential to advance into the clinical phase. My colleagues and I are ready to start planning several clinical trial programmes so that BioInvent's scientific advances in immuno-oncology can be developed further as soon as possible into drugs with the potential to reduce the mortality in cancer diseases.

# Strategy




BioInvent's strategy is to leverage its expertise in immunology, cancer biology and antibody biology, to develop immuno-oncology drugs that significantly improve the treatment of cancer diseases and prolong cancer patients' lives. This is accomplished through collaborations with pharmaceutical companies, academic research groups, networks of clinical specialists and research foundations.

The goal is to create value for the Company's shareholders based on successful drug development and subsequent revenue streams from existing and future commercial partners.

Five focus areas are deemed essential to the Company's continued success – high-level science, professional product development, commercial focus, sound risk management and financing.

# BioInvent's five focus areas

### High-level science

In 2017 BioInvent established a Scientific Advisory Board consisting of five world-leading experts in the antibody area and cancer immunobiology. The main task of the Scientific Advisory Board, which is chaired by Professor Martin Glennie of the University of Southampton, is to provide BioInvent with valuable input during the development of antibody treatments for various cancer diseases.

The Scientific Advisory Board is one of several tools used by BioInvent in its scientific work. The Company has also built up extensive internal knowledge of the biological aspects of developing antibody-based drug candidates. Additionally, BioInvent works in partnership with leading external researchers, notably Professor Martin Glennie, Chairman of the Scientific Advisory Board, and Professor Mark Cragg, also from the University of Southampton. Their research team is a global leader in the field of antibodies and cancer.

The combination of the knowledge and experience, both within the Company and of BioInvent's external partners, increases the value of the Company's n-CoDeR® and F.I.R.S.T.™ technology platforms. A clear indication of the high-level science of BioInvent's research and drug development is the publication of articles on its research in scientific journals, such as Cancer Cell.

### Professional product development

BioInvent has a team with years of experience of preclinical and clinical drug development. The Company also collaborates with other pharmaceutical companies that can provide valuable support in these processes. The collaboration with Pfizer regarding development of antibodies against tumour-associated myeloid cells is the most obvious example of this. In addition, BioInvent uses its good relations with leading clinical opinion leaders to develop clinical development plans and to build external interest for its projects.

Drug regulatory authorities and clinicians generally find it easier to accept side effects of drugs that provide patients with life-threatening illnesses the opportunity for better treatment. Consequently the risk of regulatory setbacks is lower in the field of oncology than in the development of therapies that are not potentially life-saving. In addition, regulatory authorities are currently working intensively to encourage and simplify the development of drugs to treat serious, life-threatening diseases with inadequate treatment options. As a result, the development path for many of the indications that BioInvent's drug projects target may be significantly shorter than the path for a traditional development programme.

BioInvent's own production facility gives BioInvent the capacity to independently produce antibodies for preclinical studies and clinical trials, which leads to great advantages in the early phase of clinical development.

## Commercial focus

Demand from global pharmaceutical companies for promising immuno-oncology projects is high, and many large commercial partnerships worth tens of billions of SEK combined have been announced in recent years. BioInvent's strategy is to enter into agreements with global pharmaceutical companies to generate significant revenue flows and to ensure an effective continued development and commercialisation of the Company's projects. The optimal time to sign such agreements varies between different projects and depends on, for example, resource requirements, risk level and commercial potential. In some cases it may be attractive to enter into a partnership as early as the preclinical phase, while in other cases it may be more profitable to invest in proprietary clinical trials.

BioInvent's decisions on investing in new projects, as well as follow-up investments in ongoing projects, are always preceded by structured analysis of the commercial potential. The medical need for new treatment, the project's level of invention, patentability, the competition situation and anticipated total development costs are examples of parameters that are evaluated in such an analysis.

Business acumen is needed in order to create financial value based on ground-breaking scientific innovations. The Board of Directors and management have extensive experience of negotiations and business transactions with global companies, but also engage external expertise as needed. The Company has a structured approach to marketing its projects and management spends a significant portion of its time on contacts with prospective partners and licensees around the world.

For projects in certain indications the Company has the ability to apply for so-called orphan drug designation, which has advantages in the form of streamlined approval processes and strong exclusivity protection.

## Sound risk management

Investments in companies that work with drug development can be extremely profitable, but setbacks in projects are not uncommon and in the worst of cases they can jeopardise the survival of such companies. Consequently BioInvent attaches great importance to preparing for the risks to which a company of this type is inevitably exposed.

BioInvent focuses on the development of antibodies for the treatment of cancer. Antibodies generally have a lower development risk than small molecule drug candidates and in this area the Company can leverage the extensive body of knowledge it has accumulated with respect to immunology, cancer biology and antibody biology.

BioInvent uses biological material from relevant cancer patients throughout the drug development process. This makes it possible to recreate disease biology in the laboratory environment already in the early development phase and to get indications of the effect of various substances. This approach increases the potential for developing competitive drug candidates and reduces the risk of failure in clinical phase.

Another way to manage development risks is to share them with a partner, as in the cooperation with Pfizer, Transgene and Oncurious, resulting in lower investments for BioInvent than if the projects had been run in-house.

## Financing

Financial stability is necessary in order to run drug projects up to the time deemed optimal to enter into income-generating partnership agreements. BioInvent's strategy is to enter into such agreements when it is considered suitable for its projects. In 2017 the Company received research funding from Pfizer under the collaboration agreement signed in December 2016. This agreement has the potential to generate significant future revenue in the form of milestone payments and royalties.

There is also potential for further revenue from contract manufacturing of antibodies at the Company's own GMP-certified production facility and from n-CoDeR® library licensees.

BioInvent has been able to limit its share of costs for drug development in the clinical phase through financial and operational support from well-respected research foundations. One example of this is collaboration with Cancer Research UK, Cancer Research Technology and Leukaemia & Lymphoma Research regarding the Company's BI-1206 antibody.

Additionally, good cost control and efficient use of internal resources are integral to BioInvent's working methods.

"Immuno-oncology drugs constitute one of the biggest medical breakthroughs of the 21st century"

# Immuno-oncology is the fastest growing segment in the pharmaceutical market

The body's immune system detects and destroys bacteria and viruses that would otherwise harm our organs and tissue. However, the immune system also has the potential to protect us from – and fight – cancer. Unfortunately, many tumour cells have the ability to manipulate important cells in our immune system allowing the tumour cells to continue to multiply unobstructed. The new immuno-oncology drugs act by activating important cells in the immune system so that they attack the tumour.

Immuno-oncology drugs constitute one of the main medical breakthroughs of the 21st century, and the first new treatments have already dramatically increased the possibility of people being cured and surviving, although so far only in limited patient groups. The market is expected to expand significantly as more products in this category are approved. According to Cowen Therapeutic Categories Outlook 2017, the total sales will exceed USD 40 billion as early as 2020. In recent years global pharmaceutical companies have been entering into multiple collaboration agreements for immuno-oncology drug candidates for a total contract value in the tens of billions of SEK per project.

BioInvent is developing new and potentially more efficient immuno-oncology treatments based on unique technology platforms and on its advanced understanding of the biological and immunological aspects of cancer treatment. The Company has access to biological material from cancer patients and advanced animal models, making it possible to identify both relevant target structures and drug candicates to match these structures for treatment of various cancer diseases.

### n-CoDeR® – antibody library

BioInvent's antibody library contains more than 30 billion human antibody genes stored within bacteria in test tubes. The bacteria act as production units for various antibodies, making it possible to search the library to identify precisely those antibodies that bind to a specific target protein. The n-CoDeR® library is searched using an established technology called phage display. To identify an optimal antibody, BioInvent uses automated processes in which robots carry out the analyses on a large scale. The n-CoDeR® library consists of naturally occurring human antibody genes. Every component comes from nature, but the combinations are largely new, making it possible to build an antibody repertoire that is greater than nature's own variability. BioInvent therefore calls this "Evolution Beyond Nature."

### F.I.R.S.T.™ – a tool for effective drug development

BioInvent has developed a patented screening tool called F.I.R.S.T.™, which is an important technical tool for internal drug development as well as for external development partners. The platform facilitates the development of new antibody therapies, as new drug candidates can be produced without detailed knowledge of the antibodies' target proteins. This unique method has the advantage of simultaneously identifying disease-associated targets and antibodies that bind to them. The method makes it possible to simultaneously investigate antibody binding to both diseased and healthy tissue in order to select those antibodies and target structures that are unique for diseased tissue in terms of binding and expression. Through functional, high-capacity screening, antibodies are then selected based on their ability to, for example, induce cell death of primary cancer cells or improve the immune system's capacity to eliminate tumour cells.

# Project overview

BioInvent has a broad portfolio of innovative projects with the potential to provide cancer patients with new immuno-oncology drugs. A clinical phase I/II study is under way with the antibody BI-1206 in patients with haematological cancer diseases, and a new study is expected to be launched in the first half of 2018. New antibodies against tumour-associated myeloid cells (TAMs) are being developed in cooperation with Pfizer, and an internal project is under way to identify antibodies against regulatory T-cells (Tregs). In 2017 a research project was started in cooperation with Transgene to develop new ways to treat solid tumours based on oncolytic virus candidates and antibodies against CTLA-4. There is also a clinical study under way with the TB-403 drug candidate; a project co-owned with the biotech company Oncurious and aimed at improving treatment options for children with a rare form of brain tumour.

# BI-1206 (B-cell cancer)

The BI-1206 antibody targets CD32b (FcgR2B) – a protein found on tumour cells in patients with certain types of B-cell cancer. Preclinical and retrospective clinical data indicate that this protein is involved in the development of resistance to the drug rituximab, the current standard of care for non-Hodgkin lymphoma (NHL) and chronic lymphocytic leukaemia (CLL). BI-1206 is believed to have an interesting mechanism of action with potential for use in the treatment of both of these diseases.

## Non-Hodgkin lymphoma

Non-Hodgkin lymphoma (NHL) is an umbrella term for a group of cancers that develop in the body's lymphatic system. Examples of sub-indications are patients with Mantle Cell Lymphoma (MCL), Follicular Lymphoma (FL) and Marginal Zone Lymphoma (MZL). Examples of sub-indications are patients with Mantle Cell Lymphoma, Follicular Lymphoma, and Marginal Zone Lymphoma. Aggressive lymphomas are usually treated with combinations of various chemotherapeutic agents and monoclonal anti-bodies such as rituximab (Rituxan®, Mabthera®, Roche). Low-grade lymphomas have a better prognosis and treatment is often only initiated once a patient has disease symptoms.

## Chronic lymphocytic leukaemia

Chronic lymphocytic leukaemia (CLL) is an incurable lymphoma disease that normally affects older people. The course of the disease is often slow and patients are usually treated with chemotherapy, often combined with monoclonal antibodies.

### BI-1206

| | |
|---|---|
| **Indications** | Non-Hodgkin lymphoma (NHL) and chronic lymphocytic leukaemia (CLL). |
| **Target** | BI-1206 targets B-cell tumours via the immunosuppressive protein CD32b (FcgR2B). This may induce killing of the tumour cells and also enhance the therapeutic effect of other antibody-based drugs such as rituximab. |
| **Preclinical and clinical data** | Data from clinically relevant animal models showing that BI-1206 has an anti-tumour effect and the potential to overcome resistance to rituximab therapy has been published in the scientific journal Cancer Cell. Combined treatment with BI-1206 and rituximab has shown significantly enhanced anti-tumour effects in clinically relevant animal models using tumour cells from patients with CLL and NHL, compared with monotherapy with rituximab. Moreover, BI-1206 has demonstrated the ability to kill lymphoma cells in pre-clinical models using tumour cells taken directly from patients. |
| **Status** | A clinical Phase I/II study was initiated at the end of 2016. The plan is to treat up to 80 patients with CLL or NHL with BI-1206, either as monotherapy or in combination with rituximab. The initial safety and dose readouts from this study are expected in the first half of 2018. In parallel pre-clinical evaluations of the relevance of CD32b in different subpopulations of NHL are continuing.<br>In September 2017 BioInvent announced its plans to expand the therapeutic potential of BI-1206 with an additional Phase I/IIa clinical study in combination with rituximab. The study is planned to include approximately twenty patients with indolent B-cell non-Hodgkin lymphoma (NHL) that is relapsed or refractory to rituximab. The targeted sub-indications are patients with mantle cell lymphoma, follicular lymphoma, and marginal zone lymphoma. The trial is planned to start in H1 2018. |
| **Patent protection** | Patent projection for the use of antibodies against CD32b, such as BI-1206 in combination with other antibodies, such as rituximab, in the treatment of cancer or inflammatory diseases in certain patient groups has been applied for in nine large markets, including the USA. So far patents have been granted by the European Patent Office as well as in Japan and Australia. Patent protection has also been sought in eight large markets for the treatment of cancer patients who are no longer responding to previous antibody therapy. |
| **Partner** | The ongoing phase I/II study is funded by and conducted in collaboration with Cancer Research UK, Cancer Research Technology (CRT) and Leukaemia & Lymphoma Research (LLR). |
| **Market potential** | In Europe and North America around 150,000 people are diagnosed with NHL and around 35,000 people are diagnosed with CLL each year. A series of studies have shown that half of the cancer patients who responded to an initial rituximab treatment proved to be resistant to the drug after relapse. This underscores the significant medical need for improved treatment with the potential to break the resistance. Combination therapy has the potential to significantly improve treatment. BI-1206 also has the potential to be used as monotherapy. |

## TB-403 (medulloblastoma)

TB-403 is an antibody that targets the protein PlGF, which is believed to be involved in the development of a variety of rare but life-threatening tumours that mainly affect children and adolescents. Medulloblastoma is a malignant tumour that starts in the cerebellum and almost exclusively affects children. The treatment usually involves surgical removal of the tumour without prior chemo-therapy. Up to 75 percent of patients are cured by these treatments, but normal cells important for cognition and memory are also affected. Consequently, the children who survive often suffer lifelong neurological side effects. Preclinical trials indicate that TB-403 has the potential to be developed into a drug that can improve treatment results in patients with medulloblastoma. BioInvent is currently conducting a phase I/II study in cooperation with a network of clinical specialists in the USA. TB-403 is co-owned with Oncurious, a subsidiary of ThromboGenics. In July 2017 BioInvent increased its ownership of TB-403 from 40 to 50 percent after negotiating the multi-year agreement signed in 2004. BioInvent will still pay 50 percent of the development costs.

## THR-317 (diabetic macular edema)

The THR-317 drug candidate, which is based on the same antibody as TB-403, is being developed by the Belgian biotech company ThromboGenics as a potential new treatment for diabetic macular edema. BioInvent has the right to 5 percent of the project's economic value. A phase II study was launched in January 2017 and ThromboGenics have indicated that they will receive initial results by end of Q1 2018.

Macular edema is a condition characterised by fluid retention and swelling of the macula, which can result in significant vision loss. About 30 percent of patients who suffer from diabetes for over 20 years are at risk of macular edema. Current treatment options include laser therapy, steroids, anti-VEGF (vascular endothelial growth factor), or a combination of these.

**TB-403**

| | |
|---|---|
| **Indications** | Medulloblastoma (tumour of the cerebellum). |
| **Target** | TB-403 is a monoclonal antibody that targets the PlGF protein and its signalling via the Nrp-1 (neuropilin-1) receptor. PlGF is expressed in medulloblastoma, neuroblastoma, Ewing's sarcoma, and alveolar rhabdomyosarcoma. |
| **Preclinical and clinical data** | Preclinical studies indicate that TB-403 has the potential to be developed into a drug to improve treatment results in patients with medulloblastoma. Doses up to 35 mg/kg have been administered in clinical trials in around 70 adult cancer patients, without any safety issues. The decision to initiate the current clinical study and further preclinical evaluation is based on new findings about the antibody, as described in an article in the scientific journal Cell. |
| **Status** | A phase I/II trial is underway in the US, in collaboration with Beat Childhood Cancer (BCC). The study is progressing according to plan and the third dose level is currently ongoing. TB-403 has received orphan drug designation in the EU for the indication medulloblastoma. |
| **Patent protection** | Patents for TB-403 and similar antibodies have been granted in Europe, the US, Japan and several other countries, and patent applications are pending in additional countries. Further patents covering the use of antibodies against PlGF – such as to treat or prevent cancer – have also been granted, including in the US. |
| **Partner** | BioInvent's partner is the Belgian biotech company Oncurious BV. BioInvent is paying half of the development costs and is entitled to 50 percent of all future revenue from the project. |
| **Market potential** | Medulloblastoma, neuroblastoma, Ewing's sarcoma and alveolar rhabdomyosarcoma are rare diseases and are diagnosed in a total of about 20 individuals per million of the population per year. The need for improved therapy is significant. Assuming that there is positive data from the ongoing trial in medulloblastoma patients, trials may be expanded to patients with related tumour types expressing PlGF and its receptor neuropillin-1. |

# Preclinical projects

BioInvent's preclinical research is focused on developing novel immuno-modulatory antibodies for cancer therapy. Such antibodies have the potential to significantly improve efficacy of currently available checkpoint inhibitor therapies and/or activate anti-cancer immunity in currently non-responding patients and cancer types.

BioInvent is developing antibodies that are aimed to overcome the effects of two important cells that suppress the immune system in the tumour micro-environment. These are:

- cancer-associated regulatory T-cells (Tregs) and
- tumour-associated myeloid cells.

### Developing antibodies that act on regulatory T-cells (Tregs) via either novel or validated targets

Regulatory T-cells can substantially inhibit various immune responses, enabling tumour cells to escape detection. BioInvent is utilizing its F.I.R.S.T.™ technology platform to identify and characterise monoclonal antibodies to cancer-associated Treg targets in a function-first, target agnostic, manner. This means that the target is not identified until the desired functional activity has been verified. The Company is also pursuing differentiated antibodies to known targets through novel mechanisms and pathways.

### Strategic collaboration with Pfizer – developing antibodies that act on tumour-associated myeloid cells (TAMs)

In December 2016, BioInvent announced that it has entered into a cancer immunotherapy research collaboration and license agreement with Pfizer Inc. to develop antibodies against tumour-associated myeloid cells. BioInvent leverages its expertise to identify novel oncology targets and therapeutic antibodies that inhibit cancer growth either by reversing the immunosuppressive activity of tumour-associated myeloid cells or by reducing the number of tumour-associated myeloid cells in the tumour. The collaboration is progressing well – a pool of antibodies has been generated and will now be characterized for functional activity.

Under the terms of the agreement BioInvent could be eligible for potential future development milestones in excess of $0.5 billion (assuming five antibodies are developed through to commercialisation). The Company could also receive up to double digit royalties related to product sales. In return Pfizer will have the right to develop and commercialise any antibodies generated from this agreement.

BioInvent received an upfront payment of $3 million when the agreement was signed in December 2016, and $1 million in research funding has been received during 2017. Pfizer also made a $6 million equity investment in new shares of BioInvent when the agreement was signed.

### Partnership with Transgene for new treatments for solid tumours

At the end of 2017 BioInvent and the French biotech company Transgene initiated a partnership to develop new treatments for solid tumours. The joint project is based on a combination of BioInvent's checkpoint inhibitors against the CTLA-4 target and Transgene's next generation oncolytic virus candidates. The concept can be compared to a Trojan horse – the antibody is delivered into the tumour with the help of the oncolytic virus. Results from preclinical studies indicate that this could enhance the immuno-modulatory effect of the antibody in tumours while also improving the side-effect profile.

Research and development costs, as well as revenue and royalties from drug candidates generated by the collaboration, will be shared equally.

# Manufacturing and technology revenues

BioInvent's GMP-certified production facility for antibodies has been producing drug substance for more than 25 years for clinical trials in Europe, USA, Japan and Australia. The Company has several income-generating agreements on antibody production with pharmaceutical and biotech companies. BioInvent's production facility is since 2016 equipped with a Single-Use Bioreactor (SUB), which makes the Company even more attractive as a contract manufacturer.

The Company has also several licensing agreements and, in some cases, research collaborations with several external partners including Bayer Pharma, Daiichi Sankyo, Mitsubishi Tanabe Pharma and Xoma. The structure and terms of these agreements and partnerships vary, where BioInvent receives e.g. licence fees, research financing, milestone payments and royalties on the sale of commercial products that have been developed using BioInvent's proprietary technology platforms. Of these external drug development programmes, five projects are currently in Phase I and one is in the preclinical phase.



# Market overview

## The market for antibodies

BioInvent develops immuno-oncological antibody drugs. The Company's projects that have advanced the farthest are aimed at haematological cancer. The immune system uses antibodies to identify and fight foreign substances, and the immuno-oncological approach is based on the development of antibodies that can find and destroy tumour cells.

## Market trends

The antibody-based drug segment is one of the fastest growing segments in the global pharmaceutical market. Although immuno-oncology therapies still only make up a fraction of the total oncology market, antibodies are a key element in this new approach. The average growth for this market in the USA in the period 2012–2022 is estimated to be 43 percent.[1]

Three of the top-selling antibody-based cancer drugs are Rituxan®/Mabthera® (rituximab, Roche), Herceptin® (rastuzumab, Roche) and Avastin® (bevacizumab, Roche). The combined sales of these products amounted to around USD 22 billion in 2017.[2]

Over the next five years the patent protection for several of the best-selling drugs will expire and, the same time, new treatments – including immunotherapies – are expected to reach the market. Opdivo® (nivolumab, BMS), is an antibody that was originally approved in 2014. Nivolumab blocks down-regulation of T-cell activation, which enables the immune system to attack the tumour. Sale in 2016 amounted to SEK 2.8 billion.[3] Perjeta® (pertuzumab, Roche) is an antibody that was approved in the USA in 2012 and in the EU in 2013 for the treatment of certain types of breast cancer in combination with Herceptin. Sales had already reached more than USD 2 billion in 2017.[2] Besponsa™ (inotuzumab ozogamicin, Pfizer) is an antibody conjugate approved by the FDA in 2017 for the treatment of patients with acute lymphatic leukaemia who are experiencing relapse or are not responding to other therapies.[4] The market prognosis from analysis company Datamonitor for 2020 is presented in the table above.

There are several factors that explain the strong market growth for antibody-based drugs and their use in immuno-oncology. Antibodies are the body's natural defence molecules. They are extremely selective and very well-tolerated in their natural form; they exert a clear, specific effect and they are well-integrated into the immune system, which can modulate their therapeutic effect.

**Expected sales 2020 (USD billion).**

| | |
|---|---|
| Revlimid® | 10.8 |
| Avastin® | 5.6 |
| Opdivo® | 5.4 |
| Ibrance® | 4.3 |
| Imbruvica® | 4.1 |
| Herceptin® | 3.8 |

These types of biopharmaceuticals are more complex than small molecule drugs, which makes them difficult to copy. Expired patents for the most-used monoclonal products have still paved the way for the development of so-called biosimilars, equivalent to generic versions of traditional drugs. This is expected to lead to price pressure for the original drug. In March 2015 the FDA approved the first biosimilar in the USA, Zarxio® – a biosimilar to Neupogen® – for the treatment of various forms of cancer.

## Competitors

BioInvent's competitors are global pharmaceutical companies as well as smaller biotech companies that are developing antibody-based drugs. There are numerous biotech companies developing immuno-oncology cancer therapies, including BMS, Merck, Genentech/Roche, Pfizer and Amgen.

## The market for non-Hodgkin lymphoma and chronic lymphocytic leukaemia

BioInvent's BI-1206 drug candidate is being developed to overcome rituximab resistance in treatment of haematological cancer, primarily non-Hodgkin lymphoma and chronic lymphocytic leukaemia. The Company believes there is great market potential for treatment with BI-1206 combined with this antibody.[5] Sales of rituximab (Rituxan®/Mabthera®) amounted to USD 7.8 billion in 2017, mainly for use in the treatment of haematological cancer.[2] Sales of drugs for non-Hodgkin lymphoma in the eight largest markets (Canada, France, Germany, Japan, Spain, UK and USA) are expected to reach USD 9.2 billion in 2020.[5]

1) Defined Health. Immuno-Oncology Seminar Jun 2017.
2) Company Reports 2017, Roche.
3) Company Reports 2017, BMS.
4) Company Reports 2017, Pfizer.
5) GBI Research. National Cancer Institute, October 2014.

## Two questions for Björn Frendéus, Chief Scientific Officer and acting CEO

# World leading authorities are members of BioInvent's Scientific Advisory Board and prospects for 2018

Professor Björn Frendéus has been responsible for BioInvent's preclinical research for many years. At the beginning of 2018 he was also named acting CEO. He will stay on in this role until a new CEO takes over as the permanent successor to Michael Oredsson.

**What is the background to the Scientific Advisory Body being formed in 2017?**

By gathering a broad range of expertise in the antibody area and cancer immunobiology, we will increase our knowledge base to facilitate the process of prioritising different projects, making decisions on launching new development projects and designing our clinical trials. We are very proud that we were able to attract so many world-leading researchers in immuno-oncology – all with extensive networks in both the research community and the global pharmaceutical industry. I regard this as clear proof that BioInvent has reached a prominent position in immuno-oncology drug development. The meetings held in 2017 have already generated valuable advice on the future research and development of our drug projects.

**What are BioInvent's prospects for a successful 2018?**

It is impossible to provide reliable forecasts on how individual drug projects will progress. It is in the nature of research that study results are hard to predict; that is precisely why we need to conduct preclinical and clinical studies. But we have a broad preclinical portfolio with the potential to deliver new human antibody candidates, we have two comprehensive partnership projects with Pfizer and Transgene and last but not least, clinical studies are in progress with our BI-1206 and TB-403 drug candidates. During the first half of 2018 we expect to also be able to expand the BI-1206 development programme, and we believe that this will speed up the process of taking BI-1206 further towards market registration. The new study will also give BioInvent an opportunity to more rapidly investigate safety, therapeutic dose for BI-1206 and efficacy of the combination treatment.

"We are very proud that we were able to attract so many world-leading researchers in immuno-oncology to serve on our Scientific Advisory Board"

## BioInvent's Scientific Advisory Board

**Martin Glennie,** Professor in immunochemistry at the University of Southampton. World-leading scientist in antibody biology. Dr. Glennie's group has pioneered characterisation of molecular mechanisms underlying therapeutic activity of clinically validated antibodies, forming the basis for development of new generations of antibody drugs.

**Falk Nimmerjahn,** Professor in experimental immunology and immune therapy at the Friedrich-Alexander University Erlangen-Nürnberg. Leading scientist within Fc:FcgR biology and its impact on the therapeutic efficacy and tolerability of antibodies.

**Rienk Offringa,** Professor at the German Cancer Research Center. Head of a European consortium engaged in immune stimulating anti-cancer antibodies. Formerly Principal Scientist at Genentech.

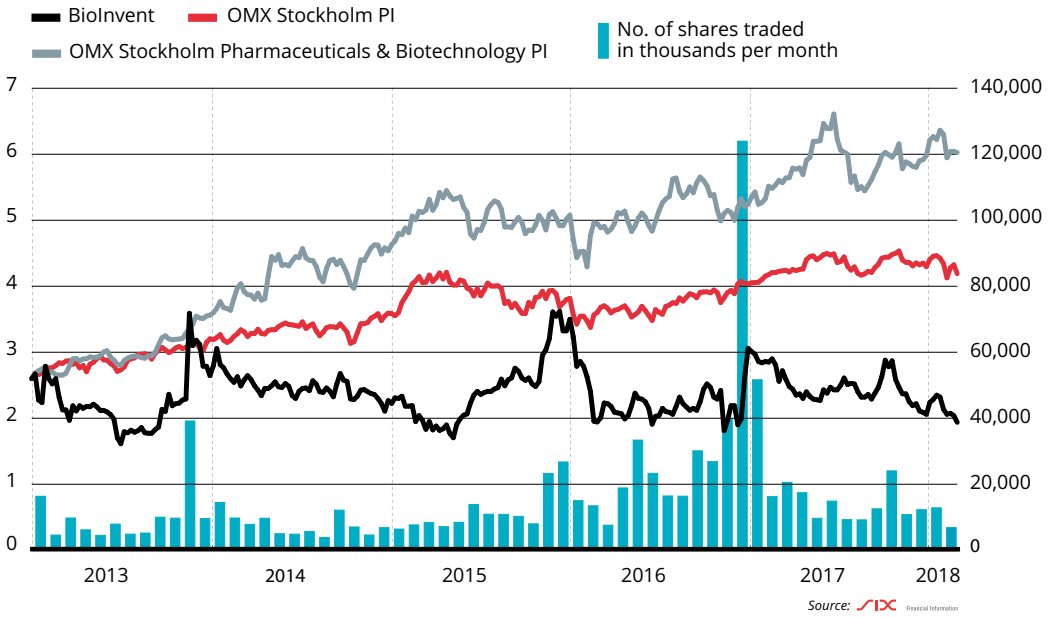
**Tony Tolcher,** former Director of Clinical Research at South Texas Accelerated Research Therapeutics (START) and now active in the company NEXT Oncology. Dr. Tolcher specialises in early phase clinical testing of exploratory anti-cancer drugs.

**Alexander Rudensky,** Chair of the Immunology Program at Sloan Kettering Institute. Dr. Rudensky is a world-leading scientist within the area of regulatory T-cells, specialised in CD4-T cell regulation and homeostasis, and its role in autoimmunity and cancer.

The main task of the Scientific Advisory Board, chaired by Professor Martin Glennie, University of Southampton, is to provide BioInvent with valuable input in its effort to develop new antibody treatments for various forms of cancer diseases.

BioInvent's Chief Scientific Officer, Professor Björn Frendéus, has been appointed Secretary of the Scientific Advisory Board, which held its first meeting in London in May 2017.

# The BioInvent share




## Price trend and trading volume

In 2017, the share price decreased 33 percent, from SEK 3.07 to SEK 2.07. During 2017 the OMX Stockholm_PI increased 6 percent and OMX Stockholm Pharmaceuticals & Biotechnology_PI increased 14 percent. The highest price paid in 2017 was SEK 3.18 and the lowest price was SEK 2.03. BioInvent's market capitalization totalled SEK 631 million at the end of 2017.

During the year 203 million (357) BioInvent shares were traded for a value of SEK 532 million (887). This corresponds to a rate of turnover of 69 percent (152).

Average trading volume per trading day was 807,431 (1,410,211) shares for a value of SEK 2.1 million (3.5). Average number of trades per trading day were 221 (267).

## Largest shareholders, 31 December 2017

| | No. of shares | Percentage of capital and votes |
|---|---|---|
| Van Herk Investments B.V. | 26,491,272 | 8.7 |
| Omega Fund IV, LP | 25,754,622 | 8.5 |
| Avanza Pension Försäkring | 23,639,009 | 7.8 |
| Pfizer | 21,973,594 | 7.2 |
| Nordnet Pensionsförsäkring | 12,929,882 | 4.2 |
| East Bay AB | 9,400,000 | 3.1 |
| SEB London | 9,339,239 | 3.1 |
| Peter Hoglin | 7,656,000 | 2.5 |
| Mexor i Skellefteå AB | 7,201,879 | 2.4 |
| Staffan Rasjö | 6,340,145 | 2.1 |
| Other shareholders | 153,969,571 | 50.5 |
| **Total** | **304,695,213** | **100.0** |

## Ownership structure

In 2017, the number of shareholders decreased 13 percent, from 9,638 to 8,393. Foreign owners held 36 percent (32) of the share capital and votes. The ten largest shareholders owned 49 percent (48) of the shares.

## Share capital

The BioInvent share has been listed on NASDAQ Stockholm (BINV) since 2001. The Company's share capital consists of 304,695,213 shares.

If fully exercised, Subscription Warrants Programme 2016/2019 will represent a dilution equivalent to around 0.3 percent of the shares in the Company, Board Share Program 2017 will represent a dilution equivalent to around 0.3 percent of the shares in the Company and Option Programme 2017/2020 will represent a dilution equivalent to around 2.3 percent of the shares in the Company. The Company's option programmes are described on page 47.

There is only one class of stock. Each share carries one vote at the Annual General Meeting and all shares carry equal right to a share in the assets and profits of the Company. The regulations in the Company's Articles of Association contain no restrictions on the transfer of shares.

## Dividend and dividend policy

The Board of Directors do not recommend payment of any dividend for the 2017 financial year. The Company will continue to focus on research and development of new products. Available financial resources will be used to finance these projects. The Board of Directors therefore do not recommend that any dividend be paid for the next few years.

## Distribution of financial reports

Annual reports will be sent to shareholders upon request and may be ordered at the address BioInvent international AB, 223 70 Lund, or by fax +46 (0)46-211 08 06, or telephone +46 (0)46-286 85 50, or by e-mail info@bioinvent.com. The annual report is published in Swedish and English.

## Analysts covering BioInvent

Klas Palin, Redeye, Stockholm.
Sam Slutsky, Life Sci Capital, New York.

## Upcoming financial information

Interim reports: 24 April, 24 July, 24 October 2018.

## Share statistics, 31 December 2017

| Size of holdings | No. of shareholders | No. of shareholders % | No. of shares in % |
|---|---|---|---|
| 1–500 | 2,511 | 29.9 % | 0.2 % |
| 501–1 000 | 1,035 | 12.3 % | 0.3 % |
| 1 001–5 000 | 2,387 | 28.4 % | 2.1 % |
| 5 001–10 000 | 881 | 10.5 % | 2.3 % |
| 10 001–20 000 | 571 | 6.8 % | 2.8 % |
| 20 001–50 000 | 529 | 6.3 % | 5.7 % |
| 50 001–100 000 | 220 | 2.6 % | 5.3 % |
| 100 001–500 000 | 200 | 2.4 % | 13.5 % |
| 500 001–1 000 000 | 34 | 0.4 % | 7.6 % |
| 1 000 001–5 000 000 | 15 | 0.2 % | 10.8 % |
| 5 000 001–10 000 000 | 5 | 0.1 % | 13.1 % |
| 10 000 001–50 000 000 | 5 | 0.1 % | 36.4 % |
| **Summa** | **8,393** | **100.0 %** | **100.0 %** |

## Changes in the share capital

| Year | Transaction | Increase in share capital, SEK | Increase in no. of shares | Share capital, SEK | Share capital, no. of shares | Ratio value |
|---|---|---|---|---|---|---|
| 1996 | BioInvent International AB was founded[1] | | | 100,000 | 10,000 | 10.00 |
| 1997 | New share issue | 7,140 | 714 | 107,140 | 10,714 | 10.00 |
| 1997 | Bonus issue | 857,120 | 85,712 | 964,260 | 96,426 | 10.00 |
| 1998 | Share split 1:10 | | 867,834 | 964,260 | 964,260 | 1.00 |
| 1998 | New share issue[2] | 181,000 | 181,000 | 1,145,260 | 1,145,260 | 1.00 |
| 1999 | New share issue[3] | 108,527 | 108,527 | 1,253,787 | 1,253,787 | 1.00 |
| 2000 | New share issue[4] | 250,000 | 250,000 | 1,503,787 | 1,503,787 | 1.00 |
| 2000 | Warrants exercised | 11,013 | 11,013 | 1,514,800 | 1,514,800 | 1.00 |
| 2001 | Bonus issue | 9,846,200 | | 11,361,000 | 1,514,800 | 7.50 |
| 2001 | Share split 1:15 | | 21,207,200 | 11,361,000 | 22,722,000 | 0.50 |
| 2001 | Warrants exercised | 461,152.5 | 922,305 | 11,822,152.5 | 23,644,305 | 0.50 |
| 2001 | New share issue[5] | 2,250,000 | 4,500,000 | 14,072,152.5 | 28,144,305 | 0.50 |
| 2002 | New share issue[6] | 665,625.5 | 1,331,251 | 14,737,778 | 29,475,556 | 0.50 |
| 2005 | New share issue[7] | 8,842,666.5 | 17,685,333 | 23,580,444.5 | 47,160,889 | 0.50 |
| 2007 | New share issue[8] | 4,250,000 | 8,500,000 | 27,830,444.5 | 55,660,889 | 0.50 |
| 2010 | New share issue[9] | 2,717,400 | 5,434,800 | 30,547,844.5 | 61,095,689 | 0.50 |
| 2011 | New share issue[10] | 3,054,784 | 6,109,568 | 33,602,628.5 | 67,205,257 | 0.50 |
| 2012 | New share issue[11] | 3,360,263 | 6,720,525 | 36,962,891 | 73,925,782 | 0.50 |
| 2013 | Reduction of the share capital | -31,048,828 | | 5,914,063 | 73,925,782 | 0.08 |
| 2013 | New share issue[12] | 887,109 | 11,088,867 | 6,801,172 | 85,014,649 | 0.08 |
| 2014 | New share issue[13] | 2,222,032 | 27,775,401 | 9,023,204 | 112,790,050 | 0.08 |
| 2015 | New share issue[14] | 4,010,313 | 50,128,911 | 13,033,517 | 162,918,961 | 0.08 |
| 2016 | New share issue[15] | 9,584,213 | 119,802,658 | 22,617,730 | 282,721,619 | 0.08 |
| 2016 | New share issue[16] | 1,757,888 | 21,973,594 | 24,375,617 | 304,695,213 | 0.08 |

[1] BioInvent International AB was established by its managers, Stiftelsen Industrifonden, Pronova a.s. and Aragon Fondkommission.
[2] In November 1998 the Company issued 181,000 new shares aimed at institutional investors. The issue price was SEK 125 and SEK 22.6 million was raised after deductions of issue costs.
[3] In November 1999 the Company issued 108,527 new shares aimed at institutional investors. The issue price was SEK 175 and SEK 18.7 million was raised after deductions of issue costs.
[4] In March 2000, the Company issued 250,000 shares aimed at institutional investors. The issue price was SEK 720 and SEK 169.0 million was raised after deductions of issue costs.
[5] New share issue in connection with the listing. The issue price was SEK 62 and SEK 261.6 million was raised after deductions of issue costs.
[6] In March 2002, the Company carried out a directed issue of 1,331,251 new shares for Oxford GlycoSciences. The issue price was SEK 39 and this raised SEK 52.0 million. There were no issue costs.
[7] In November 2005 the Company carried out a new share issue. The issue price was SEK 9 and SEK 146.2 million was raised after deductions of issue costs.
[8] In July 2007 the Company carried out a directed issue. The issue price was SEK 14.75 and SEK 120.0 million was raised after deductions of issue costs.
[9] In February 2010 the Company carried out a directed issue. The issue price was SEK 27.60 and SEK 144.4 million was raised after deductions of issue costs.
[10] In June 2011 the Company carried out a directed issue. The issue price was SEK 22.30 and SEK 128.3 million was raised after deductions of issue costs.
[11] In April 2012 the Company carried out a rights issue. The issue price was SEK 15.60 and SEK 96.5 million was raised after deductions of issue costs.
[12] In August 2013 the Company carried out a rights issue. The issue price was SEK 2.10 and SEK 19,4 million was raised after deductions of issue costs.
[13] In April 2014 the Company carried out a rights issue and a directed issue. The issue price was SEK 2.30 and SEK 57.3 million was raised after deductions of issue costs.
[14] In May 2015 the Company carried out a rights issue and a directed issue. The issue price was SEK 1.55 and SEK 67.6 million was raised after deductions of issue costs.
[15] In April 2016 the Company carried out a rights issue and a directed issue. The issue price was SEK 1.95 and SEK 209.5 million was raised after deductions of issue costs.
[16] In December 2016 the Company carried out a directed issue. The issue price was SEK 2.56 and SEK 53.4 million was raised after deductions of issue costs.

# Five-year review

| INCOME STATEMENT, SEK MILLION | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Net sales | 45.0 | 71.3 | 15.9 | 46.9 | 81.7 |
| | | | | | |
| Research and development costs | -109.7 | -99.5 | -80.5 | -73.4 | -71.2 |
| Sales and administrative costs | -39.3 | -35.7 | -31.6 | -31.9 | -30.2 |
| Other operating revenues and costs | 3.3 | 1.0 | 1.3 | 3.4 | 0.5 |
| | -145.6 | -134.1 | -110.9 | -101.9 | -100.9 |
| | | | | | |
| **Operating profit/loss** | **-100.6** | **-62.9** | **-95.0** | **-54.9** | **-19.2** |
| Net financial items | 0.1 | 0.3 | -0.1 | 0.9 | 1.1 |
| **Profit/loss before tax** | **-100.5** | **-62.6** | **-95.0** | **-54.0** | **-18.0** |
| Tax | – | – | 4,3 | – | – |
| **Profit/loss for the year** | **-100.5** | **-62.6** | **-95.0** | **-54.0** | **-18.0** |

| BALANCE SHEET, SEK MILLION | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Intangible fixed assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tangible fixed assets | 19.2 | 5.6 | 1.3 | 2.3 | 3.9 |
| Financial fixed assets | – | – | – | 4,5 | – |
| Inventories | 2.4 | 1.9 | 0.5 | 0.1 | 0.2 |
| Current receivables | 14.7 | 42.6 | 12.7 | 21.6 | 12.6 |
| Liquid funds | 133.8 | 226.1 | 40.0 | 45.6 | 64.7 |
| **Total assets** | **170.0** | **276.3** | **54.4** | **74.1** | **81.4** |
| | | | | | |
| Shareholders' equity | 130.2 | 230.4 | 29.5 | 52.4 | 49.0 |
| Non-interest-bearing liabilities | 39.8 | 45.9 | 25.0 | 21.7 | 32.4 |
| Interest-bearing liabilities | – | – | – | – | – |
| **Total shareholders' equity and liabilities** | **170.0** | **276.3** | **54.4** | **74.1** | **81.4** |

| CASH FLOW, SEK MILLION | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Operating profit/loss | -100.6 | -62.9 | -95.0 | -54.9 | -19.2 |
| Adjustments for depreciation, interest and other items | 3.3 | 1.1 | 6.2 | 2.7 | 3.9 |
| Changes in working capital | 21.5 | -10.3 | 16.2 | -23.8 | -39.4 |
| **Cash flow from current operations** | **-75.9** | **-72.0** | **-72.6** | **-76.0** | **-54.7** |
| Cash flow from investment activities | -16.5 | -5.3 | -0.7 | -0.4 | 0.0 |
| **Cash flow from current operations and investment activities** | **-92.4** | **-77.4** | **-73.2** | **-76.4** | **-54.7** |
| Cash flow from financing activities | – | 263.5 | 67.6 | 57.3 | 19.4 |
| **Increase/decrease in liquid funds** | **-92.4** | **186.1** | **-5.7** | **-19.1** | **-35.3** |

| KEY FINANCIAL RATIOS | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Net revenue growth, % | -36.9 | 347.6 | -66.1 | -42.6 | 90.3 |
| Net working capital, SEK million | -22.8 | -1.3 | -11.8 | 0.0 | -19.7 |
| Net working capital/net sales, % | -50.6 | -1.9 | -74.4 | 0.0 | -24.1 |
| Capital employed, SEK million | 130.2 | 230.4 | 29.5 | 52.4 | 49.0 |
| Capital employed/net sales, % | 289.3 | 323.3 | 185.0 | 111.7 | 60.0 |
| Shareholders' equity, SEK million | 130.2 | 230.4 | 29.5 | 52.4 | 49.0 |
| Return on shareholders' equity, % | -55.7 | -48.2 | -232.1 | -106.4 | -37.3 |
| Return on capital employed, % | -55.7 | -48.2 | -232.1 | -106.4 | -37.3 |
| Capital turnover, times | 0.3 | 0.5 | 0.4 | 0.9 | 1.7 |
| Equity/assets ratio, % | 76.6 | 83.4 | 54.1 | 70.7 | 60.2 |
| Intangible fixed assets investments, SEK million | - | - | - | - | - |
| Tangible fixed assets investments, SEK million | 16.5 | 5.3 | 0.7 | 0.4 | 0.0 |
| Average number of employees | 53 | 46 | 39 | 38 | 47 |

| DATA PER SHARE | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Earnings per share, SEK | | | | | |
| Before dilution | -0.33 | -0.25 | -0.64 | -0.53 | -0.23 |
| After full dilution | -0.33[1)] | -0.25[1)] | -0.64[1)] | -0.53[1)] | -0.23[1)] |
| Shareholders' equity per share, SEK | | | | | |
| Before dilution | 0.43 | 0.76 | 0.18 | 0.46 | 0.58 |
| After full dilution | 0.43[2)] | 0.76[2)] | 0.18[2)] | 0.46[2)] | 0.58[2)] |
| Cash flow per share, SEK | -0.30 | -0.31 | -0.51 | -0.75 | -0.70 |
| Average no. of shares | | | | | |
| Before dilution (thousands) | 304,695 | 247,962 | 142,450 | 101,989 | 78,084 |
| After full dilution (thousands) | 304,695[2)] | 247,962[2)] | 142,450[2)] | 101,989[2)] | 78,084[2)] |
| Number of shares at end of period | | | | | |
| Before dilution (thousands) | 304,695 | 304,695 | 162,919 | 112,790 | 85,015 |
| After full dilution (thousands) | 304,695[2)] | 304,695[2)] | 162,919[2)] | 112,790[2)] | 85,015[2)] |
| Share price, 31 December, SEK | 2.07 | 3.07 | 3.59 | 2.28 | 2.73 |

1) There is no dilution of earnings per share because the earnings per share before dilution was negative.
2) No dilution is present since the subscription price exceeds the average share price.

The figures in the tables are rounded to one decimal, while the calculations are made using a greater number of decimals. As a result, it may appear that certain tables do not add up.

## Definitions[3)]

**Net working capital**
Non-interest-bearing current assets less non-interest-bearing current liabilities.

**Capital employed**
The balance sheet total less non-interest-bearing liabilities and non-interest-bearing provisions.

**Return on shareholders' equity**
Profit/loss after financial items as a percentage of the average shareholders' equity.

**Return on capital employed**
Profit/loss after financial items plus financial costs as a percentage of average capital employed.

**Capital turnover**
Net revenue divided by the average capital employed.

**Equity/assets ratio**
Shareholders' equity as a percentage of the balance sheet total.

**Cash flow per share**
Cash flow from current operations and investment activities divided by the average number of shares.

3) Definitions of alternative financial ratios not defined by IFRS.

# The Board and Auditors

**Björn O. Nilsson**

**Chairman of the Board**
Doctor of Science. Born 1956. Lives in Sollentuna, Sweden. Professor, CEO and member of the Royal Swedish Academy of Engineering Sciences during the period 2008–2017. Associate professor at the Royal Institute of Technology (KTH) in Stockholm. Member of the Board since 1999. Chairman of the Board since 2011. Chairman of the Remuneration Committee and member of the Audit Committee.

**Other board appointments**
Chairman of the Boards of the Swedish Foundation for Strategic Research, Swedish Young Academy Foundation, Swedish Athletic Association and Stockholm Science City. Member of the Boards of ÅF AB, European Institute of Innovation and Technology (EIT), SweTree Technologies AB and SwedNanoTech AB.

**Shareholding**
54,474

**Vessela Alexieva**

**Employee representative**
MSc in Molecular and Functional biology. Born 1959. Lives in Lund, Sweden. Senior Research Engineer. Member of the Board since 2013.

**Other board appointments**
-

**Shareholding**
20,850 (own and affiliated holdings)

**Dharminder Chahal**

M.Sc. in Aerospace Engineering and M.Sc. in Business Economics. Born 1976. Lives in the Netherlands. CEO of SkylineDx since 2013. He is also currently the CEO of Quorics, Managing Director at Exponential BV, and Fund Manager at Swanbridge Capital. Extensive board experience within life science in current and previous board roles at Agendia, Bioinvent (2013–2016), deVGen, Innate Pharma, and Octoplus. Member of the Board since 2017. Member of the Audit Committee.

**Other board appointments**
Chairman of the Board of DCPrime. Member of the Boards of Isobionics and VitalneXt.

**Shareholding**
250,000

**Elin Jaensson Gyllenbäck**

**Employee representative**
Ph.D. in Immunology. Born 1979. Lives in Lund, Sweden. Senior Research Scientist. Member of the Board since 2017.

**Other board appointments**
-

**Shareholding**
-

**Lars Ingelmark**

Bachelor of Medicine. Born 1949. Lives in Halmstad, Sweden. Consul of Luxembourg. Member of the Board since 2006. Chairman of the Audit Committee.

**Other board appointments**
Member of the Board of Gyttorp AB.

**Shareholding**
2,539

**An van Es Johansson**

M.D. Born 1960. Lives in Stockholm, Sweden. Vice President and Head of Medical Affairs at Swedish Orphan Biovitrum AB (Sobi). Previously different executive positions in Clinical Development, Medical Affairs, Business Development and Commercial within Sobi, Eli Lilly, Roche, Pharmacia & Upjohn and biotech companies in USA, the Netherlands, Switzerland and Sweden. Member of the BioInvent Board since 2016. Member of the Remuneration Committee.

**Other board appointments**
Member of the Board of AlzeCure.

**Shareholding**
-

**Vincent Ossipow**

CFA, Ph.D. Born 1968. Lives in Commugny, Switzerland. Venture partner Omega Funds. Former partner Private Equity Sectoral Asset Management. Researcher at University of Geneva. Research analyst at Pictet Bank. Member of the BioInvent Board since 2016. Member of the Remuneration Committee.

**Other board appointments**
Member of the Boards of Andrew Alliance, Etherna Immunotherapies, Immunic, Life Span, Sophia Genetics and Board observer of Anaconda Brain.

**Shareholding**
-

**Niklas Prager**

Master of Business Administration. Born 1970. Lives in Stockholm, Sweden. Was President and CEO of Medivir AB 2014-2017. More than 20 years of experience from executive and leading positions working both in Sweden and in the US for i.a. Merck & Co. Inc., Pfizer AB, Qbtech AB and Envirotainer AB. Member of the BioInvent Board since 2017. Member of the Audit commitee.

**Other board appointments**
Chairman of the Boards of Fodi Skandinavien AB and Qbtech AB. Member of the Boards of Adero AB and CellaVision AB.

**Shareholding**
-

## Auditors KPMG AB

**Auditor in charge**
Eva Melzig, Authorised Public Accountant.
Born in 1961.
Lives in Falsterbo, Sweden.
Auditor for BioInvent International AB since 2016.

# Senior management

**Björn Frendéus**

**Chief Scientific Officer and acting CEO**
Doctor of Immunology. Born 1973. Lives in Lund, Sweden. Acting CEO since January 2018. Employed since 2001. Graduated from the Swedish Foundation for Strategic Research funded Biomedicine programmes within the Infection & Vaccinology programme in 2001. Visiting Professor at University of Southampton.

**Shareholding**
317,151 (own and affiliated holdings)

**Options**
Employee options 75,333

**Stefan Ericsson**

**Chief Financial Officer**
MBA, Lund University. Born 1963. Lives in Lund, Sweden. Employed since 1998. Chief Financial Officer since 2016 and has previously served as Director Business Control. He was employed by the Swedish Tax Authority 1996–1997. Previously he worked as an auditor at PricewaterhouseCoopers 1990–1995.

**Shareholding**
114,641

**Options**
Employee options 56,500

**Andres McAllister**

**Chief Medical Officer**
Doctor in Medicine and Surgery from the Universidad del Rosario (Bogotá), and holds a PhD from the Pasteur Institut/Université Paris. Born 1956. Lives in Geneva, Switzerland. He has perfomed academic work at the Pasteur Institut and the University of California San Francisco on cancer immunotherapy. Andres joins BioInvent from a position as Chief Scientific Officer at Debiopharm, and has previously held senior roles at IDM and BioMérieux/Pierre Fabre.

**Shareholding**
-

**Options**
Employee options 12,556

**Kristoffer Rudenholm Hansson**

**Senior Vice President, Technical Operations**
Master of Science in Chemical engineering. Born 1974. Lives in Malmö Sweden. Employed since 2016 and responsible for process development and production of antibodies for clinical studies. He has more than 15 years' experience from managing manufacturing of antibodies and other proteins for clinical use. Kristoffer has held a numerous positions within CMC Biologics A/S, DAKO A/S and Symphogen A/S.

**Shareholding**
491,628 (whereof 148,176 in Sw. kapitalförsäkring)

**Options**
Subscription Warrants 50,000 and employee options 54,734

*Information on the holdings of shares and other financial instruments in BioInvent by Directors and Group management refers to conditions as of 3 April 2018, and includes personal holdings and holdings of related parties, as well as holdings of legal entities that are directly or indirectly controlled by the person or a related party. For the CEO information is also provided about any significant shareholdings and ownership in companies with which BioInvent has significant business relationships.*

# Directors' report

The Board of Directors and the CEO of BioInvent International AB (publ), co. reg. no. 556537-7263, listed on the NASDAQ Stockholm (BINV), hereby present the annual accounts and consolidated accounts for the financial year 1 January–31 December, 2017. The Company is registered in Sweden and is located in the Lund municipality. The visiting address is Sölvegatan 41, Lund and the postal address is 223 70 Lund. The descriptions below of the status of BioInvent's projects are current at the time this annual report was presented.

## Business focus

Based on its cutting-edge insight in immunology, cancer biology and antibody biology, BioInvent develops immunotherapies to improve and prolong cancer patients' lives. The Company strives for excellence in drug development to create better health for cancer patients and significant value for the Company's shareholders.

## Clinical Projects

### BI-1206 in non-Hodgkin lymphoma and chronic lymphocytic leukemia

BioInvent's lead drug candidate BI-1206 is a fully human antibody targeting CD32b, an immunosuppressive protein that is expressed in some patients with B-cell cancers. Research has shown that the expression of CD32b could lead to the development of resistance to rituximab, the current standard of care treatment of B-cell non-Hodgkin lymphoma (NHL) and chronic lymphocytic leukemia (CLL). As a result, BI-1206 is being developed as a drug candidate in combination with rituximab in B-cell cancers.

The first clinical study (Phase I/II) with BI-1206 is currently ongoing in patients with NHL and CLL who are resistant to rituximab. The initial safety and dose readouts from this study are expected in the first half of 2018. The study is financed and executed by Cancer Research UK (CRUK), Cancer Research Technology (CRT) and Leukaemia & Lymphoma Research (LLR).

In Q3 2017, BioInvent announced plans to expand the therapeutic potential of BI-1206 with an additional Phase I/IIa clinical study in combination with rituximab. The study is planned to include approximately twenty patients with indolent B-cell Non-Hodgkin Lymphoma (NHL) that is relapsed or refractory to rituximab. The targeted sub-indications are patients with Mantle Cell Lymphoma, Follicular Lymphoma, and Marginal Zone Lymphoma. The trial is planned to start in H1 2018. It will be an open-label, single arm study, and the last patient is expected to finish the trial before the end of 2019.

### TB-403 in pediatric brain tumours – development in collaboration with Oncurious

TB-403 is a humanised antibody directed against the PlGF protein, which is believed to inhibit its signaling via the Nrp-1 receptor. PlGF is expressed in certain pediatric cancers including medulloblastoma, Ewing's sarcoma, neuroblastoma and alveolar rhabdomyosarcoma.

TB-403 is currently in a Phase I/II study for the treatment of patients with medulloblastoma in cooperation with a US based pediatric oncology network, Beat Childhood Cancer. The study progresses according to plan, and the third dose level is ongoing.

TB-403 has received Orphan Drug Designation for medulloblastoma from the European Medicines Agency.

TB-403 is being developed in collaboration with Oncurious, a subsidiary of ThromboGenics. In July 2017, BioInvent's ownership in TB-403 increased from 40 to 50 percent following renegotiation of the longstanding collaboration agreement signed in 2004. BioInvent continues to contribute 50 percent of the development costs.

### THR-317 in diabetic macular edema – under development by ThromboGenics

THR-317 is being evaluated in a Phase II trial in patients with diabetic macular edema (DME). In July 2017 the collaboration agreement from 2004 was renegotiated. Under the amended arrangement, ThromboGenics gains full and exclusive ownership of THR-317 for development and commercialization in all non-oncology indications. ThromboGenics will continue to carry all costs for the development of THR-317 in non-oncology indications, and BioInvent is entitled to five percent of the project's economic value.

## Pre-clinical projects

BioInvent's preclinical research is focused on developing novel immuno-modulatory antibodies for cancer therapy. Such antibodies may act to significantly improve efficacy of currently available checkpoint inhibitor therapies and/or activate anti-cancer immunity in currently non-responding patients and cancer types.

BioInvent is developing antibodies to overcome the effects of two key cells that suppress the immune system in the tumour micro-environment. These are:

- cancer-associated regulatory T cells (Tregs) and
- tumour-associated myeloid cells.

### Developing antibodies that act on regulatory T cells (Tregs) via either novel or validated targets

Tregs can substantially inhibit various immune responses, enabling tumour cells to escape detection. BioInvent is utilizing its F.I.R.S.T.™ platform to identify and characterize monoclonal antibodies to cancer-associated Treg targets in a function-first, target agnostic, manner. The Company is also pursuing differentiated antibodies to known targets through novel mechanisms and pathways.

### Strategic collaboration with Pfizer – developing antibodies that act on tumour-associated myeloid cells

In December 2016, BioInvent announced that it has entered into a cancer immunotherapy research collaboration and license agreement with Pfizer Inc. to develop antibodies targeting tumour-associated myeloid cells. BioInvent leverages its expertise to identify novel oncology targets and therapeutic antibodies that inhibit cancer growth either by reversing the immunosuppressive activity of tumour-associated myeloid cells or by reducing the number of tumour-associated myeloid cells in the tumour. The collaboration is progressing well – a pool of antibodies has been generated, that will now be characterized for functional activity.

Under the terms of the agreement BioInvent could be eligible for potential future development milestones in excess of $0.5 billion (assuming five antibodies are developed through to commercialisation). The Company could also receive up to double digit royalties related to product sales. In return Pfizer will have the right to develop and commercialise any antibodies generated from this agreement.

BioInvent received an upfront payment of $3 million when the agreement was signed in December 2016, and $1 million in research funding has been received during 2017. Pfizer also made a $6 million equity investment in new shares of BioInvent when the agreement was signed.

**Partnership with Transgene**
**– developing next generation oncolytic viruses expressing an anti-CTLA-4 antibody to treat solid tumours**

BioInvent and Transgene collaborate to co-develop oncolytic virus (OV) candidates encoding a validated anti-CTLA-4 antibody sequence - potentially with additional transgenes - capable of treating multiple solid tumours.

Transgene is contributing both its OV design and engineering expertise, as well as its proprietary Vaccinia viruses. These oncolytic viruses are designed to directly and selectively destroy cancer cells by intracellular replication of the virus in the cancer cell (oncolysis). Oncolysis is important as it induces an immune response against tumours. In addition, the replication of the virus allows the expression of the genes carried by the oncolytic viral genome, including therapeutic "weapons" e.g. an immune modulatory anti-CTLA-4 antibody that boost immune responses against the tumour.

BioInvent is providing its cancer biology and antibody expertise to the collaboration, as well as anti-CTLA-4 antibody sequences generated through its proprietarn-CoDeR®/F.I.R.S.T.™ platforms. A lead anti-CTLA-4 antibody will be selected for encoding within the viral vectors. The local expression of such therapeutic antibodies delivered into the cancer cell is expected to augment the anti-cancer effects of viral oncolysis, by efficiently modulating the tumour micro-environment and increasing the immunogenicity of the tumour.

The research and development costs, as well as revenues and royalties from candidates generated from the collaboration, will be shared 50:50.

Encoding BioInvent's anti-CTLA-4 antibody sequence in Transgene's vaccinia virus backbone promises to optimize the efficacy of this potent checkpoint inhibitor, while reducing the side effects seen when it is given systemically. There is also the potential for this novel OV product to be significantly more effective than the combination of single agents. Transgene has generated preclinical proof-of-concept data showing that an oncolytic vaccinia virus encoded with a checkpoint inhibitor resulted in better overall survival than the corresponding combination of separate single agents.

## Manufacturing and technology revenues

The Company currently has several antibody manufacturing agreements with pharma and biotech companies. Given its production capacity and expertise, BioInvent is actively seeking to secure more manufacturing contracts to generate further revenue.

The Company has also several licensing agreements and, in some cases, research collaborations with several external partners including Bayer Pharma, Daiichi Sankyo, Mitsubishi Tanabe Pharma and Xoma. The structure and terms of these agreements and partnerships vary, but they all have in common that BioInvent receives license fees, research financing, milestone payments and royalties on the sale of commercial products. Of these external drug development programmes, five projects are currently in Phase I and one is in the preclinical phase.

## Personnel and organization

BioInvent's operations consist of Clinical Development, Preclinical Development and Technical Operations where work is done in an integrated way to create the best possible conditions for the various projects. This enables the Company to benefit from the accumulated immunology, cancer biology and antibody biology know-how, ensuring that prioritised projects have the resources they need for their development.

The research department works with BioInvent's technology platforms, F.I.R.S.T.™ and n-CoDeR® and develops antibodies for the Company's preclinical projects. The research department further supports clinical development programmes with important mechanism-of-action and translational data e.g. bioessays and biomarkers, new indications and combination partner data. The research activities are organized in a project-based, cross-functional manner. Technical Operations consists of three func-tions, one responsible for producing antibodies for clinical studies, one working with quality assurance and quality control, and the Protein & Analytical Chemistry support team.

In addition to the line functions referred to above, the Company's quality assurance department and the Company's own patent department are directly involved in research and development. The organization's support functions include business development, HR, accounting and finance and IT.

As of 31 December 2017 BioInvent had 56 (51) employees, 49 (45) of whom work in research and development. 95 percent of the Company's employees have university degrees, including 46 percent with PhDs.

## Environment

BioInvent places great importance on environmental work which is an integrated part of the daily routines. BioInvent works actively with environmental issues and the principles under the general rules of consideration in the Swedish Environmental Code are observed in the Company's ongoing operations. The Company consistently endeavours to reduce the use of substances that may be harmful to the environment and ensure that environmental impact is kept to a minimum. The aim is to assess the possibility early on in the value chain of replacing a substance that is harmful to the environment with a less harmful one. Another goal is to continuously improve the use of chemical substances and other resources so that the Company's environmental impact is minimised in this respect as well. Proactive environmental efforts reduce the risk of harming the environment and health and put the Company in a better position to handle future environmental legislation and societal requirements.

BioInvent's operations require permits according to the Swedish Environmental Code. The Group has a permit in accordance with the Swedish Environmental Code for manufacturing of biological pharmaceutical substances, and reports are required to be submitted to Lund municipality. Lund municipality carries out annual environmental inspections of the Company. Selfmonitoring is carried out to monitor the Company's operations on an ongoing basis to counteract and prevent negative environmental impact. As part of this self-monitoring process, the Company has introduced a description of environmental consequences and a plan for the self-monitoring process. In accordance with the plan, periodic inspections are carried out to check compliance with authorisations and current legislations.

The Company has limited emissions from its laboratories and production facility. The emissions consist of commonly found salts and easily biodegradable organic substances. Waste is sorted and separated, and special procedures are applied for handling environmentally hazardous waste.

The Company also has a permit to import and export cell lines in accordance with the European Parliament's regulation. BioInvent uses genetically modified micro-organisms (GMM) in its research and development work and has permits for the so-called contained use of such organisms according to the Swedish Work Environment Authority's directions.

## Quality and regulatory approval

The Company has a permit under the EU rules on producing investigational pharmaceutical products for clinical trials according to Good Manufacturing Practice (GMP). This permit is issued by the Swedish Medical Products Agency which conducts regular inspections to verify that production maintains the approved level of quality. BioInvent is also involved in auditing activity

to ensure the quality of internal work, raw materials and that contracted services maintain a high standard. The Company conducts regular internal inspections and audits of external suppliers to ensure that GMP regulations are met.

BioInvent's preclinical studies to evaluate the safety of products are carried out through contract research organizations (CROs) in accordance with Good Laboratory Practice (GLP). Clinical trials are conducted according to Good Clinical Practice (GCP). In cases where tests are carried out on animals, they are conducted in laboratories that strictly adhere to the applicable regulations.

BioInvent has many years' experience of quality work, and endeavors to constantly improve the quality of all of its work.

## Revenues and result

Net sales amounted to SEK 45 million (71). Revenues for the period are derived from production of antibodies for clinical studies, revenues from research funding, and a €0.5 million milestone payment received in April 2017 under the collaboration with Mitsubishi Tanabe Pharma in connection with the approval of starting a Phase I study. Revenues in 2016 were derived from an upfront payment of USD 3 million in December 2016 from the research collaboration and license agreement with Pfizer and as well as production of antibodies for clinical studies and from partners developing therapeutic antibodies from the n-CoDeR® antibody library. BioInvent announced in February 2016 that a EUR 2 million milestone payment had been received under the collaboration with Daiichi Sankyo pertaining to the progression of a Phase I clinical trial.

The Company's total costs amounted to SEK 149 million (135). Operating costs are divided between external costs of SEK 87 million (82), personnel costs of SEK 59 million (52) and depreciation of SEK 2.9 million (1.0). Personnel costs include a provision of SEK 3.0 million for dismissal and severance payments to the former CEO. Research and development costs amounted to SEK 110 million (99).

Profit/loss after tax amounted to SEK -101 million (-63). The net financial items amounted to SEK 0.1 million (0.3). Earnings per share before and after dilution amounted to SEK -0.33 (-0.25).

## Financial position and cash flow

As of 31 December 2017, the Group's liquid funds amounted to SEK 134 million (226). The cash flow from operating activities and investment activities for the period amounted to SEK -92 million (-77).

The shareholders' equity amounted to SEK 130 million (230) at the end of the period. The Company's share capital at the end of the period was SEK 24 million. The equity/assets ratio at the end of the period was 77 (83) percent. Shareholders' equity per share amounted to SEK 0.43 (0.76). The Group had no interest-bearing liabilities.

The five-year review is described on page 24.

## Investments

Investments for the period in tangible fixed assets amounted to SEK 16 million (5.3).

## Parent Company

The BioInvent Group consists of the parent Company, BioInvent International AB, and the subsidiary BioInvent Finans AB. Net sales amounted to SEK 45 million (71). Earnings after tax amounted to SEK -101 million (-63). The cash flow from current operations and investment activities amounted to SEK -92 million (-77). The Parent Company coincides in every material way with the Group.

## The share

The BioInvent share has been listed on NASDAQ Stockholm (BINV) since 2001. The Company's share capital consists of 304,695,213 shares.

If fully exercised, Subscription Warrants Programme 2016/2019 will represent a dilution equivalent to around 0.3 percent of the shares in the Company, Board Share Programme 2017 will represent a dilution equivalent to around 0.3 percent of the shares in the Company and Option Programme 2017/2020 will represent a dilution equivalent to around 2.3 percent of the shares in the Company.

There is only one class of stock. Each share carries one vote at the Annual General Meeting and all shares carry equal right to a share in the assets and profits of the Company. The regulations in the Company's Articles of Association contain no restrictions on the transfer of shares. The Company is not aware of any agreements between shareholders that would restrict the right to transfer shares. Nor are there any agreements, in which the Company is a party, that may go into force, be amended or go out of force if control of the Company is changed as a result of a public purchase offer.

According to the Articles of Association, members of the Board of Directors are elected annually by the Annual General Meeting. The Articles of Association do not contain any restrictions regarding appointment or dismissal of Board members or changes in the Articles of Association.

The Annual General Meeting 2017 authorised the Board of Directors to resolve on the issue of new shares on one or several occasions during the period up to the next annual general meeting. The number of shares to be issued by virtue of the authorization shall not exceed 15 percent of the registered share capital (as per the date of the resolution on the issue of new shares). The Annual General Meeting has not authorised the Board of Directors to take decisions on acquisition of shares by the Company.

## Corporate governance report

Based on the Annual Accounts Act, chapter 6, § 8, BioInvent has decided to produce a Corporate Governance Report that is separate from the Annual Report.

## Future prospects

BioInvent's overall objectives are to build a portfolio of clinical development projects within cancer where risk is balanced and significant revenue streams are generated for the Company from licensing or sales, and to assist pharmaceutical companies in their drug development and thereby generate revenue to help balance the Company's basic costs.

## Risks and risk management

### Pharmaceutical development

Pharmaceutical development is generally associated with very high risk and this applies to BioInvent's projects as well. However, antibodies have a beneficial risk profile and a larger percentage of projects in the antibody area reach the market today compared to traditional pharmaceuticals. The probability that a drug candidate will reach the market increases as the project is advanced through the development chain. The same applies to the costs which increase sharply in the later clinical phases.

BioInvent's operations are subject to the usual risks associated with pharmaceutical development, including the risk that BioInvent or partners using BioInvent's technology through technology licences will not succeed in developing new product candidates, that development work will be delayed, that some or all of the Company's product candidates will prove ineffective, have

side effects or in another way not meet the applicable requirements or receive the necessary market approval, or prove to be difficult to license successfully or develop into commercially viable products.

As BioInvent and the Company's project portfolio are developed, the Company's knowledge and experience in important areas will grow. A larger project portfolio could over time make the Company less dependent on the success of an individual project. However, BioInvent's project portfolio is relatively limited and contains early phase projects, which means that a setback in an individual project could have a significantly negative impact on the Company. There is also a risk that development work will be delayed in relation to established schedules, which could also have a negative impact on BioInvent.

### Clinical trials and product responsibility

BioInvent endeavours to advance its projects through the value chain, which will mean increased expenses for clinical trials and relevant market approval. To receive approval from the authorities for commercial sales of the Company's product candidates, the Company or its partners must demonstrate the safety and efficacy of each potential product for human use for each stated indication.

There is a risk that clinical trials performed by the Company or its partners are unable to show that the intended products are sufficiently safe and effective to obtain the necessary authorization from authorities, or that the Company's projects will not result in competitive products, which may mean that the intended products cannot be launched on the market.

The possibility cannot be excluded that the use of the Company's products in clinical trials could lead to claims for damages being lodged against the Company in the event that such product should cause illness, physical injury, death or damage to property. BioInvent's activities are exposed to potential liability risks, which are a normal aspect of research, development and manufacture of biopharmaceutical products. The Company has a commercial insurance policy that provides coverage in the geographic markets in which BioInvent currently is active. Although the Company considers its insurance coverage to be adequate, the scope and amount of the policy are limited and there is a risk that coverage will not be adequate in the event of a legal claim.

### Commercialisation and partners

None of BioInvent's product candidates have yet been commercialized and may never be commercialised. There is a risk that the products launched on the market will not be well received or become commercial successes.

From time to time BioInvent enters agreements with partners for the development and commercialisation of potential products. Even if the Company tries to develop and strengthen such partnerships there is a risk that the collaboration will not result in a successful product launch. There is always the risk that the partner could change its focus and priorities, which in turn could have a negative effect on the collaboration. There is a risk that BioInvent will not succeed in entering into such agreements on satisfactory terms. In the absence of partnership agreements, BioInvent may not be able to realise the full value of a product candidate.

### Competition and fast technological development

The market for all of the Company's future products is characterized by significant competition and fast technological development. BioInvent's competitors consist, among others, of major international pharmaceutical and biotech companies. Many of the competitors have far greater resources than BioInvent. There is always a risk that the Company's product concept will be subject to competition from similar products or that entirely new product concepts will prove superior.

### Biotechnology and patent risk

BioInvent's potential future success depends in part also on the Company's ability to obtain and retain patent protection for potential products and to keep its own and its partners' research confidential so that BioInvent can prevent others from using BioInvent's discoveries and protected information.

The patents relate both to the Company's core technology for antibody drug development and various aspects thereof, as well as different antibody products under development and their use as drugs. The patent rights status of pharmaceutical and biotech companies is in general uncertain and involves complex medical and legal assessments. There is a risk that the Company's products and processes will not be able to be patented, that they will be deemed to infringe competitors' rights, that patents granted will not provide adequate protection or that patents granted will be attacked or disputed by competitors. BioInvent monitors and evaluates the activities, patents and patent applications of competitors on an ongoing basis for the purpose of identifying activities that are covered by the Company's intellectual property and patents that could cover parts of the Company's sphere of activity. It may also be necessary to initiate legal proceedings to defend the Company's current or future patents, and to determine the extent and validity of patents that belong to a third party.

### Compensation for pharmaceutical sales

BioInvent's potential future success depends in part also on the extent to which the Company's products will qualify for subsidies from publicly or privately financed healthcare programmes. A significant portion of the Company's potential future income is likely to be dependent on subsidies from third parties, such as public authorities, public health providers or private health insurance providers. Certain countries require that products must first undergo a lengthy review before public subsidies may be considered. Many of the countries in which the Company's future products could be commercialized have measures to curb rising healthcare costs. Such measures may be expected to continue and could result in stricter rules for both reimbursement levels and the medications covered.

### Qualified personnel and key individuals

BioInvent is dependent on the Company's senior executives and other key individuals. Losing any of these key employees could delay or disrupt research programmes or development, outlicensing or commercialisation of the Company's product candidates. The Company's ability to attract and retain qualified personnel is crucial for its future successes. Even if BioInvent believes that the Company will be able to both attract and retain qualified personnel, there is a risk that this will not be able to occur on satisfactory terms in relation to the competition from other pharmaceutical and biotech companies, universities and other institutions.

### Additional financing requirements

BioInvent's overall objectives are to build a portfolio of clinical development projects within cancer where risk is balanced and significant revenue streams are generated for the Company from licensing or sales, and to assist pharmaceutical companies in their drug development and thereby generate revenue. Based on the fact that future, new clinical studies are expected to involve considerable cost, BioInvent's activities relating to these studies are

expected to continue cause negative cash flows to accrue until the Company generates annual revenues on an ongoing basis from products on the market. The capital requirement is financed through (i) revenues from collaboration agreements associated with outlicensing of proprietary projects, (ii) revenues from technology licenses, (iii) revenues from external development projects and, (iv) shareholders' equity. Failure to secure such financing could negatively affect the Company's business, financial position and operating income. Revenues expected to be received from outlicensing existing or new product candidates may fluctuate considerably. Payment from partners will typically be contingent upon projects reaching agreed development and regulatory approval milestones. An inability to achieve such milestones or adhere to schedules could seriously harm the Company's future financial position.

See also financial risks at page 52.

## Principles of remuneration to Directors, the CEO and other senior executives

Remuneration of Directors, the CEO and other senior executives is described in note 4. The 2017 Annual General Meeting adopted guidelines for remuneration to the CEO and other senior executives. There has been no deviations from these guidelines. The Board proposes that the guidelines for remuneration to the CEO and other senior executives remain unchanged and apply from the 2018 Annual General Meeting.

These guidelines will apply to those persons who during the period that the guidelines are in effect, belong to executive management and to other department heads who are directly subordinate to the CEO, referred to below as "senior executives". BioInvent will offer compensation and terms of employment deemed necessary to recruit and retain qualified executives who are capable of achieving established goals. The overarching principle is to offer market based salaries and other remuneration to senior executives at BioInvent. Senior executives will receive a fixed salary. In addition, variable compensation may also be paid to reward clearly target related accomplishments in a simple and transparent way. Senior management's variable compensation will depend on the extent to which previously established targets are met within the frame of the Company's operation, mainly technical and commercial milestones within proprietary drug projects. Such targets will not be related to developments of the Company's share. Senior management's variable compensation will not exceed 30 percent of the fixed salary. Such remuneration can be pensionable.

The maximum result of variable compensation shall not entail costs for the Company in excess of a total of SEK 2.0 million (excluding social security costs), calculated based on the number of persons currently included in executive management (such costs may change proportionately if the number of persons in management should change).

In addition to such fixed and variable compensation, the Company may grant retention bonuses which for a three year period may amount to a maximum of 100 percent of the fixed salary for a year.

Each year the Board of Directors will consider whether or not to propose a share-based incentive scheme to the Annual General Meeting. Issuance and transfer of ownership of securities resolved by the Annual General Meeting in accordance with the rules of chapter 16 of the Swedish Companies Act or the old "Leo" Act, are not covered by these guidelines to the extent that the Annual General Meeting has taken or will take such decisions.

Executive management's non-monetary benefits, such as Company cars, computers, mobile phones, extra health insurance, or occupational health care, may be provided to the extent that such benefits are deemed market-based for senior executives in equivalent positions in the market where the Company is active. The collective value of these benefits must comprise a smaller portion of total compensation.

Senior executives have the right to retire with pension at the earliest from the date the individual reaches the age of 65. Senior executives will be covered by the prevailing ITP plan or a defined contribution occupational pension that does not exceed 35 percent of pensionable salary. Senior executive who reside outside Sweden or are foreign nationals and have their main pension in a country other than Sweden, may be offered other pension solutions that are reasonable in the relevant country. Such solutions must be defined contribution plans.

The total of dismissal and severance pay for members of senior management will not exceed 24 monthly salaries for the CEO and 12 monthly salaries for others senior executives.

According to Swedish law, the Annual General Meeting resolves on remuneration to board members and deputy board members to the extent such remuneration is for board related duties. If a board member is employed by the Company, remuneration is paid to such board members in accordance with these guidelines. Board members who are employed by the Company will not receive separate compensation for board duties in the Company or Group companies. If a board member carries out duties for the Company that are not board duties, compensation will be paid that is market-based and with consideration taken to the nature and performance of the assignment.

The Board's Remuneration Committee prepares and formulates proposals for the Board to resolve with respect to remuneration for the CEO. The Board of Directors Remuneration Committee prepares, in consultation with the CEO, and decides on questions involving remuneration to other senior executives. The Board decides on issues relating to remuneration for board members for duties not included in the duties of the board, provided that this can be accomplished with the necessary majority, otherwise the Annual General Meeting decides on such matters.

The Board of Directors will have the right to depart from these guidelines if justified by particular circumstances in individual cases, provided that this is subsequently reported and explained.

## Events after the end of the financial year

BioInvent announced in January 2018 that the European Patent Office, EPO, had communicated its intention to grant the Company a patent relevant to its unique, function-based F.I.R.S.T.™ platform. More precisely, the patent builds on earlier F.I.R.S.T.™ patents, extending protection to combined use of differential biopanning and high throughput sequencing, such as Next Generation Sequencing in identification of antibodies to low expressed cell surface antigens.

In March 2018 BioInvent announced that a directed new issue was completed of approximately SEK 85 million before transaction costs. The Issue generated significant interest from reputable institutions and sector specialist funds, including Rhenman Healthcare Equity L/S and a European specialist investor, not previously a shareholder in BioInvent, who was the largest participant in the Issue and becomes one of the largest shareholders of the Company.

## Proposed appropriation of profits

At the disposal of the Annual General Meeting: Share premium reserve of SEK 178,407,184, retained earnings of SEK 316,000 and loss for the year of SEK -100,527,963. The Board of Directors propose that profits at the disposal of SEK 78,195,221 is carried forward. Thus, it is proposed that no dividend be given for the financial year 2017.

# Consolidated statement of comprehensive income for the Group

| SEK thousand | Note | 2017 | 2016 |
|---|---|---|---|
| Net sales | 3 | 45,014 | 71,284 |
| *Operating costs* | 4–9 | | |
| Research and development costs | | -109,723 | -99,477 |
| Sales and administrative costs | | -39,263 | -35,715 |
| Other operating revenues | 10 | 3,490 | 1,250 |
| Other operating costs | 10 | -150 | -201 |
| | | -145,646 | -134,143 |
| **Operating profit/loss** | | **-100,632** | **-62,859** |
| Financial income | 11 | 156 | 290 |
| Financial expenses | 12 | - 52 | - 18 |
| **Net financial items** | | **104** | **272** |
| **Profit/loss before tax** | | **-100,528** | **-62,587** |
| Tax | 13 | - | - |
| **Profit/loss for the year** | | **-100,528** | **-62,587** |
| **Other comprehensive income** | | | |
| Items that have been or may be reclassified subsequently to profit or loss | | - | - |
| **Comprehensive income for the year** | | **-100,528** | **-62,587** |
| Other comprehensive income for the year attributable to parent Company's shareholders | | -100 528 | -62,587 |
| Earnings per share, SEK | 14 | | |
| Before dilution | | -0.33 | -0.25 |
| After dilution | | -0.33 | -0.25 |

# Consolidated statement of financial position for the Group

| SEK thousand | Note | 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| Acquired intangible fixed assets | 15 | 0 | 0 |
| Equipment | 16 | 16,387 | 2,020 |
| Investments in rented premises | 16 | 2,859 | 3,628 |
| **Total fixed assets** | 3 | **19,246** | **5,648** |
| Inventories | | 2,386 | 1,918 |
| Accounts receivables | 22 | 1,404 | 32,056 |
| Other receivables | 22 | 7,462 | 5,410 |
| Prepaid expenses and accrued income | 18 | 5,789 | 5,152 |
| Liquid funds | 22 | 133,760 | 226,114 |
| **Total current assets** | | **150,801** | **270,650** |
| **Total assets** | | **170,047** | **276,298** |

| SEK thousand | Note | 2017 | 2016 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | 20 | | |
| Share capital | | 24,376 | 24,376 |
| Other allocated capital | | 1,585,601 | 1,585,601 |
| Reserves | | 1 | 1 |
| Accumulated loss | | -1,479,753 | -1,379,541 |
| **Total shareholders' equity** | | **130,225** | **230,437** |
| Shareholder's equity pertaining to the Parent Company's shareholders | | 130,225 | 230,437 |
| **LIABILITIES** | | | |
| Accounts payables | 22 | 14,171 | 10,291 |
| Other liabilities | 22 | 2,667 | 11,437 |
| Accrued expenses and deferred income | 21, 22 | 22,984 | 24,133 |
| **Total short term liabilities** | | **39,822** | **45,861** |
| **Total shareholders' equity and liabilities** | | **170,047** | **276,298** |

# Consolidated statement of cash flows for the Group

| SEK thousand | 2017 | 2016 |
|---|---|---|
| **Current operations** | | |
| Operating profit/loss | -100,632 | -62,859 |
| Depreciation | 2,880 | 996 |
| Adjustments for other non-cash items | 316 | 58 |
| Interest received | 103 | 34 |
| Interest paid | -1 | 0 |
| **Cash flow from current operations before changes in working capital** | **-97,334** | **-61,771** |
| Changes in working capital | | |
| Changes in inventories | -468 | -1,454 |
| Changes in current receivables | 27,963 | -29,931 |
| Changes in short term liabilities | -6,037 | 21,107 |
| | **21,458** | **-10,278** |
| **Cash flow from current operations** | **-75,876** | **-72,049** |
| **Investment activities** | | |
| Acquisition of tangible fixed assets | -16,478 | -5,322 |
| **Cash flow from investment activities** | **-16,478** | **-5,322** |
| **Cash flow from current operations and investment activities** | **-92,354** | **-77,371** |
| **Financing activities** | | |
| Transfer of subscription warrants | | 587 |
| Rights issue | | 209,541 |
| Rights issue and directed new share issue | | 53,384 |
| **Cash flow from financing activities** | **-** | **263,512** |
| **Change in liquid funds** | **-92,354** | **186,141** |
| Opening liquid funds | 226,114 | 39,973 |
| **Liquid funds at year-end** | **133,760** | **226,114** |
| **Liquid funds, specification:** | | |
| Current investments | 30,060 | - |
| Cash and bank | 103,700 | 226,114 |
| | **133,760** | **226,114** |

# Statement of changes in equity for the Group

| SEK thousand | Share-capital | Other allocated capital | Reserves | Accumulated loss | Total |
|---|---|---|---|---|---|
| **Shareholders' equity 31 December 2015** | **13,033** | **1,333,432** | **1** | **-1,317,012** | **29,454** |
| **Comprehensive income for the year** | | | | | |
| Profit/loss for the year | | | | -62,587 | -62,587 |
| Comprehensive other income for the year | | | - | | - |
| **Total comprehensive income for the year** | | | - | **-62,587** | **-62,587** |
| **Total, excluding transactions with equity holders of the Company** | **13,033** | **1,333,432** | **1** | **-1,379,599** | **-33,133** |
| **Transactions with equity holders of the Company** | | | | | |
| Effect of employee incentive programme | | | | 58 | 58 |
| Transfer of subscription warrants | | 587 | | | 587 |
| Rights issue and directed new share issue | 9,585 | 199,956 | | | 209,541 |
| Directed new share issue | 1,758 | 51,626 | | | 53,384 |
| **Shareholders' equity 31 December 2016** | **24,376** | **1,585,601** | **1** | **-1,379,541** | **230,437** |
| **Comprehensive income for the year** | | | | | |
| Profit/loss for the year | | | | -100,528 | -100,528 |
| Comprehensive other income for the year | | | - | | - |
| **Total comprehensive income for the year** | | | **-** | **-100,528** | **-100,528** |
| **Total, excluding transactions with equity holders of the Company** | **24,376** | **1,585,601** | **1** | **-1,480,069** | **129,909** |
| **Transactions with equity holders of the Company** | | | | | |
| Effect of employee incentive programmes | | | | 316 | 316 |
| **Shareholders' equity 31 December 2017** | **24,376** | **1,585,601** | **1** | **-1,479,753** | **130,225** |

The share capital as of 31 December 2017 consists of 304,695,213 shares and the share's ratio value is 0.08. The rights issue and the directed new share issue carried out in April 2016 raised SEK 209,541 thousands after issue expenses of SEK 24,074 thousands. The directed new share issue carried out in December 2016 raised SEK 53,384 thousands after issue expenses of SEK 2,868 thousands.

# Consolidated income statement for the Parent Company

| SEK thousand | Note | 2017 | 2016 |
|---|---|---|---|
| Net sales | 3 | 45,014 | 71,284 |
| | | | |
| *Operating costs* | 4–9 | | |
| Research and development costs | | -109,723 | -99,477 |
| Sales and administrative costs | | -39,263 | -35,715 |
| Other operating revenues | 10 | 3,490 | 1,250 |
| Other operating costs | 10 | -150 | -201 |
| | | -145,646 | -134,143 |
| | | | |
| **Operating profit/loss** | | **-100,632** | **-62,859** |
| | | | |
| Interest income and similar items | 11 | 156 | 290 |
| Interest costs and similar items | 12 | - 52 | - 18 |
| **Profit/loss after financial items** | | **-100,528** | **-62,587** |
| | | | |
| Tax | 13 | - | - |
| **Profit/loss for the year** | | **-100,528** | **-62,587** |
| | | | |
| Other comprehensive income | | - | |
| **Comprehensive income for the year** | | **-100,528** | **-62,587** |

# Consolidated balance sheet for the Parent Company

| SEK thousand | Note | 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| ***Fixed assets*** | | | |
| **Intangible fixed assets** | | | |
| Acquired intangible fixed assets | 15 | 0 | 0 |
| **Tangible fixed assets** | | | |
| Equipment | 16 | 16,387 | 2,020 |
| Investments in rented premises | 16 | 2,859 | 3,628 |
| | 3 | 19,246 | 5,648 |
| **Financial fixed assets** | | | |
| Shares in subsidiaries | 17 | 687 | 687 |
| | | 687 | 687 |
| **Total fixed assets** | | **19,933** | **6,335** |
| ***Current assets*** | | | |
| **Inventories** | | 2,386 | 1,918 |
| **Current receivables** | | | |
| Accounts receivables | | 1,404 | 32,056 |
| Other receivables | | 7,462 | 5,410 |
| Prepaid expenses and accrued income | 18 | 5,789 | 5,152 |
| | | 14,655 | 42,618 |
| **Liquid funds** | | | |
| Current investments | | 30,060 | - |
| Cash and bank | | 103,700 | 226,114 |
| | | 133,760 | 226,114 |
| **Total current assets** | | **150,801** | **270,650** |
| **Total assets** | | **170,734** | **276,985** |

| SEK thousand | Note | 2017 | 2016 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| ***Restricted equity*** | | | |
| Share capital | | 24,376 | 24,376 |
| Statutory reserve | | 27,693 | 27,693 |
| | | 52,069 | 52,069 |
| ***Non-restricted equity*** | | | |
| Share premium reserve | | 178,406 | 240,935 |
| Retained earnings | | 316 | 58 |
| Profit/loss for the year | | -100,528 | -62,587 |
| | | 78,194 | 178,406 |
| **Total shareholders' equity** | | **130,263** | **230,475** |
| **Short term liabilities** | | | |
| Accounts payables | | 14,171 | 10,291 |
| Liabilities to subsidiaries | | 687 | 580 |
| Other liabilities | | 2,629 | 11,506 |
| Accrued expenses and deferred income | 21 | 22,984 | 24,133 |
| **Total short term liabilities** | | **40,471** | **46,510** |
| **Total shareholders' equity and liabilities** | | **170,734** | **276,985** |

# Consolidated statement of cash flows for the Parent Company

| SEK thousand | 2017 | 2016 |
|---|---|---|
| **Current operations** | | |
| Operating profit/loss | -100,632 | -62,859 |
| Depreciation | 2,880 | 996 |
| Adjustments for other non-cash items | 316 | 58 |
| Interest received | 103 | 34 |
| Interest paid | -1 | 0 |
| **Cash flow from current operations before changes in working capital** | **-97,334** | **-61,771** |
| Changes in working capital | | |
| Changes in inventories | -468 | -1,454 |
| Changes in current receivables | 27,963 | -29,931 |
| Changes in short term liabilities | -6,037 | 21,107 |
| | **21,458** | **-10,278** |
| **Cash flow from current operations** | **-75,876** | **-72,049** |
| **Investment activities** | | |
| Acquisition of tangible fixed assets | -16,478 | -5,322 |
| **Cash flow from investment activities** | **-16,478** | **-5,322** |
| **Cash flow from current operations and investment activities** | **-92,354** | **-77,371** |
| **Financing activities** | | |
| Transfer of subscription warrants | | 587 |
| Rights issue and directed new share issue | | 209,541 |
| Directed new share issue | | 53,384 |
| **Cash flow from financing activities** | **-** | **263,512** |
| **Change in liquid funds** | **-92,354** | **186,141** |
| Opening liquid funds | 226,114 | 39,973 |
| **Liquid funds at year-end** | **133,760** | **226,114** |
| **Liquid funds, specification** | | |
| Current investments | 30,060 | - |
| Cash and bank | 103,700 | 226,114 |
| | **133,760** | **226,114** |

# Statement of changes in equity for the Parent Company

| | Restricted equity | | Non-restricted equitys | | |
|---|---|---|---|---|---|
| SEK thousand | Share capital | Statutory reserve | Share premium reserve | Accumulated loss | Total |
| **Shareholders' equity 31 December 2015** | **13,033** | **27,693** | **79,331** | **-90,565** | **29,492** |
| Appropriation of profit/loss | | | -90,565 | 90,565 | 0 |
| **Comprehensive income for the year** | | | | | |
| Profit/loss for the year | | | | -62,587 | -62,587 |
| Comprehensive other income for the year | | | | - | - |
| **Total, comprehensive income for the year** | | | | **-62,587** | **-62,587** |
| **Total, excluding transactions with equity holders of the Company** | **13,033** | **27,693** | **-11,234** | **-62,587** | **-33,095** |
| **Transactions with equity holders of the Company** | | | | | |
| Effect of employee incentive programme | | | | 58 | 58 |
| Transfer of subscription warrants | | | 587 | | 587 |
| Rights issue and directed new share issue | 9,585 | | 199,956 | | 209,541 |
| Directed new share issue | 1,758 | | 51,626 | | 53,384 |
| **Shareholders' equity 31 December 2016** | **24,376** | **27,693** | **240,935** | **-62,529** | **230,475** |
| Appropriation of profit/loss | | | -62,529 | 62,529 | 0 |
| **Comprehensive income for the year** | | | | | |
| Profit/loss for the year | | | | -100,528 | -100,528 |
| Comprehensive other income for the year | | | | - | - |
| **Total, comprehensive income for the year** | | | | **-100,528** | **-100,528** |
| **Total, excluding transactions with equity holders of the Company** | **24,376** | **27,693** | **178,406** | **-100,528** | **129,947** |
| **Transactions with equity holders of the Company** | | | | | |
| Effect of employee incentive programmes | | | | 316 | 316 |
| **Shareholders' equity 31 December 2017** | **24,376** | **27,693** | **178,406** | **-100,212** | **130,263** |

The share capital as of 31 December 2017 consists of 304,695,213 shares and the share's ratio value is 0.08. The rights issue and the directed new share issue carried out in April 2016 raised SEK 209,541 thousands after issue expenses of SEK 24,074 thousands. The directed new share issue carried out in December 2016 raised SEK 53,384 thousands after issue expenses of SEK 2,868 thousands.

# Accounting principles and information notes

## Note 1 Accounting principles

### Statement of compliance with the applicable rules
The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). Since the Parent Company is an enterprise within the EU, only EU-approved IFRS will be applied. Moreover, the consolidated accounts are prepared in compliance with the Annual Accounts Act through the application of the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Regulations for Groups

### Parent Company's accounting principles
The Parent Company's annual accounts have been prepared in compliance with the Annual Accounts Act and applying the Swedish Financial Reporting Board's recommendation RFR 2, Reporting for Legal Entities. The Parent Company's accounting principles are consistent with the Group's accounting principles. The Parent Company's accounting principles for 2017 are unchanged from the previous year.

### Accounting principles
The accounting principles are unchanged from the previous year. Amendments to standards and interpretations that went into force in 2017 have not had any significant impact on the Group's reporting.

### New IFRS that will begin to apply from 1 January 2018
*IFRS 9 Financial Instruments* means changes to how financial assets are classified and measured, leading to an impairment model which is based on expected credit losses instead of incurred losses, and also results in changes in the principles for hedge accounting with a view to simplifying them and better aligning them with the internal risk management strategies of corporations. The standard replaces *IAS 39 Financial Instruments: Recognition and Measurement.*

The Group has assessed that the new categories of financial assets introduced by IFRS 9 will not have any significant impact on the classification of its financial assets. The Group also assesses that no significant impacts on the classification of financial liabilities will arise from 1 January 2018.

IFRS 9 replaces the incurred loss model with an expected credit loss model. This new impairment model is to be applied to financial assets measured at fair value through profit or loss, or at fair value through other comprehensive income, with the exception of investments in equity instruments (shares and participations) and contract assets. The Group has reviewed the measurement of its assets and assesses that there is no need for additional reserves.

The Group does not apply hedge accounting, and consequently this part of IFRS 9 will not have any impact on its financial statements.

*IFRS 15 Revenue from Contracts with Customers* is a comprehensive standard for determining how and when major revenues are to be recognised. It replaces *IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.*

According to IFRS 15, revenue is recognised when the customer obtains control of the goods. For special orders of goods, the customer may obtain control of the goods right from the point of their manufacture. Revenues from these contracts are recognised as the goods are manufactured. The Group's assessment indicates that this means that revenues and certain expenses attributable to these revenues are recognised over time, i.e. before the goods are delivered to the customer, which is in accordance with how this type of delivery was also treated in the past, and consequently no change in the accounting principles arise in this regard.

The Group plans to introduce IFRS 15 retroactively, with the combined effect of the transition reported on the first day of its application, i.e. 1 January 2018. The Group does not estimate that the transition will have any impact.

### New IFRSs that the Company has not yet started to apply
IFRS 16 is the new standard on accounting for leases that will replace IAS 17. IFRS 16 will apply to financial years starting 1 January 2019. IFRS 16 was adopted by the EU in September 2016. The Company has not yet begun to assess the impact of IFRS 16, but given the current level of leasing it can be concluded that the Company's assets and liabilities can be expected to increase. However, the Company does not believe that this should have a material impact on its financial statements, assuming that the level of leasing activity does not significantly change.

Other new and amended standards with future application are not expected to have any material effect on the Company's financial statements.

### Classification
Non-current assets primarily comprise amounts that are expected to be recovered or settled subsequent to 12 months from the reporting date while current assets primarily comprise amounts that are expected to be recovered or settled within 12 months of the reporting date. Noncurrent liabilities consist primarily of amounts that the Company as of the reporting period have an unconditional right to choose to pay more than twelve months after the reporting period. If the Company does not have such a right at the end of the reporting period – or if the liability is held for trading or the liability is expected to be settled within the normal operating cycle – the liability is reported as a current liability.

### Basis for preparation of the accounts
The consolidated accounts are based on historical acquisition values, with the exception of some financial assets which are carried at fair value (available-for-sale financial assets and financial assets and liabilities carried at fair value through profit or loss for the year).

The BioInvent Group consists of the Parent Company, BioInvent International AB, and the wholly owned subsidiary BioInvent Finans AB. The consolidated financial statements are prepared using the acquisition method. Accordingly, shareholders' equity in the subsidiary is entirely eliminated upon acquisition. The Group's equity consists of the equity in the Parent Company and the equity in the subsidiary accrued after the acquisition.

### Segment reporting
BioInvent's executive officers, Board and management team monitor and manage the Company's operations based on the financial results and position at the consolidated level without dividing the business into segments. BioInvent develops antibodybased drugs. The Company's risks and opportunities are mainly affected by the progress of the projects. The Company engages in integrated activities, in which the projects are considered to carry similar risks and opportunities, and there is there therefore only one business segment, which is apparent in the consolidated income statement, balance sheet, cash flow statement and the notes associated with these.

The Company's revenues originate from different geographic areas; however, the Company's risks and opportunities in these geographic areas are similar. All sales take place through the Company's own sales organization in Sweden.

### Revenue recognition
BioInvent's net revenues consist of:
- revenues from collaboration agreements associated with outlicensing of proprietary projects
- revenues from technology licenses and
- revenues from external development projects.

Revenue is reported at the actual value of what has been received or will be received. Revenues are recognised to the extent that it is likely that financial benefits will arise for the Company, and revenues can be calculated reliably.

*Revenue from collaboration agreements associated with outlicensing of proprietary projects* consist of initial license fees, milestone payments and remuneration for development work as well as future royalties on sales of the medication. Initial license fees (upfront payments) are received at the time of signing of the agreement. These payments are recognized as revenue in their entirety when the collaboration agreement is signed provided that BioInvent have met all obligations in accordance with the agreement. Milestone payments are received when the outlicensed drug project passes essential steps in the development process, such as the start of different clinical phases. Milestone payments are recognised as revenue when all terms and conditions of the agreement are met. Payment for development work in conjunction with collaboration agreements is recognised as revenue as the work is completed. Future royalty revenues are recognized based on the economic substance of the agreements.

*Revenues from technology licenses* refers to access fees for a technology, annual fees for the license, milestone payments and future royalties on the sale of products developed under the license. Access fees for technology are recognised as revenue when all obligations of the agreement are met.

BioInvent also carries out *external development projects* such as developing antibody candidates, process development and antibody manufacturing. In such agreements BioInvent receives ongoing compensation for work carried out and in connection with agreements for developing antibody candidates from the n-CoDeR antibody library also milestone payments as well as future royalties on product sales. Revenues and expenses as well as profit and loss are reported in the accounting period during which the work is carried out. If a risk of loss is deemed to exist, individual provisions are performed on an ongoing basis.

*Government grants* are recognised as accrued income when it is reasonable to assume that the grant will be received and that the criteria associated with the grant will be met. Grants are recognised as revenue through profit for the year under "Other operating revenues" against the incurred project costs for which the grant was received.

*Interest income* is recognised in the period to which it relates based on the effective interest method. Effective interest is the interest that results in the present value of all future payments during the fixed interest term being equivalent to the carrying amount of the asset. Interest income is reported as financial income, see note 11.

### Research and development costs

Research costs are expensed as they occur. Costs for development of new products are not capitalized, unless the criteria in IAS 38 have been met. Since the Company's drug projects are quite a long time away from being registered as products that can be sold and thereby generate a financial gain for the Company, no costs for development of products are capitalized, i.e. no intangible assets developed by BioInvent have been capitalized.

### Remuneration to employees

**Short-term remuneration**

The Company reports short-term remuneration to employees as a cost during the period that the employee carries out the work for which he/she is being compensated.

**Compensation after end of employment**

For employees in Sweden the ITP 2 plan's defined benefit pension commitment for retirement and family pension is insured through Alecta. According to a statement issued by the Swedish Financial Reporting Board, "UFR 3 Classification of ITP plans financed by insurance in Alecta," this is a defined benefit plan that covers several employers. For the 2017 financial year, the Company did not have access to the information necessary to report this proportional portion of the plan's commitments, plan assets and costs, and as a result it was not possible to report this as a defined benefit plan. The ITP 2 pension plan secured by an Alecta insurance is therefore reported as a defined contribution plan. The premiums for defined benefit retirement and family pension plans is individually calculated and depends, among other things, on salary, pension earned previously and the anticipated remaining term of service. The anticipated premiums for the next reporting period for the ITP 2 pension plans covered by Alecta amount to SEK 2.2 million (2017: 2.1). The Group has determined that this portion of the total premiums for the plan and the Group's portion of the total number of active members in the plan are insignificant.

The collective consolidation level consists of the market value of Alecta's assets expressed as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which do not correspond with IAS 19. The collective consolidation level should normally be permitted to vary between 125 and 155 percent. If Alecta's collective consolidation level is less than 125 percent or exceeds 155 percent, steps are to be taken to create the necessary conditions for the consolidation level to return to the normal interval. In the case of low consolidation, one possible measure would be to raise the agreed price for taking out a new policy and increasing existing benefits. In the case of high consolidation, one possible measure would be to introduce premium deductions. At the end of 2017 Alecta's surplus in the form of the collective consolidation level was 154 percent (149).

**Compensation in connection with notice of termination**

Compensation in connection with termination of employment is reported as a cost where the Company is obliged to prematurely terminate an employee's employment.

**Share-related compensation**

A share option programme allows the employees to acquire shares in the Company. The fair value of options allotted is recognised as a personnel cost, with a corresponding increase in equity. The fair value is calculated at the time of allotment and distributed over the vesting period.

The cost reported corresponds to the fair value of an estimate of the number of options expected to vest, taking into consideration terms of service, performance and market conditions. This cost is adjusted in subsequent periods so that it finally reflects the actual number of options vested. However, it is not adjusted when forfeiture is due only to the conditions relating to the market not being fulfilled.

Social security charges relating to equity-related instruments are expensed over the vesting periods for the options. The provision for social security charges is based on the fair value of the options on the reporting date.

### Disclosure of related party transactions

For information about benefits to senior executives, see note 4. The Company has, in accordance with the decision of the Annual General Meeting 2015 decided to implement a retention bonus programme which for a three year period may amount to a maximum of 100 percent of the fixed salary for a year. Otherwise there are no transactions with related parties, in accordance with IAS 24, to report.

### Leasing

The Group's leasing agreements have been categorized as operational leases. Leasing charges are expensed in the income statement over the period of the lease based on usage.

### Taxes

Deferred tax shall be reported in the balance sheet, which means that deferred tax is calculated for all identified temporary differences between, on the one hand, the fiscal value of assets and liabilities, and on the other hand, their reported value.

### Intangible fixed assets

Externally acquired technology licenses that can be used broadly in the operation have been capitalized. These technology licenses supplement the proprietary technology platform where they are expected to offer competitive advantages. Cash payment for the acquisitions is capitalized taking into account the fact that a market value exists since the price was arrived at through negotiation between two independent parties. Intangible assets have a finite useful life and are stated at cost less accumulated amortisation and impairment losses, if any. Such intangible assets are amortised over their estimated useful lives. The useful life assigned to an asset is evaluated on an ongoing basis and changed if necessary. However, the Company is conservative in its estimate of the usage period of acquired intangible assets, taking into account the constant, rapid development within the biotech industry. Such assets are therefore amortised over a period of up to 5 years.

### Tangible fixed assets
Tangible fixed assets are valued at the acquisition value less accumulated depreciation. Tangible fixed assets are depreciated or amortised according to the straightline method over the expected useful life of the assets. The useful life assigned to an asset is evaluated on an ongoing basis and changed if necessary.

Depreciation/amortisation according to plan is as follows:

| | |
|---|---|
| Equipment | 5 years |
| Investments in rented premises | 5–10 years |

### Inventories
Inventories are valued according to the lowest value principle and the first in, first out (FIFO) method. This means that the inventories are reported at the lowest of the acquisition value according to the FIFO method and the actual value.

### Impairment
The carrying amounts of the Group's assets are tested for impairment if there is indication of impairment.

**Impairment test of tangible and intangible assets and shares in subsidiaries, etc.**
If there is any indication of impairment, the asset's recoverable value is calculated according to IAS 36 (see below). The estimated recoverable amount is assessed annually for intangible assets with an indefinite useful life and intangible assets that are not yet ready for use. If it is not possible to establish material independent cash flows for an individual asset, when assessing these assets the impairment requirement will be grouped at the lowest level at which it is possible to identify material independent cash flows (a so-called cash generating unit). Taking into account the specific nature of the business, BioInvent regards the entire business as one cash generating unit.

A significant portion of the reported assets is used to generate the Company's total cash flow. Accordingly, if an asset cannot be assessed separately, it will be assessed with all assets included in the cash-generating unit. Impairment is indicated when the reported value of an asset or cash-generating unit (group of units) exceeds the recovery value. An impairment loss is recognised in the income statement.

The recoverable amount is the higher of fair value less selling expenses and value in use. When calculating value in use, the future cash flow is discounted by a discounting factor which takes into consideration risk-free interest and the risk associated with the specific asset.

**Impairment testing for financial assets**
On each reporting date, the Company evaluates whether there is objective evidence that a financial asset or pool of assets is impaired. Objective evidence comprises observable conditions that occurred and that have a negative impact on the possibility of recovering the cost of the asset.

The recoverable amount of assets in the category loan receivables and accounts receivables, which are recognised at amortised cost, is determined as the present value of future cash flows discounted at the effective rate at initial recognition of the asset. Assets with short maturities are not discounted. An impairment loss is recognised in the income statement. Impairment losses on available-for-sale financial assets are recognized though profit or loss for the year in "Net financial items".

**Reversal of impairment losses**
An impairment loss is reversed if there is an indication that the need for impairment no longer exists and there has been a change in the estimates used to determine the asset's recoverable amount.

An impairment loss is only reversed if the asset's reported value after reversal does not exceed the reported value that the asset would have had if the impairment loss had not been made.
Impairment losses of loan receivables and accounts receivables that are reported at amortised cost are reversed if a later increase in the recoverable amount can objectively be attributed to an event that occurred after the impairment loss was made.

### Provisions
A provision differs from other liabilities in that there is uncertainty concerning the time of payment or the sum required for settlement. A provision is recognised in the statement of financial position when there is an existing legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are made in the amount that represents the best estimate of funds needed to settle the existing obligation on the closing day. Where the effect of when a payment is made is significant, provisions are calculated by means of discounting the anticipated future cash flow at an interest rate before tax which reflects current market assessments of the time value of money and, where applicable, the risks linked with the liability.

### Restructuring
A provision for restructuring is recognised where there is an established detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

### Transactions in foreign currencies
The consolidated financial statements are presented in Swedish kronor, which is the Company's functional and reporting currency. Transactions in foreign currencies are translated when they are entered in the accounts into the reporting currency, according to the spot rate on the transaction day. Receivables and liabilities in foreign currencies have been translated at the closing day exchange rate. Exchange rate gains and losses on operating receivables and liabilities are charged to the operating profit/loss. Gains and losses on financial receivables and liabilities are reported as financial items.

### Financial Instruments
A financial instrument is any contract that gives rise to a financial asset, financial liability, or equity instrument in another company. For BioInvent this encompasses liquid funds, current investments, accounts receivables, other receivables, accounts payables, other liabilities, accrued expenses and derivative instruments. Liquid funds consist of cash and bank balances, as well as short term investments with maturity shorter than 3 months. Current investments consist of investments with maturity longer than 3 months, but no longer than 12 months.

**Recognition of financial instruments**
A financial asset or a financial liability is reported in the balance sheet when the Company becomes a party to the instrument's contractual terms and conditions. Accounts receivables are recognised in the balance sheet when an invoice is sent. A liability is recognised when the counterparty has performed under the agreement and there is a contractual obligation to settle, even if no invoice has been received. Accounts payables are recognized when an invoice has been received. A financial asset is derecognized from the balance sheet when the rights in the agreement are fulfilled, due, or the Company loses control of them. The same applies to part of a financial asset. A financial liability is derecognised in the balance sheet when the obligations of the contract have been met or otherwise concluded. The same applies to part of a financial liability. Acquisitions and disposals of financial assets are recognized on the date of the transaction, which is the date on which the Group undertakes to acquire or divest the asset.

**Classification and measurement of financial instruments**
The classification depends on the acquirer's intention with the acquisition of the financial instrument. Financial assets and liabilities are classified in the following categories.

*Financial assets carried at fair value through profit or loss for the year*
This category consist of two sub-categories: financial assets held for trading and other financial assets that the Company initially decided to classify in this category. A financial asset is classified as held for trading if it is acquired for the purpose of selling in the near term. Example of assets classified in this category is derivatives with positive values. Assets in this category are measured on an ongoing basis at fair value and changes in value are recognised through profit or loss for the year.

*Loan receivables and accounts receivables*
Loan receivables and accounts receivables are financial assets that are not derivatives with fixed payments or with determinable payments that are not quoted on an active market. Assets in this category are valued at amortised cost. The amortised cost is determined based on the effective interest calculated at the time of acquisition. Assets with short maturities are not discounted. Accounts receivables are reported at the amount expected to be received and are individually assessed. Impairment losses on accounts receivables are recognised in operating expenses. Other receivables with an expected maturity of more than one year are classified as noncurrent. Those with shorter maturities are classified as other receivables

*Available-for-sale financial assets*
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the three aforementioned categories. An example of assets that are classified in this category is interestbearing securities. Assets in this category are continuously valued at fair value and are included in other comprehensive income.

*Financial liabilities recognised at fair value through profit or loss for the year*
This category consists of financial liabilities held for trading, such as derivatives with negative values. Liabilities in this category are continuously valued at fair value with changes in value recognised through profit or loss for the year.

*Other financial liabilities*
This category includes loans and other financial liabilities, such as accounts payables. Liabilities are valued at amortised cost. Accounts payables have a short expected maturity and are valued without discounting at a nominal amount. Noncurrent liabilities have an expected maturity longer than one year, while current liabilities have a maturity shorter than one year.

**Hedge accounting**
Currency forward contracts are used to hedge receivables or liabilities against exchange rate risk. Both the underlying receivable or liability and the currency forward contract are reported at the exchange rate on the balance sheet date and exchange rate differences are recognised through profit or loss for the year. There is therefore no need for any special hedge accounting in the financial statements to reflect the financing hedging. Exchange rate differences on receivables and liabilities relating to operations are recognised in "Operating profit/loss," while exchange rate differences on financial receivables and liabilities are recognised in "Net financial items".

## Note 2 Judgements and estimates in the financial statements

Preparing financial reports according to IFRS requires that management makes judgements and estimates as well as assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual outcomes may differ from these judgements and estimates. Estimates and assumptions are reviewed periodically. Changes to estimates are recognised in the period when the change is made if the change only affected that period. If the change affects current and future periods, it is recognised in the period when the change is made and in future periods.

Critical estimates and judgments made in applying the Company's accounting policies are described below.

### Financing
Based on the fact that future, new clinical studies are expected to involve considerable cost, BioInvent's activities relating to these studies are expected to continue cause negative cash flows to accrue until the Company generates annual revenues on an ongoing basis from products on the market. The capital requirement is financed through (i) revenues from collaboration agreements associated with outlicensing of proprietary projects, (ii) revenues from technology licenses, (iii) revenues from external development projects and, (iv) shareholders' equity. Failure to secure such financing could negatively affect the Company's business, financial position and operating income. The Board of Directors and Senior Management regularly assess the Company's capital requirements.

### Recognition of revenues
The Company's recognition of revenues require judgments by management whether important contract terms have been met when milestone payments are received, the timing of revenue recognition of license fees and external development and manufacturing services, as well as possibilities to receive payment of invoiced receivables.

## Note 3 Net revenues, fixed assets and investment activities

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | **2017** | **2016** | **2017** | **2016** |
| **Net revenues** | | | | |
| Sweden | 23,575 | 2,070 | 23,575 | 2,070 |
| Europe | 1,693 | - | 1,693 | - |
| Other countries | 19,746 | 69,214 | 19,746 | 69,214 |
| **Total** | **45,014**[1)] | **71,284**[2)] | **45,014**[1)] | **71,284**[2)] |
| **Fixed assets** | | | | |
| Sweden | 19,246 | 5,648 | 19,246 | 5,648 |
| **Investment activities** | | | | |
| Sweden | 16,478 | 5,322 | 16,478 | 5,322 |

Revenues in 2017 are mainly from four collaboration partners and revenues in 2016 are mainly from five collaboration partners.
1) Whereof SEK 4,806 thousand in milestone payments. Other revenues relate to research funding and external development projects.
2) Whereof SEK 48,698 thousand in initial license fees and milestone payments. Other revenues relate to external development projects.

## Note 4 Salaries, other remuneration and social security etc

| | 2017 | | 2016 | |
|---|---|---|---|---|
| SEK thousand | Salaries and other remuneration | Social security costs (of which pension costs) | Salaries and other remuneration | Social security costs (of which pension costs) |
| Parent Company | 39,481 | 17,389 (7,041) | 36,618 | 14,779 (5,574) |
| Subsidiaries | - | - | - | - |
| **Group total** | **39,481** | **17,389 (7 041)** | **36,618** | **14,779 (5,574)** |

**Salaries and other remuneration distributed between the Board of Directors, the CEO and other employees**

| | 2017 | | 2016 | |
|---|---|---|---|---|
| SEK thousand | Board and CEO[1)] | Other employees | Board and CEO[1)] | Other employees |
| Parent Company | 6,354 (1,077) | 33,127 | 4,685 (987) | 31,933 |
| Subsidiaries | - | - | - | - |
| **Group total** | **6,354** | **33,127** | **4,685** | **31,933** |

1) Whereof variable remuneration incl. retention bonus.

**Pension costs distributed between the Board of Directors, the CEO and other employees**

| | 2017 | | 2016 | |
|---|---|---|---|---|
| SEK thousand | Board and CEO | Other employees | Board and CEO | Other employees |
| Parent Company | 942 | 6,099 | 574 | 5,000 |
| Subsidiaries | - | - | - | - |
| **Group total** | **942** | **6,099** | **574** | **5,000** |

### Benefits for senior executives

**Principles**

The Annual General Meeting resolves on remuneration for Board Members, including remuneration for committee work, based on the proposal from the Nominating Committee.

Benefits for CEO and other senior executives were determined in accordance with the 2017 Annual General Meeting. The Board determines the fixed salary of the CEO annually. The Board's Remuneration Committee determines the fixed salary of other senior executives annually. In addition to a fixed salary, variable remuneration may be payable according to the incentive scheme described below.

BioInvent's programme for variable remuneration for the CEO and other senior executives is performance-related and can amount to 0–30 percent of the fixed annual cash salary. The performance related components in the current programme, for the period 1 January – 31 December 2018, are based primarily on high expectations for technical and commercial milestones in proprietary drug projects. The Board of Directors resolved in January 2018 to pay SEK 416 thousand to CEO Michael Oredsson and SEK 880 thousand to other senior executives for the period 1 January – 31 December 2017. Variable remuneration is pensionable income.

The Company provides a retention bonus for the period 1 July 2015 to 30 June 2018. During the three-year period the maximum bonus can amount to 100 percent of the fixed salary for one year, which will be paid out after the bonus period has ended. Participation in the programme requires acquisition of BioInvent shares to be held during the three-year period. The cost for the CEO Michael Oredsson was SEK 661 thousand for 2017 and the cost for other senior executives was SEK 643 thousand.

In addition, the CEO and other senior executives are covered by an employee stock option incentive programme, described on page 47.

**Remuneration and other benefits in 2017**

| SEK thousand | Fixed salary/ fees | Board and committee fees[2)] | Variable remuneration incl. retention bonus | Other benefits | Salary exchange | Pension costs | Total |
|---|---|---|---|---|---|---|---|
| **Board and CEO** | | | | | | | |
| Björn O. Nilsson, Chairman | | 289 | | | | | **289** |
| Dharminder Chahal, member | | 169 | | | | | **169** |
| An van Es Johansson, member | | 129 | | | | | **129** |
| Lars Ingelmark, member | | 179 | | | | | **179** |
| Vincent Ossipow, member | | 129 | | | | | **129** |
| Niklas Prager, member | | 169 | | | | | **169** |
| Michael Oredsson, CEO | 4,141 | | **1,077** | 72 | | 942 | **6,232** |
| | **4,141** | **1,064** | **1,077** | **72** | | **942** | **7,296** |
| Other senior executives (5 individuals) | 6,321 | | 1,523 | 225 | 515 | 1,566 | **10,150** |
| **Total** | **10,462** | **1,064** | **2,600** | **297** | **515** | **2,508** | **17,446** |

2) All Board members decided to participate in Board Share Programme 2017, described on page 47.

**Remuneration and other benefits in 2016**

| SEK thousand | Fixed salary/ fees | Board and committee fees | Variable remuneration incl. retention bonus | Other benefits | Salary exchange | Pension costs | Total |
|---|---|---|---|---|---|---|---|
| **Board and CEO** | | | | | | | |
| Björn O. Nilsson, Chairman | | 400 | | | | | **400** |
| An van Es Johansson, member | | 160 | | | | | **160** |
| Lars Ingelmark, member | | 210 | | | | | **210** |
| Leonard Kruimer, member | | 180 | | | | | **180** |
| Martin Nicklasson, member | | 200 | | | | | **200** |
| Birgitta Stymne Göransson, member | | 180 | | | | | **180** |
| Vincent Ossipow, member | | 200 | | | | | **200** |
| Michael Oredsson, CEO | 2,068 | | 987 | 100 | | 574 | **3,729** |
| | **2,068** | **1,530** | **987** | **100** | | **574** | **5,259** |
| Other senior executives (5 individuals) | 5,567 | | 1,700 | 228 | 920 | 1,679 | **10,094** |
| **Total** | **7,635** | **1,530** | **2,687** | **328** | **920** | **2,253** | **15,353** |

### Benefits for the Board and CEO

The Board's fees were set by the 2017 Annual General Meeting to SEK 525 thousand to the Chairman of the Board and SEK 235 thousand to each of the other Board members, who are not employed by the Company. In connection hereby it was resolved that the fees for Board members who elect to not participate in the Board share programme resolved by the general meeting shall amount to SEK 400 thousand to the Chairman of the Board and SEK 160 thousand each to the other members of the Board (unchanged). In addition hereto, the AGM resolved on fees for committee work in the amounts of SEK 50 thousand to the Chairman of the Audit Committee, SEK 40 thousand to each of the other members of the Audit Committee and that no fee for work in the Remuneration Committee shall be paid. Fee for committee work shall not be paid to the Chairman of the Board.

Michael Oredsson, CEO and President, has received a fixed gross cash salary of SEK 4,141 thousand (of which SEK 2,064 thousand relating to dismissal and severance pay) and SEK 1,077 thousand in variable remuneration including retention bonus, as well as SEK 72 thousand in other benefits. The total cost for Michael Oredsson's pension benefits amounted in 2017 to SEK 942 thousand (of which SEK 274 thousand relate to pension costs on dismissal pay) and he is covered by the prevailing ITP plan. Retirement age is 65. The CEO and the Company have a mutual period of notice of six months. If notice is given by the Company, the CEO is entitled to redundancy pay equivalent to 6 monthly salaries. Redundancy pay is not deducted from other income. If the CEO resigns, no redundancy pay is payable. The CEO received an allotment of 113,852 options in January 2018.

### Benefits for other senior executives

Other senior executives are the individuals who, in addition to the CEO, are part of senior management. The retirement age for these senior executives is 65 and they are covered by the prevailing ITP plan. Employees residing outside Sweden, or who are foreign nationals and have their main pension in a country other than Sweden, may be offered other pension solutions that are reasonable in the relevant country, provided that the solution is a defined contribution pension plan. The Company and the other senior executives have a mutual period of notice of six months. Other senior executives are not entitled to redundancy pay over and above the payment of salaries during the period of notice.

Other senior executives received a fixed gross cash salary in 2017 of SEK 6,836 thousand (whereof SEK 1,382 thousand post-employment). SEK 515 thousand has been exchanged from gross cash salary to pension costs. SEK 1,523 thousand was received in variable remuneration (including retention bonus), as well as SEK 225 thousand in other benefits. The total pension costs relating to other senior executives in 2017 amounted to SEK 1,566 thousand (whereof SEK 125 thousand post-employment). Other senior executives received an allotment of 199,123 options in January 2018.

**Average number of employees**

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Number of employees | Of which women | Number of employees | Of which women |
| Parent Company | 53 | 67 % | 46 | 65 % |
| Subsidiaries | - | - | - | - |
| **Group total** | 53 | 67 % | 46 | 65 % |

**Percentage of women/men on the Board and in senior positions**

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Number[1)] | Of which women | Number[1)] | Of which women |
| Board and CEO | 9 | 33 % | 10 | 40 % |
| Other senior executives | 4 | 0 % | 5 | 20 % |

1) Number on 31 December.

### Employee Incentive Programme 2013/2017

The 2013 Annual General Meeting voted in favour of establishing a new, long-term employee incentive programme involving the allotment of a maximum of 900,000 employee options free of charge to all Group employees. Under the programme 225,513 employee options have been allotted. The last date to exercise was 1 December, 2017. No employee stock options were called for redemption.

| Employee stock option plan 2013/2017 | 2016 | 2015 | 2014 |
|---|---|---|---|
| Allotted options | 50,250 | 74,516 | 100,747 |
| Fair value per option (SEK) | 0.51 | 0.48 | 1.00 |
| Share price for underlying shares (SEK) | 2.69 | 2.58 | 3.30 |
| Subscription price (SEK) | 3.04 | 3.31 | 3.48 |
| Estimated life of the option | 1.79 year | 2.79 year | 3.78 year |
| Risk-free interest rate during the life of the option | -0.51 % | -0.15 % | 1.10 % |
| Assumed volatility | 40 % | 40 % | 40 % |
| Expected dividends | - | - | - |
| Wage costs in 2017 for employee stock option programme (SEK thousand) | -15 | -12 | -17 |
| Wage costs in 2016 for employee stock option programme (SEK thousand) | 24 | 12 | 22 |
| Wage costs in 2015 for employee stock option programme (SEK thousand) | | 71 | 34 |
| Wage costs in 2014 for employee stock option programme (SEK thousand) | | | 45 |

In 2017 wage costs for Employee Incentive Programme 2013/2017 increased operating profit by SEK 44 thousand. In 2016 wage costs for Employee Incentive Programme 2013/2017 had a negative impact on operating profit by SEK 58 thousand. The programme expenses refer to both the estimated cost of the value of the employees' service during the period, valued at market value at the time of the allocation, and the portion of the estimated social security fees earned during the period.

### Subscription Warrants Programme 2016/2019

The 2016 Annual General Meeting resolved to adopt an incentive programme for the Company's employees in the form of a subscription warrants programme. Under the programme 957,571 subscription warrants have been transferred with a maximum dilution effect of approximately 0.3 percent.

The programme includes all employees except the CEO and other senior executives comprised by the retention bonus programme implemented in 2015. The subscription warrants are transferred at market value and each employee may be allotted a maximum of 50,000 subscription warrants. 855,000 subscription warrants were transferred to SEK 0.56 per subscription warrant in the second quarter 2016 and 102,571 subscription warrants were transferred to SEK 1.05 per subscription warrant by the end of December 2016. Subscription of shares by exercise of subscription warrants shall take place during the period from and including 1 July 2019 up to and including 1 December 2019. The subscription price per share shall be SEK 2.81. As part of the incentive programme, participants who remain in their employment with the Company as per 1 June 2019 receive a stay-on bonus corresponding to two times the amount paid for the acquired subscription warrants, however no more than SEK 60,000.

### Board Share Programme 2017

The 2017 Annual General Meeting resolved to adopt a Board share programme for the members of the Board, whereby the members of the Board who wish to participate in the programme are allocated 45 per cent of the basic fee for the Board assignment in the form of shares in BioInvent to a number that at the time of allocation in terms of value is equivalent to 45 percent of the fee. The resolution includes a directed issue of a maximum of 900,000 warrants (corresponding to approximately 0.3 percent of the total number of shares and votes in the Company) and approval of transfer or warrants in order to secure the fulfilment of the Company's obligations under the programme. Subscription of shares by virtue of the warrants shall be made no later than 30 July 2018 and the subscription price per share shall amount to the share's quota value (presently SEK 0.08).

Alla Board members decided to participate in Board Share Programme 2017.

### Option Programme 2017/2020

The 2017 Annual General Meeting resolved to adopt a long-term incentive programme in the form of an option programme comprising management and other key persons, entailing a directed issue of maximum of 7,117,000 warrants (corresponding to approximately 2.3 percent of the total number of shares and votes in the Company) and approval of transfer of warrants to secure the fulfilment of the Company's obligations under the programme and social security charges. The programme means that the participants may be allotted a maximum of 5,650,000 warrants depending on performance and the Company's long-term value growth. Each option entitles the holder to subscribe for one new share in BioInvent during the period from the day of release of the Company's year-end report for the financial year 2019 up to and including 15 December 2020. The subscription price per share shall be SEK 3.00.

Employees will vest 50 percent of the options based on performance during each of the financial years 2017, 2018 and 2019, and 50 percent based on the Company's long-term value growth during the term of the programme. The performance criteria for the participants shall be based on the same criteria as for the annual bonus, which principally are based on fixed technical milepost-criteria in projects, criteria for development of the project portfolio and other pre-determined criteria attributable to the business. The outcome criteria for the Company's long-term value growth are that the Company's market cap shall be at least three times as large during the period 1 July – 31 December 2019, calculated as an average in the same manner as the Subscription Price, in comparison with the market cap during the measure period for determination of the Subscription Price, calculated correspondingly. Allotment shall be proportional in relation to the period of employment during the year in question.

Vesting for other key persons shall amount to one third for each of the financial years 2017-2019 and be based on the assessment by the Board as to whether and to what extent the relevant person has contributed positively to the fulfilment of goals to be achieved by the relevant person and to the general development of the Company during the respective financial year.

The programme has been implemented in the third quarter and includes currently 10 persons. BioInvent has during the third quarter of 2017, under the terms of the programme, issued 7,117,000 warrants in BioInvent to the subsidiary BioInvent Finans AB, as security for the Company's fulfillment of the delivery of shares when options are exercised and liquidity for payment of social security contributions. Allotment of 591,759 options took place in January 2018.

The fair value of the options was determined using the Black & Scholes valuation model in relation to the performance criteria and the Monte Carlo model in relation to the value growth criteria. These measurement models are considered to provide a fair representation of the value for the options. The data below has been used for the calculation.

| Option Programme 2017/2020 | 2017 |
|---|---|
| Allotted options | 591,759 |
| Fair value per option (SEK), Black & Scholes-model | 0.58 |
| Fair value per option (SEK), Monte Carlo-model | 0.25 |
| Share price for underlying shares (SEK) | 2.30 |
| Subscription price (SEK) | 3.00 |
| Estimated life of the option | 3.13 year |
| Risk-free interest rate during the life of the option | -0.52 % |
| Assumed volatility | 50 % |
| Expected dividends | - |
| Wage costs in 2017 for employee stock option programme (SEK thousand) | 360 |

In 2017 wage costs for Option Programme 2017/2020 had a negative impact on operating profit by SEK 360 thousand. The programme expenses refer to both the estimated cost of the value of the employees' service during the period, valued at market value at the time of the allocation, and the portion of the estimated social security fees earned during the period. BioInvent will pay social security fees on the gain that may result from the exercise of the employee options, estimated as the difference between the subscription price of the employee stock option and the market value of the shares.

## Note 5 Information about auditors' fees

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| **KPMG** | | | | |
| Audit | 295 | 295 | 295 | 295 |
| Other auditing activities besides the audit | | 4 | | 4 |
| Other services | 43 | 102 | 43 | 102 |
| **Total** | **338** | **401** | **338** | **401** |

Audit refers to the statutory audit of the financial statements, the accounting records and the administration of the business by the Board of Directors and the Chief Executive Officer, and auditing and other review procedures performed in accordance with agreements or contracts. This includes other procedures required to be performed by the Company's auditors as well as other services caused by observations during the performance of such examination and other procedures.

## Note 6 Depreciation and impairment losses according to plan of intangible and tangible fixed assets

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| Research and development costs | 2,871 | 940 | 2,871 | 940 |
| Sales and administrative costs | 9 | 56 | 9 | 56 |
| **Total** | **2,880** | **996** | **2,880** | **996** |

Depreciation of intangible and tangible assets is included in the items in the income statement as indicated above. Depreciation of intangible fixed assets amounted to SEK - thousand (-) and impairment losses amounted to SEK - thousand (-).

## Note 7 Operational leasing

Leasing charges are for laboratory, production and office premises and is primarily included in research and development costs. Leasing costs in 2017 and 2016 amounted to SEK 7,253 thousand (6,686) for the Group and the Parent Company. The table below shows the minimum lease payments for non-cancellable operational leasing agreements.

| SEK thousand | Group | Parent Company |
|---|---|---|
| Payments due: | | |
| Year 2018 | 7,578 | 7,578 |
| Year 2019–2022 | 7,087 | 7,087 |
| Year 2023 or later | - | - |
| **Total** | **14,665** | **14,665** |

## Note 8 Income statement classified according to type of cost

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| External costs | 87,171 | 82,273 | 87,171 | 82,273 |
| Personnel costs | 58,935 | 51,923 | 58,935 | 51,923 |
| Depreciation | 2,880 | 996 | 2,880 | 996 |
| **Total** | **148,986** | **135,192** | **148,986** | **135,192** |

## Note 9 Exchange rate differences that affected profit/loss for the period

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| Exchange rate differences that affected the operating profit/loss | -19 | -113 | -19 | -113 |
| Financial exchange rate differences | -25 | 239 | -25 | 239 |
| **Total** | **-44** | **126** | **-44** | **126** |

## Note 10 Other operating revenues and costs

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| **Other operating revenues** | | | | |
| Financial support from the EU's framework programme | 1,617 | 671 | 1,617 | 671 |
| Insurance compensation | 1,745 | 500 | 1,745 | 500 |
| Exchange rate gains | 128 | 79 | 128 | 79 |
| | **3,490** | **1,250** | **3,490** | **1,250** |
| **Other operating costs** | | | | |
| Interest costs | -3 | -9 | -3 | -9 |
| Exchange rate losses | -147 | -192 | -147 | -192 |
| | **-150** | **-201** | **-150** | **-201** |
| **Total** | **3,340** | **1,049** | **3,340** | **1,049** |

In 2016 and 2017 financial support from the EU's framework programme was reported for early research projects.

## Note 11 Financial revenues

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| Interest income | 130 | 34 | 130 | 34 |
| Exchange rate differences | 26 | 256 | 26 | 256 |
| **Total** | **156** | **290** | **156** | **290** |

## Note 12 Financial costs

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| Interest costs | -1 | -0 | -1 | -0 |
| Exchange rate differences | -51 | -18 | -51 | -18 |
| **Total** | **-52** | **-18** | **-52** | **-18** |

## Note 13 Tax on profit for the year

| **Tax on profit for the year** | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| Current tax on profit for the year | 0 | 0 | 0 | 0 |
| Deferred taxes relating to temporary differences | 0 | 0 | 0 | 0 |
| **Reported tax on profit for the year** | **0** | **0** | **0** | **0** |

| **Reconciliation of effective tax** | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| Reported profit/loss before tax | -100,528 | -62,587 | -100,528 | -62,587 |
| Tax according to the applicable tax rate, 22.0 % | 22,116 | 13,769 | 22,116 | 13,769 |
| Tax effect of costs that are not deductible | -207 | -123 | -207 | -123 |
| Tax effect of loss carry forward for which the deferred tax claim has not been/shall be considered | -21,909 | -13,646 | -21,909 | -13,646 |
| **Reported tax on profit/loss for the year** | **0** | **0** | **0** | **0** |

There are no substantial deferred taxes that relate to temporary differences as of 31 December 2017. Deferred tax assets relating to unutilised loss carry-forwards and deductible temporary differences are only reported if it is likely that they will be utilized against future taxable earnings. The Group's accumulated unutilized loss carryforwards amounted to SEK 1,405 million as of 31 December 2017. It is unclear when these loss carry-forwards will be utilized for deduction against taxable earnings. Deferred income tax recoverable relating to loss carry-forward is therefore not reported at any value.

## Note 14 Earnings per share

| **Earnings per share before dilution** | | |
|---|---|---|
| SEK thousand | **2017** | **2016** |
| Profit/loss for the period | -100,528 | -62,587 |
| Average number of outstanding shares (thousand) | 304,695 | 247,962 |
| Earnings per share before dilution, SEK | -0.33 | -0.25 |

| **Earnings per share after dilution** | | |
|---|---|---|
| | **2017** | **2016** |
| Profit/loss for the period | -100,528 | -62,587 |
| Average number of outstanding shares (thousand) | 304,695 | 247,962 |
| Earnings per share after dilution, SEK | -0.33 | -0.25 |

Earnings per share before dilution is based on profit/loss for the year attributable to Parent Company shareholders and a weighted average of the number of outstanding shares. Diluted earnings per share is based on profit/loss for the year attributable to Parent Company shareholders and a weighted average of the number of outstanding shares plus the dilutive effects for potential shares. Subscription Warrants Programme 2016/2019 entitles the holder to acquire one new share in BioInvent for a subscription price of SEK 2.81. Option Programme 2017/2020 entitles the holder to acquire one new share in BioInvent for a subscription price of SEK 3.00.

An average share price of SEK 2.62 per share was used to determine whether a dilution effect exists for 2017. Subscription Warrants Programme 2016/2019 and Option Programme 2017/2020 have no dilution effect and are therefore excluded from the earnings per share after dilution calculation. The Company reported a loss for the period and accordingly there is no dilution effect. If in the future the share price exceeds the subscription price and the Company reports a profit, these options may lead to dilution.

## Note 15 Intangible fixed assets

| **Acquired intangible fixed assets** | **Group** | | **Parent Company** | |
|---|---|---|---|---|
| SEK thousand | **2017** | **2016** | **2017** | **2016** |
| Opening acquisition value | 29,291 | 47,885 | 29,291 | 47,885 |
| Acquisitions | - | - | - | - |
| Disposals | -8,229 | -18,595 | -8,229 | -18,595 |
| **Closing accumulated acquisition value** | **21,062** | **29,291** | **21,062** | **29,291** |
| Opening depreciation | -29,291 | -47,885 | -29,291 | -47,885 |
| Disposals | 8,229 | 18,595 | 8,229 | 18,595 |
| Depreciation for the year | - | - | - | - |
| **Closing accumulated depreciation and Impairment losses** | **-21,062** | **-29,291** | **-21,062** | **-29,291** |
| **Closing residual value according to plan** | **0** | **0** | **0** | **0** |

## Note 16 Tangible fixed assets

| Equipment | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| Opening acquisition value | 56,525 | 56,132 | 56,525 | 56,132 |
| Acquisitions | 16,487 | 1,515 | 16,487 | 1,515 |
| Disposals | -1,196 | -1,122 | -1,196 | -1,122 |
| **Closing accumulated acquisition value** | **71,816** | **56,525** | **71,816** | **56,525** |
| Opening depreciation | -54,505 | -54,856 | -54,505 | -54,856 |
| Disposals | 1,196 | 1,122 | 1,196 | 1,122 |
| Depreciation for the year | -2,120 | -771 | -2,120 | -771 |
| **Closing accumulated depreciation** | **-55,429** | **-54,505** | **-55,429** | **-54,505** |
| **Closing residual value according to plan** | **16,387** | **2,020** | **16,387** | **2,020** |

| Investments in rented premises | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| Opening acquisition value | 15,578 | 11,771 | 15,578 | 11,771 |
| Acquisitions | -9 | 3,807 | -9 | 3,807 |
| **Closing accumulated acquisition value** | **15,569** | **15,578** | **15,569** | **15,578** |
| Opening depreciation | -11,950 | -11,725 | -11,950 | -11,725 |
| Depreciation for the year | -760 | -225 | -760 | -225 |
| **Closing accumulated depreciation** | **-12,710** | **-11,950** | **-12,710** | **-11,950** |
| **Closing residual value according to plan** | **2,859** | **3,628** | **2,859** | **3,628** |

Tangible fixed assets are primarily equipment used in research and development. Investments in rented premises are primarily investments in rented production facilities.

## Note 17 Shares in subsidiaries

| | Co. reg. no. | Reg. office | Share of equity | Share of votes | Book value |
|---|---|---|---|---|---|
| BioInvent Finans AB | 556605-9571 | Lund | 100 % | 100 % | 687 |

BioInvent Finans AB administers warrants issued by BioInvent International AB.

| | Parent Company | |
|---|---|---|
| SEK thousand | 2017 | 2016 |
| Opening acquisition value | 687 | 100 |
| Shareholder contribution | | 587 |
| **Closing acquisition value** | **687** | **687** |

## Note 18 Prepaid expenses and accrued income

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | 2017 | 2016 | 2017 | 2016 |
| Prepaid rent | 1,767 | 1,734 | 1,767 | 1,734 |
| Other items | 4,022 | 3,418 | 4,022 | 3,418 |
| **Total** | **5,789** | **5,152** | **5,789** | **5,152** |

## Note 19 Financial risks

Responsibility for the Group's financial transactions and risks is managed by the Company's financial function. The objective is to provide cost-effective financing and to minimise negative effects on the Group's performance arising from market risks.

### Currency risks

Bioinvent's currency exposure increases as development projects are moved forward in the value chain. Costs of services such as toxicological studies and clinical trials increase. These services are often carried out abroad and are paid for in foreign currencies.

Currency flows in conjunction with the purchase and sale of goods and services in currencies other than SEK generate transaction exposure. Currency exposure is primarily eliminated by matching flows in the same currency. When matching of underlying receivables and liabilities is not possible, the currency exposure is eliminated through forward contracts.

In 2017 30 percent (69) of revenues were invoiced in foreign currencies, mainly USD and EUR. Around 43 percent (30) of costs in 2017 were invoiced in foreign currencies, mainly in GBP and EUR. Realised forward contracts for flows in 2017 had an effect on the operating income in the amount of SEK -0.6 (0.0) million. A sensitivity analysis shows that the Company's operating profit/loss in 2017 before hedging transactions would have been affected in the amount of SEK -0.2 million if the Swedish krona had weakened by 1 percent compared with GBP and in the amount of SEK -0.2 million if the Swedish krona had weakened by 1 percent compared with EUR.

### Interest risk

BioInvent's exposure to market risk for changes in interest levels is related to bank balances and corporate and bank certificates. To reduce the effect of the fluctuation in market interest rates, the excess liquidity is invested with different maturities so that the investments mature on a regular basis over the subsequent twelve-month period.

The average interest rate in 2017 was 0.1 percent (0.0). A change in the interest rate of 1 percent in 2017 would have affected the net interest income by SEK 1.9 million.

### Liquidity and credit risk

Liquidity risk is the risk of the Company experiencing difficulties, in future, in fulfilling its obligations associated with financial liabilities. The financial function provides the Board of Directors and management with ongoing liquidity forecasts.

Liquidity risk is minimized by liquidity planning and investment in financial instruments that can be redeemed at short notice. Only investments in interest bearing securities with low credit risk and high liquidity are permitted. There are also limitations in the amount that can be invested with an individual counterparty to avoid concentration of credit risk.

In accordance with the Company's financial policy excess liquidity is placed in bank accounts and invested in corporate and bank certificates with a K1 rating or equivalent. Corporate and bank certificates carry fixed interest rates and may have terms of up to one year.

BioInvent works with established and creditworthy counterparties. A credit assessment is carried out for all partners who will receive some form of credit. In addition, BioInvent monitors receivables on a constant basis. The Company's exposure to doubtful receivables has historically been very low.

## Note 20 Shareholders' equity

**Share capital**

| | Ordinary shares | |
|---|---|---|
| Thousands of shares | **2017** | **2016** |
| Issued as of 1 January | 304,695 | 162,919 |
| Rights issue and directed new share issue | | 119,803 |
| Rights issue | | 21,973 |
| **Issued as of 31 December** | **304,695** | **304,695** |

The share capital as of 31 December 2017 consists of 304,695,213 shares and the share's ratio value is 0.08. Shareholders holding ordinary shares are entitled to dividends. Each share carries one vote at the Annual General Meeting.

### Other allocated capital

Refers to shareholders' equity contributed by the shareholders over and above share capital.

### Fair value reserve

The fair value reserve includes the accumulated net change in fair value of available-for-sale financial assets until such time as the assets are derecognised from the statement of financial position.

### Retained earnings including profit/loss for the year

Retained earnings including profit/loss for the year includes the accumulated profit/loss of the Parent Company and subsidiary.

### Proposed appropriation of profits

At the disposal of the Annual General Meeting: Share premium reserve of SEK 178,407,184, retained earnings of SEK 316,000 and loss for the year of SEK -100,527,963. The Board of Directors propose that profits at the disposal of SEK 78,195,221 is carried forward. Thus, it is proposed that no dividend be given for the financial year 2017.

### Capital management

According to the Board's policy, the Group's financial goal is to have a strong capital structure and financial stability enabling the Company to retain the trust of investors and credit issuers in the market, and to have a foundation for continued business growth. Capital is defined as total shareholders' equity. Bearing in mind the Company's focus, no specific debt/equity ratio target is defined.

## Note 21 Accrued expenses and deferred income

| | Group | | Parent Company | |
|---|---|---|---|---|
| SEK thousand | **2017** | **2016** | **2017** | **2016** |
| Payroll liabilities | 13,898 | 12,350 | 13,898 | 12,350 |
| Social security fees | 4,491 | 3,856 | 4,491 | 3,856 |
| Other items | 4,595 | 7,927 | 4,595 | 7,927 |
| **Total** | **22,984** | **24,133** | **22,984** | **24,133** |

# Note 22 Financial instruments

## Fair values

Below is a comparison of the reported values and the fair values of the Group's financial instruments.

| | Book value | | Actual value | |
|---|---|---|---|---|
| SEK thousand | **2017** | **2016** | **2017** | **2016** |
| **Financial assets** | | | | |
| *Loan receivables and accounts receivables* | | | | |
| Accounts receivables | 1,404 | 32,056 | 1,404 | 32,056 |
| Other receivables | 7,418 | 5,369 | 7,418 | 5,369 |
| | 8,822 | 37,425 | 8,822 | 37,425 |
| *Available-for-sale financial assets* | | | | |
| Current investments | 30,060 | - | 30,060 | - |
| Cash and bank | 103,700 | 226,114 | 103,700 | 226,114 |
| | 133,760 | 226,114 | 133,760 | 226,114 |
| *Financial assets carried at fair value through profit or loss for the year* | | | | |
| Derivatives[1)] | 44 | 41 | 44 | 41 |
| **Total** | **142,626** | **263,580** | **142,626** | **263,580** |
| **Financial liabilities** | | | | |
| *Other financial liabilities* | | | | |
| Accounts payables | -14,171 | -10,291 | -14,171 | -10,291 |
| Other liabilities | -2,660 | -11,435 | -2,660 | -11,435 |
| Accrued expenses | -22,984 | -24,133 | -22,984 | -24,133 |
| | -39,815 | -45,859 | -39,815 | -45,859 |
| *Financial liabilities recognised at fair value through profit or loss for the year* | | | | |
| Derivatives[1)] | -7 | -2 | -7 | -2 |
| **Total** | **-39,822** | **-45,861** | **-39,822** | **-45,861** |

1) Measurement of derivatives falls under level 2 of the fair value hierarchy in IFRS 7, which means that fair values are determined indirectly based on observable market data (exchange rates).

## Maturities

Maturities for financial instruments are presented below

| **Remaining term, 31 Dec. 2017**<br>SEK thousand | **On demand** | **< 3 months** | **3–12 months** | **Total** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| *Loan receivables and accounts receivables* | | | | |
| Accounts receivables (where of past due but not recognised as impairment losses) | | 1,404 (-) | | 1,404 (-) |
| Other receivables | | 7,418 | | 7,418 |
| *Available-for-sale financial assets* | | | | |
| Current investments | | 30,060 | | 30,060 |
| Cash and bank | 103,700 | | | 103,700 |
| *Financial assets carried at fair value through profit or loss for the year* | | | | |
| Derivatives | | 44 | | 44 |
| **Total** | **103,700** | **38,926** | **-** | **142,626** |
| **Financial liabilities** | | | | |
| *Other financial liabilities* | | | | |
| Accounts payables | | -14,171 | | -14,171 |
| Other liabilities | | -2,660 | | -2,660 |
| Accrued expenses | | -22,984 | | -22,984 |
| *Financial liabilities recognised at fair value through profit or loss for the year* | | | | |
| Derivatives | | -7 | - | -7 |
| **Total** | **-** | **-39,822** | **-** | **-39,822** |
| **Remaining term, 31 Dec. 2016** | | | | |
| **Financial assets** | **226,114** | **37,466** | **-** | **263,580** |
| **Financial liabilities** | **-** | **-43,123** | **-** | **-43,123** |

## Note 23 Important events after the end of the reporting period

BioInvent announced in January 2018 that the European Patent Office, EPO, had communicated its intention to grant the Company a patent relevant to its unique, function-based F.I.R.S.T.™ platform. More precisely, the patent builds on earlier F.I.R.S.T.™ patents, extending protection to combined use of differential biopanning and high throughput sequencing, such as Next Generation Sequencing in identification of antibodies to low expressed cell surface antigens.

In March 2018 BioInvent announced that a directed new issue was completed of approximately SEK 85 million before transaction costs. The Issue generated significant interest from reputable institutions and sector specialist funds, including Rhenman Healthcare Equity L/S and a European specialist investor, not previously a shareholder in BioInvent, who was the largest participant in the Issue and becomes one of the largest shareholders of the Company.

## Note 24 Information about the Parent Company

BioInvent International AB (publ) is a limited liability Company registered in Sweden. The registered office is in the Lund municipality. The visiting address is Sölvegatan 41, Lund and the postal address is SE-223 70 Lund. The consolidated accounts cover of the Parent Company BioInvent International AB and the wholly-owned subsidiary BioInvent Finans AB.

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Company, and that the Directors' reports of the Group and the Company give a fair review of the development of the operations, financial positions and results of the Group and the Company and describes substantial risks and uncertainties that the Group companies faces.

The annual report and the consolidated accounts were approved for publication by the Board and the CEO on 3 April 2018.

| | | | |
|---|---|---|---|
| Björn O. Nilsson<br>Chairman of the Board | Vessela Alexieva<br>Board member | Dharminder Chahal<br>Board member | An van Es Johansson<br>Board member |
| Lars Ingelmark<br>Board member | Elin Jaensson Gyllenbäck<br>Board member | Vincent Ossipow<br>Board member | Niklas Prager<br>Board member |

Bjorn Frendéus
Acting CEO

Our audit report was submitted on 3 April 2018
KPMG AB

Eva Melzig
Authorised Public Accountant

# Auditor's Report

To the general meeting of the shareholders of BioInvent AB (publ), corp. id 556537-7263

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of BioInvent AB (publ) for the year 2017. The annual accounts and consolidated accounts of the Company are included on pages 28–54 in this document.

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

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent Company and the statement of comprehensive income and statement of financial position for the group.

### Basis for Opinions

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

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

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### Financing

See disclosure 2 and section on risks, page 30, in the annual account and consolidated accounts for detailed information and description of the matter.

**Description of key audit matter**

The Company is focused on the discovery and development of immuno-regulatory antibodies to treat cancer. Due to the length of time it takes to develop a drug, the Company has significant research and development costs during the development period and is expected to spend more resources in the future until the research and development results can be commercialised.

The Company receives revenue from partnership agreements linked to outlicensing of its own drug projects, from partners who sign licensing agreements to use BioInvent's technology platform for their own drug development and from customers who pay the Company to manufacture antibodies.

The Company may from time to time require an infusion of capital from shareholders to ensure that it can finance its operations.

**Response in audit**

We have considered the decision of the Board to apply the going concern principle when preparing the annual accounts and consolidated accounts. We have assessed executive management's liquidity forecasts and considered whether the determinations that are the basis for the forecasts are reasonable and supported. We have had discussions with executive management on how the assumptions were made and we have considered this in our assessment.

With respect to significant agreements with partners, we have considered the Group's revenue and cost undertakings, paying particular attention to the terms in agreements. For agreements that are more assessment-dependent, e.g. milestone payments in partnership and licensing agreements, we have examined a range of potential cash flows and the sensitivity of these.

We have had discussions with executive management on the Group's future plans and potential sources of financing, and evaluated these in relation to the information available and our past experience.

#### Accounting of revenue

See disclosure 2 and accounting principles on page 41 in the annual account and consolidated accounts for detailed information and description of the matter.

**Description of key audit matter**

The Company has licensing agreements and research partnerships with a number of external partners. The structure and terms of these agreements and partnerships vary, but they all have in common that BioInvent may receive licence fees, research financing, milestone payments and royalties on the sale of commercial products.

The Company also has agreements with pharmaceutical and biotech companies for the manufacture of antibodies.

As these agreements contain several components, there is a risk that revenues will be recognized in the wrong periods.

**Response in the audit**

The accounting treatment of development partnerships, licensing agree-ments and product and service delivery agreements have been among the focus areas for our audit.

We have mainly focused on the following critical assessments made by executive management:

- Assessment of whether important agreement terms have been met in the reporting of milestone payments.
- Assessment of timing of revenue recognition for external development and manufacturing assignments.

Milestone payments recognised as revenue have been confirmed through confirmation from the counterparty that the milestones have been reached.

Revenue derived from development assignments and licensing agreements have been verified against the agreement terms and we have also examined whether or not agreement terms have been met in order for revenues to be recognised.

Significant revenue items have been verified against underlying agree-ments and supporting documents for payments verifying that the Compa-ny has received the revenue.

## Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–27. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

## Responsibilities of the Board of Directors and the Managing Director

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

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the Company's financial reporting process.

## Auditor's responsibility

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

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

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

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Report on other legal and regulatory requirements

## Opinions

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

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

## Basis for Opinions

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

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

## Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the Company's organization and the administration of theCompany's affairs. This includes among other things continuous assessment of the Company's and the group's financial situation and ensuring that theCompany's organization is designed so that the accounting, management of assets and the Company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the Company's accounting in accordance with law and handle the management of assets in a reassuring manner.

## Auditor's responsibility

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

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

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

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

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

Malmö, 3 April 2018
KPMG AB

Eva Melzig
Authorized Public Accountant

# Corporate governance report

BioInvent applies the Swedish Code of Corporate Governance ("the Code"). In addition to the Code, BioInvent also complies with applicable rules in the Swedish Companies Act, rules and recommendations ensuing from the Company's listing on Nasdaq Stockholm, and good practices on the stock market.

This corporate governance report has been prepared in accordance with the provisions of the Annual Accounts Act and the Code. The corporate governance report has been prepared as a document separate from the Annual Report, and is as such not part of the formal Annual Report documentation. The corporate governance report has been reviewed by the Company's auditor in accordance with the provisions of the Annual Accounts Act. The auditor's statement is attached to the report.

## Annual General Meeting

The Annual General Meeting ("AGM"), or as applicable, the Extraordinary General Meeting, is the supreme decision making body of BioInvent in which all shareholders are entitled to participate. The Articles of Association contain no restrictions regarding the number of votes that may be cast by a shareholder at a General Meeting and no special provisions regarding amendments of the Articles of Association.

The AGM addresses the Company's progress and resolves on a number of key issues, such as the adoption of the income statement and balance sheet, allocation of result, discharge from liability for the Board of Directors and the CEO, and the election of Board of Directors until the next AGM. Every second year, an auditor for the Company is elected for a term of two years and the AGM resolves on compensation for the auditor.

At the AGM 2017, the Board of Directors was authorised to resolve on the issue of not more than the number of new shares equivalent to 15 percent of the registered share capital (as per the date of the resolution on the issue of new shares), on one or several occasions during the period up to the next AGM.

The AGM 2017 was held on 17 May and the minutes are available on the BioInvent website. The AGM 2018 will be held in Lund on Tuesday, 24 April at 4 p.m.

Notification to attend the AGM is published no earlier than six, and no later than four, weeks before the Meeting. Proposals to the General Meeting should be addressed to BioInvent International AB, attn: Board of Directors, 223 70 Lund and submitted in good time before notification to attend the Meeting is issued, no later than seven weeks before the Meeting.

## Nominating Committee and shareholders

In accordance with the resolution of the AGM, the Nominating Committee shall consist of the Chairman of the Board as the convener, and a representative for each of the Company's three largest shareholders as of 31 August each calendar year. The Nominating Committee shall prepare all the elections and proposals of remuneration that come into question, from the Nominating Committee has been appointed until a new Nominating Committee is appointed. The Nominating Committee is tasked with preparing proposals to present to the AGM regarding the election of Chairman of the General Meeting, election of Chairman of the Board and other Board members, resolution on remuneration of the Board of Directors, shared among the Chairman, other Board members and possible compensation for committee work and, where applicable, election of auditors and auditor's fees.

The Nominating Committee for the AGM 2017 consisted of Mattias Cramby (Mexor i Skellefteå AB), Erik Esveld (van Herk Investments B.V.), Vincent Ossipow (Omega Fund IV, LP) and the Chairman of the Board Björn O. Nilsson. The Nominating Committee formulated proposals regarding the Chairman of the General Meeting, the composition of the Board of Directors and remuneration of the Board of Directors. The Nominating Committee had five meetings and a number of telephone calls. No fees have been paid to the members of the Nomination Committee.

Pursuant to the Nomination Committees reasoned statement the Nomination Committee has, when preparing its proposal for board members, applied Section 4.1 of the Swedish Corporate Governance Code as diversity policy. The goal of the policy is that the Board shall have a composition appropriate to the Company's operations, phase of development and other relevant circumstances, characterised of diversity and breadth of qualifications, experience and background and that the Company shall strive for gender balance. The AGM 2017 resolved to elect Board members in accordance with the Nomination Committees' proposal, which resulted in the present Board. However, when preparing its proposal, the Nomination Committee concluded that the composition of the Board will not meet the ambition that 40 percent of the Board members shall represent the underrepresented gender, but noted that the two employee representatives appointed to the Board are women. At the AGM 2017, six board members were elected, whereof one woman and five men.

The composition of the Nominating Committee for the AGM 2018 was presented on BioInvent's website on 19 December 2017. According to the Code, the Company must post the names of the Nominating Committee's members on the Company's website six months prior to the AGM and, where applicable, information on which shareholder the Committee member represent. Due to the fact that it has taken longer than anticipated to appoint the Nominating Committee, BioInvent has deviated from the abovementioned requirement. The Nominating Committee for the AGM 2018 consists Mattias Cramby (Mexor i Skellefteå AB), Erik Esveld (van Herk Investments B.V.), Vincent Ossipow (Omega Fund IV, LP) and the Chairman of the Board Björn O. Nilsson. No fees have been paid to the members of the Nomination Committee.

No shareholder holds a stake equal to or greater than 10 percent of the votes of all shares in BioInvent.

## The Board of Directors and its work

BioInvent's Board of Directors is elected annually at the AGM for the period until the next AGM and shall, according to the Articles of Association, consist of no less than five and no more than nine members. The Articles of Association contain no special provisions regarding the election or dismissal of Board Members.

The AGM 2017 discharged the Board members and the CEO from liability and re-elected the Board members Björn O. Nilsson, Lars Ingelmark, An van Es-Johansson and Vincent Ossipow, and elected Dharminder Chahal and Niklas Prager as new Board members. Björn O. Nilsson was re-elected Chairman of the Board. The Board of Directors consists of six directors elected by the General Meeting, as well as employee representatives Vessela Alexieva and Elin Jaensson Gyllenbäck. Ulrika T. Mattson resigned on 28 February 2017 and was replaced by Elin Jaensson Gyllenbäck through election.

The Board of Directors is presented on page 26. The Board of Directors elected by the General Meeting are independent in relation to the Company and its management. All directors are

independent in relation to the Company, senior executives and major shareholders.

The AGM 2017 resolved that the Board's annual basic fees shall amount to SEK 525 thousand to the Chairman of the Board and SEK 235 thousand to each of the other Board members, who are not employed by the Company. In connection hereby it was resolved that the fees for Board members who elect to not participate in the Board share programme resolved by the general meeting shall amount to SEK 400 thousand to the Chairman of the Board and SEK 160 thousand each to the other members of the Board (unchanged). In addition hereto, the AGM resolved on fees for committee work in the amounts of SEK 50 thousand to the Chairman of the Audit Committee, SEK 40 thousand to each of the other members of the Audit Committee and that no fee for work in the Remuneration Committee shall be paid. Fee for committee work shall not be paid to the Chairman of the Board.

The work of the Board is governed by rules of procedure year. The rules of procedure primarily consist of directions for the Board's work, instructions for the division of duties between the Board and the CEO and instructions for the financial reporting.

In 2017 the Board of Directors held eight regular meetings and nine extraordinary meetings. The Board of Directors met with the Company's auditor on two occasions, including one occasion without the presence of the CEO or other persons from the senior management. Attorney Madeleine Rydberger, Mannheimer Swartling Advokatbyrå, has served as the secretary of the Board during the year. Regular items on the agenda at the meetings included monitoring of the operation in relation to the Company's budget and strategic plan. In addition, the Board has considered and resolved on issues pertaining to research and development, financing, intellectual property, strategic focus and planning, the budget, essential agreements, audit, financial reporting and compensation related issues.

| Board member | Attendance |
|---|---|
| Björn O. Nilsson (Chairman) | 17 (17) |
| Vessela Alexieva | 16 (17) |
| Dharminder Chahal[4)] | 9 (10) |
| Elin Jaensson Gyllenbäck[2)] | 13 (15) |
| Birgitta Stymne Göransson[3)] | 5 (7) |
| Lars Ingelmark | 16 (17) |
| An van Es Johansson | 15 (17) |
| Leonard Kruimer[3)] | 7 (7) |
| Ulrika T. Mattson[1)] | 1 (2) |
| Martin Nicklasson[3)] | 7 (7) |
| Vincent Ossipow | 15 (17) |
| Niklas Prager[4)] | 5 (10) |

1) Resigned on 28 February 2017.
2) Elected on 28 February 2017.
3) Resigned on 17 May 2017 in conjunction with the AGM.
4) Elected on 17 May 2017 in conjunction with the AGM.

Once a year the Board of Directors evaluates its own work and the work of the CEO with a view to develop Board procedures and efficiency. The evaluation takes the form of a questionnaire that the members answer, after which the responses are compiled and presented to the Board and the Nomination Committee along with the results of the evaluations carried out in the two preceding years.

## Remuneration Committee

The Board of Directors has appointed a Remuneration Committee consisting of Björn O. Nilsson (Chairman), An van Es-Johansson and Vincent Ossipow (for the period following the AGM in 2017; before that Björn O. Nilsson (Chairman), Leonard Kruimer and Birgitta Stymne Göransson). All directors are independent in relation to the Company and the senior executives. The work is regulated in the instructions that comprise part of the rules of procedure for the Board of Directors and include to consider and to resolve on issues pertaining to remuneration and benefits to senior executives. The work includes preparation of other remuneration issues of greater importance, such as incentive programmes. Added to this are assignments to monitor and evaluate ongoing and completed programmes for variable remuneration to senior executives, monitor and evaluate implementation of the guidelines for remuneration to senior executives applicable for the year, as well as applicable remuneration structures and levels within the Company. The Remuneration Committee reports to the Board of Directors. The committee held four meetings in 2017.

| Member of the Remuneration Committee | Attendance |
|---|---|
| Björn O. Nilsson (Chairman) | 4 (4) |
| Birgitta Stymne Göransson[1)] | 1 (1) |
| An van Es Johansson[2)] | 3 (3) |
| Leonard Kruimer[1)] | 1 (1) |
| Vincent Ossipow[2)] | 3 (3) |

1) Resigned on 17 May 2017 in conjunction with the AGM.
2) Elected on 17 May 2017 in conjunction with the AGM.

## Audit Committee

The Board of Directors has appointed an Audit Committee consisting of Lars Ingelmark (Chairman), Dharminder Chahal, Björn O. Nilsson and Niklas Prager (for the period following the AGM in 2017; before that Lars Ingelmark (Chairman), Martin Nicklasson, Björn O. Nilsson and Vincent Ossipow). The Audit Committee's members have the requisite accounting expertise.

The Audit Committee, whose work is regulated in the instructions that serve as part of the rules of procedure for the Board of Directors, is tasked with preparing issues on behalf of the Board of Directors regarding procurement of audit services and remuneration, monitoring the auditors' work and the Company's internal control systems, monitoring the current risk scenario, monitoring external audits and the Company's financial information, adopting the interim reports for quarters 1 and 3, preparing the interim report for quarters 2 and 4, as well as the Company's Annual Report, monitoring issues pertaining to financing, and preparing the adoption and revision of financial policy and other issues that the Board of Directors entrusts to the Committee to prepare. The Audit Committee reports to the Board of Directors. The committee held six meetings in 2017.

| Member of the Audit Committee | Attendance |
|---|---|
| Lars Ingelmark (Chairman) | 6 (6) |
| Dharminder Chahal[2)] | 2 (3) |
| Martin Nicklasson[1)] | 2 (3) |
| Björn O. Nilsson | 6 (6) |
| Vincent Ossipow[1)] | 3 (3) |
| Niklas Prager[2)] | 3 (3) |

1) Resigned on 17 May 2017 in conjunction with the AGM.
2) Elected on 17 May 2017 in conjunction with the AGM.

## Auditors
According to the Articles of Association, BioInvent shall appoint a registered auditing company for a term of two years. The auditor attends at least one Board meeting a year not attended by the CEO and other members of the Company's senior management. The AGM 2016 elected KPMG AB to serve as the Company's auditors, for a two-year mandate. Eva Melzig, authorized public accountant, is principal auditor.

## Group Management
According to its guidelines and instructions, the Board of Directors has delegated the day-to-day business to the CEO. The CEO and under his leadership, other members of the management group, are responsible for collective business operations and day-to-day business. The CEO regularly reports to the Board of Directors on the Company's business operations, financial performance and other issues relevant to the Company. At one Board meeting a year the Board evaluates the work of the CEO. No member of the senior management is present at this meeting. The CEO and the senior management are presented on page 27.

## Remuneration to senior executives
The AGM 2017 adopted guidelines for remuneration to senior executives. According to the guidelines, salaries and other terms of employment for senior management are set at market rates. In addition to a fixed base salary senior executives can also receive a variable salary, which will be limited and based mainly on technical and commercial milestones within proprietary drug projects. In addition to such fixed and variable compensation, the Company may grant retention bonuses which for a three year period may amount to a maximum of 100 percent of the fixed salary for a year. Senior executives may also receive remuneration in the form of options or other share-related incentive programmes, as decided by the Annual General Meeting of shareholders. The complete guidelines can be seen in the Board of Directors' Report on page 32.

## The Company's systems for internal control and risk management with respect to financial reporting for the 2017 financial year
According to the Swedish Companies Act and the Code the Board is responsible for internal control. This description has been prepared in accordance with the Annual Accounts Act, Chapter 6, Section 6, and describes the Company's systems and procedures for internal control in connection with financial reporting. Internal control and risk management regarding financial reporting is a process designed by the Board of Directors to provide the Board, senior management and others involved in the organisation a reasonable assurance regarding the reliability of external financial reporting and the extent to which the financial statements are formulated in compliance with generally accepted accounting principles, applicable laws and regulations as well as other requirements for listed companies.

## Control Environment
The foundation of the internal control process consists of the overall control environment, including among other things: the Company's ethical values, organisational structure and decision making procedures, as well as the allocation of powers and responsibilities. The most essential components of the control environment at BioInvent are documented in its policies and other governing documents. BioInvent's rules of procedure describe the allocation of responsibilities between the Board of Directors and the CEO, as well as among the Board's committees. Other policies and governing documents include the Company's ethical guidelines, treasury policy and authorisation instructions.

## Control activities
Appropriate control activities is a prerequisite to manage essential risks associated with the internal control process. To ensure the efficacy of the internal control procedures, BioInvent has both computerised controls in IT systems to handle authorization and approval authority, as well as manual controls such as inventories and reconciliation procedures. Detailed financial analyses of the Company's performance, as well as follow-up of plans and forecasts, supplement the controls and provide an overall confirmation of the quality of financial reporting.

## Information and communications
BioInvent's most essential policies and other governing documents are updated regularly and communicated to everyone involved through established information channels, in print and/or in electronic format.

## Follow-up
BioInvent follows up and assesses its compliance with internal policies and other governing documents on a regular and annual basis. Suitability and functionality are also evaluated on a regular and annual basis. Inadequacies are reported and remedied in accordance with specific established procedures.

## Internal audit
BioInvent has formulated governance and internal control systems with regular follow-up of compliance at various levels within the Company. The Board of Directors therefore does not consider a separate audit function to be necessary in the current situation. This is reconsidered annually by the Board of Directors.

Lund, 3 April 2018
The Board of Directors

# Auditor's report on the corporate governance statement

**To the Annual General Meeting of the shareholders of BioInvent International AB (publ) Co. reg. no 556537-7263**

## Engagement and responsibility

We have audited the corporate governance statement for the year 2017 on pages 58–60. It is the Board of Directors who is responsible for the corporate governance statement and that it has been prepared in accordance with the Annual Accounts Act. Our responsibility is to express an opinion on the corporate governance statement based on our audit.

## Focus and scope of the audit

We conducted our audit in accordance with RevU 16 *The auditor's examination of the corporate governance statement.* The standard requires that we have planned and performed the audit to obtain reasonable assurance that the corporate governance statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the information included in the corporate governance statement. We believe that our audit procedures provide a reasonable basis for our opinions.

## Opinion

A corporate governance statement has been prepared. It is consistent with the annual accounts and the consolidated accounts and is in accordance with the Annual Accounts Act.

Malmö, 3 April 2018
KPMG AB

Eva Melzig
Authorised Public Accountant

**BioInvent's Annual Report is produced in cooperation with ID kommunikation.**
**Photo: Andreas Offesson.**

# Annual General Meeting

The Annual General Meeting will be held on Tuesday 24 April 2018 at 4 p.m., Elite Hotel Ideon, Scheelevägen 27, Lund. Notice to attend will be announced in the Swedish press in Post- och Inrikes Tidningar and on the Company's website.

Shareholders who wish to attend the AGM must be recorded in the printout of the share register maintained by Euroclear Sweden AB ("Euroclear"), as of Wednesday 18 April 2018; and notify the Company of their intention to attend the meeting at the address Sölvegatan 41, SE-223 70 Lund, Sweden, att: Stefan Ericsson, by telephone +46 46 286 85 54 or by e-mail stefan.ericsson@bioinvent.com on Wednesday 18 April 2018 at the latest, preferably before 4 p.m.

On giving notice of attendance, the shareholder shall state name, personal identity number/registration number, number of shares held, phone number and, if applicable, the name of any representative. Proxy to act on behalf of a shareholder should be sent together with the notice of attendance. Representative of a legal person shall hand in a copy of a registration certificate or similar documents of authorisation. Proxy form is available at the Company's website www.bioinvent.se and will be supplied directly to shareholders who so request.

In order to participate in the proceedings at the AGM, shareholders with nominee-registered shares must request their bank or broker to have the shares temporarily owner-registered with Euroclear. Such registration must be made as per Wednesday 18 April 2018 and the bank or broker should therefore be notified in due time before said date.

**Upcoming financial reports**
BioInvent will present the following financial reports:
- Interim reports 24 April, 24 July, 24 October 2018.

**Investor Relations**
Björn Frendéus, acting CEO,
phone +46 (0)46 286 25 45, mobile +46 (0)708 11 25 45
BioInvent's financial reports are also aviable at www.bioinvent.com

**Forward looking information**
This annual report contains statements about the future, consisting of subjective assumptions and forecasts for future scenarios. Predictions for the future only apply as of the date they are made and are, by their very nature, in the same way as research and development work in the biotech segment, associated with risk and uncertainty. With this in mind, the actual out-come may deviate significantly from the scenarios described in this annual report.

BioInvent

BioInvent International AB (publ)
Corp. ID 556537-7263
Address: Sölvegatan 41
Mailing address: SE-223 70 Lund, Sweden
Tel: +46 (0)46-286 85 50
info@bioinvent.com
www.bioinvent.com