BioInvent

2013

ANNUAL REPORT

THE YEAR IN BRIEF

The initial results from the phase I study of BI-505 on patients in advanced stages of multiple myeloma were reported in January 2013. The preliminary analysis showed a good safety profile for BI-505. In the dosage groups to which extended therapy was offered, 24 percent of these severely ill patients demonstrated stable disease for at least two months, indicating a beneficial effect of BI-505. In 2013 the first patient was dosed in a phase II study of BI-505 in patients with asymptomatic multiple myeloma.

In 2013 new preclinical data was also presented showing significantly enhanced anti-tumour activity compared with monotherapy when combining the approved drugs Velcade® or Revlimid® with BI- 505.

Development of the production process for BI-1206 has begun. BI-1206 will initially be developed for severely ill patients with haematological cancer and work is currently under way to prioritise the most relevant patient group.

BioInvent strengthened its financial position, in part through the rights issue that raised SEK 23 million last summer, and in part through payments from agreements with Bayer Pharma, Daiichi Sankyo and others, where they develop drug candidates from BioInvent's n-CoDeR® antibody library.

Michael Oredsson took up the post as BioInvent's new CEO. He has for many years held senior executive positions in the pharmaceutical and biotech industry.

BioInvent signed an extension to its 2009 license agreement with Mitsubishi Tanabe Pharma for the development of antibodies from BioInvent's n-CoDeR® library.

BioInvent renegotiated and extended its 2009 license agreement with Bayer Pharma for the development of antibodies from BioInvent's n-CoDeR® library. Under the terms of the extension, Bayer Pharma will broaden its access to BioInvent's discovery and development technology platform.

BioInvent was granted a US patent for its antibody and target discovery technology F.I.R.S.T.™. This technology is a novel and unique discovery method, which allows for antibodies and disease targets to be identified simultaneously.

SEK million	**2013**	**2012**
Net revenues	82	43
Profit/loss for the year	-18	-188
Liquid funds	65	100

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BioInvent in five minutes

BioInvent is a research-based pharmaceutical company focused on discovery and development of innovative antibody-based drugs against cancer. BioInvent also develops antibody-based drugs in collaboration with partners who finance the development of new drugs and provide BioInvent with the right to milestone payments and royalties on sales.

Objectives

BioInvent's objective is to create value for its shareholders by building up a business which is largely self-financing and has a portfolio of clinical development projects where risk is balanced and significant revenues are generated for the Company from licensing or sales.

Market

Market value of antibody-based drugs in the field of oncology by 2016 value is expected to exceed USD 65 billion. Annual sales growth is estimated at around 8 percent for the years 2010–2016, which is significantly higher than the estimated growth for traditional pharmaceuticals, primarily small molecules. Drugs based on antibodies have a favourable risk profile and several studies have shown that a significant higher proportion of projects in the antibody field today reach the market, compared with traditional medications.

Projects

BioInvent is currently running three cancer projects in development phase (BI-505, BI-1206 and ADC-1013). In addition, BioInvent has a number of research stage projects that the company considers promising.

BI-505 – Multiple myeloma

BI-505 has been developed to treat multiple myeloma, a haematological disease that occurs in the patient's bone marrow. BI-505 is a fully human antibody aimed at the cell surface protein Intercellular Adhesion Molecule 1 (ICAM-1). The result from a phase I study of BI-505 in 35 patients with advanced multiple myeloma was presented in January 2013 and showed a good safety profile. In the dosage groups to which extended therapy was offered, 24 percent of these severely ill patients demonstrated stable disease for at least two months, indicating a beneficial effect of BI-505. In 2013 new preclinical data was also presented showing significantly enhanced anti-tumour activity compared with monotherapy when combining the approved drugs Velcade® or Revlimid® with BI- 505. The first patient was dosed in April 2013 in an initial phase II study of BI-505. The study is carried out in patients with asymptomatic multiple myeloma ("smouldering multiple myeloma").

BI-1206 – Haematological cancer

BI-1206 is a so-called antagonistic (blocking) antibody aimed at the immunosuppressive target protein Fc gamma receptor IIb, CD32b. CD32b is overexpressed on tumour cells in patients with lymphoma, especially in patients who respond poorly to currently available drugs. Data shows that CD32b is directly involved in the development of resistance in tumour cells to the current state-of-the-art treatment rituximab (Rituxan®/ Mabthera®, Roche), an antibody aimed at the CD20 target protein. Treatment combining BI-1206 and rituximab in clinically relevant animal models with tumour cells from patients has demonstrated significantly improved effects compared with rituximab alone. Combination therapy therefore has the potential to significantly improve the treatment of patients with non-Hodgkin's lymphoma. BI-1206 has also shown a strong ability to kill lymphoma cells on its own in preclinical models using tumour cells taken directly from patients.

Development of the production process for BI-1206 has begun. Following up-scaling and production of the antibodies, the next stage of development involves toxicology studies, which are expected to begin in the first half of 2014. The first clinical studies of BI-1206 are expected to start at the end of 2014/beginning of 2015.

ADC-1013 – Metastatic cancer

Through an option agreement with Alligator Bioscience in 2012, BioInvent obtained the right to develop the product candidate ADC-1013 together with Alligator Bioscience. The antibody has been developed from BioInvent's n-CoDeR® antibody library. The parties will share development expenses and future revenues from the project equally. ACD-1013 is a so-called agonistic (activating) immunostimulatory antibody developed for local administration into tumour tissue. The antibody is directed against CD40 antigen which is expressed on several types of immune system cells. Stimulation of this protein activates the body's own defence mechanisms against cancer.

Development of the production process for ADC-1013 is ongoing and the next stage of development after up-scaling and production is toxicological studies. The project will be subject to an evaluation by BioInvent before an application to start clinical trials is filed.

External collaborations

The Company is conducting research and development of antibody-based drugs in cooperation with external partners, such as Bayer Pharma, Les Laboratoires Servier, Daiichi Sankyo and Mitsubishi Tanabe Pharma. The structure of the various collaborations may vary, but common to them all is that BioInvent receives license fees and research financing, as well as milestone payments and royalties on sales of commercial products. These external drug programmes currently add one project in clinical phase I, seven projects in pre-clinical phase and more than ten early research phase projects to our pharmaceutical portfolio.

Technology platform

The screening tool F.I.R.S.T.™ and the antibody library n-CoDeR® are two patented tools that enable simultaneous identification of relevant human antibodies and disease targets during the discovery phase.

Overview of the project portfolio

Project	Primary Indication	Discovery	Preclinic	Phase 1	Phase 2	Partner	Collaboration
Proprietary project							
BI-505	**Multiple Myeloma**						
ADC-1013	**Metastatic cancer**					Alligator Bioscience	
BI-1206	**Haematological cancer**						University of Southamton
Research Programmes							
TAM	**Oncology**						Cancer Research Technology
Blood cancers	**Haematological cancer**						University of Southamton
Partner's Projects							
Partner Project 1							
Partner Project 2							
Partner Project 3							
Partner Project 4							
Partner Project 5							
Partner Project 6							
Partner Project 7							
Partner Project 8							
>10 projecs							

"One important business objective for 2014 is to create opportunities and business that allow our own operations and preclinical research to be financed by revenues deriving from partnership agreements with pharmaceutical companies."

Michael Oredsson

Comments by the CEO

Revised strategy and tighter organisation for future initiatives

In 2013 we stabilised BioInvent's operations and set the stage for building a long-term, internationally competitive pharmaceutical company focused on cancer treatment. We strengthened our financial position, in part through the rights issue that raised SEK 23 million last summer, and in part through payments from agreements with Bayer Pharma, Daiichi Sankyo and others, where they develop drug candidates from BioInvent's n-CoDeR® antibody library. We also dedicated considerable effort to restructure and create a more efficient organisation where we work towards clear and common goals. Through our accumulated knowledge of antibodies and cancer biology, we have created a deep understanding of how to successfully develop medications to treat haematological cancer. We also implemented extensive cost-saving measures during the year. At the same time, we dedicated more resources to business development and secured with clinical experience into the Company to increase our out-licensing and contract research business and in order to cost-effectively develop cancer drugs in clinical phase for niche diseases, known as orphan drugs. Our overall objectives are to generate a high degree of self-financing of our basic operations through increased revenues and to build a clinical portfolio with balanced risk in order to optimise value creation for our shareholders.

Two-pronged business model

BioInvent has a two-pronged business model based on our unique technology and expertise in developing antibody drugs against cancer. We are now building a clinical portfolio in oncology with balanced risk. BioInvent will also increase its revenue base by energetically building its business as a key supplier and partner for companies that develop antibody-based drugs. An important step in this strategy is to complement our previously established offering, the n-CoDeR® antibody library, with F.I.R.S.T.™, our unique screening tool.

The antibody market is currently growing at an annual rate of about 8 per cent. Thirty percent of new original medicinal products in clinical development are antibody-based. Drugs based on antibodies have a favourable risk profile and several studies have shown that a significant higher proportion of projects in the antibody field today reach the market, compared with traditional medications. All things considered, we find ourselves in a highly attractive market segment with excellent potential to create the antibody drugs of the future against cancer both in-house and in collaboration with our current and future partners.

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

We developed the patented F.I.R.S.T™. screening tool to serve as an important technology tool for both our own drug development and for our external partners. The platform allows for smarter development of novel antibody therapeutics since new candidates can be detected without detailed knowledge about the target protein of the antibodies. This unique approach offers the advantage of simultaneously identifying disease-associated targets and antibodies which bind to them. The method is based on simultaneous investigation of antibody binding to both diseased and healthy tissue in order to specifically select those antibodies and target structures that are unique for diseased tissue in terms of binding and expression. In recent years we have successfully used the F.I.R.S.T.™ platform to develop our own new anti-bodies and to launch new technology broadly in relation to international biotech and pharmaceutical companies.

BioInvent believes that during the early development phase it is of utmost importance to recreate as closely as possible the biology relevant to human disease. Consequently the F.I.R.S.T™ platform uses biological material obtained directly from patients. In the current situation we have focused on using F.I.R.S.T™ in the development of immunomodulatory therapies that enhance the immune response to haematological cancer. In the next step of research and development, we also use unique patient cell-based in vitro and in vivo models, developed by BioInvent. We believe this strategy will lead to more predictable results with a lower risk of failure in clinical projects.

The clinically validated n-CoDeR® antibody library, which BioInvent developed a number of years ago, has been well-established as a complement to F.I.R.S.T™. n-CoDeR® contains more than 10 billion antibody fragments and is the source of our search for drug candidates using F.I.R.S.T™ technology. n-CoDeR® is an important component of our value chain that contains relevant antibodies for the drugs of the future.

Advances in our own portfolio

BioInvent develops with F.I.R.S.T™ and fully human antibodies from the n-CoDeR® antibody library, antibody-based drugs for treatments within cancer, especially haematological cancer, where the medical need is great and treatment is either absent or can be improved. Important advances were made over the past year in several of our top-priority R&D projects.

BI-505 is an antibody aimed at the target protein ICAM-1. In early 2013 BioInvent presented results from a phase I study of BI-505 on 35 patients with advanced stage multiple myeloma. According to the preliminary analysis, BI-505 showed a good safety profile and 24 percent of patients had stable disease for at least two months. Later preclinical data have demonstrated significantly improved antitumour activity compared with monotherapy when the registered drugs Revlimid and Velcade were combined with BI-505. BioInvent also initiated a small phase II study during the spring of 2013 for patients with asymptomatic multiple myeloma. Patients are currently being enrolled.

BI-1206 is an antibody aimed at the immunosuppressive target protein Fc gamma receptor IIb. The goal is to initiate a phase I study of BI-1206 for haematologic cancer at the turn of 2014/2015. Preclinical studies of haematologic diseases for which CD20 antibodies have poor effect have demonstrated significantly improved anti-cancer activity when BI-1206 is combined with CD20 antibodies.

CD20 antibodies represent a huge segment of drugs for treatment of haematologic cancer, where the top-selling product to date is Rituxan/MabThera® by Roche, with sales of about USD 7.9bn in 2013.

ADC-1013 is an immunostimulatory antibody aimed at the CD40 antigen and locally administered in tumour tissue. The project is being run jointly with Alligator Bioscience in Lund, Sweden. The basis of the project is that intratumoral stimulation of CD40 can eradicate metastases with lower side effects compared with systemic cancer treatment, while at the same time creating long-lasting immunity against the cancer. The project will be subject to an evaluation by BioInvent before an application to start clinical trials is filed.

Prioritised business objectives for 2014

One important business objective for 2014 is to create opportunities and business that allow our own operations and preclinical research to be financed by revenues deriving from partnership agreements with pharmaceutical companies. This requires that we promptly achieve results from our increased investment in business development and specifically with our international launch of the F.I.R.S.T™ platform.

Two other important objectives are to initiate collaboration with partners in order to begin a phase II study with BI-505 in combination with an existing medication and a phase I study with BI-1206. External partnerships provide us with the opportunity to more aggressively pursue development of these clinical projects with full or partial financing and at an accelerated pace, while limiting our own risk.

We also aim to publish a clinical orphan drug project in 2014 that has the potential to get Breakthrough Designation from the FDA in the US. This recently introduced opportunity creates conditions for developing drug candidates for faster treatment of serious and life-threatening diseases, lower development costs and prioritised access to decision-makers within the FDA throughout the clinical development process. BioInvent is currently assessing a few different substances in its own portfolio with this kind of potential.

New share issue gives freedom of action

In order to pursue development of our research portfolio according to plan BioInvent will raise SEK 63,9 million in capital before issue expenses during the first six months of 2014. Some of this financing will be used for the new clinical orphan drug project. The new share issues strengthen both the balance sheet and our negotiating power, while providing us with the freedom to dedicate greater resources to advance our business.

BioInvent is building a clinical portfolio within oncology with optimised risk profile and increased focus on revenues and strategic value. Our organisation has very high expertise in haematological cancer, immunology and antibodies. We have strengthened our resources in business development and I see great potential we will succeed with our initiatives at BioInvent in 2014.

Finally, I would like to thank Cristina Glad, who was acting CEO until August and who will continue to work for BioInvent within business development. I would also like to thank our employees and the Board for their enthusiasm and efforts in 2013 and early 2014 in connection with the restructuring and streamlining of the organization.

Lund, March 2014
Michael Oredsson, CEO

Objectives and business strategy

BioInvent is a research-based pharmaceutical company focused on developing innovative antibody-based drugs to treat cancer. This focus on cancer is a result of the strategic overview conducted in 2012 when management decided to focus all of the Company's research resources on the field of oncology. BioInvent also develops antibody-based drugs in collaboration with partners who finance the development of new drugs and provide BioInvent with the right to milestone payments and royalties on sales.

Over the past few years BioInvent has accumulated considerable experience from relevant disease models within cancer biology and tumour immunology, both in preclinical and clinical research. In the area of oncology, BioInvent's research is mainly focused on various types of haematological cancer and so-called immunomodulatory therapies, i.e. using antibodies with the ability to activate the patient's own immune defences to fight cancer. BioInvent is also focusing on developing drugs to treat severely ill patients within niche indications, so-called Orphan Drug indications. The Company will benefit from the value created through clinical development programmes with shorter lead times and significantly lower development costs than those for a larger patient group.

The Company's technology platforms in research consist of the unique F.I.R.S.T™ development tool and the n-CoDeR® antibody library. From n-CoDeR®, the library developed by BioInvent containing completely human antibodies, drug candidates can be selected that bind very specifically and firmly to their target structures. With the help of the unique, function-based F.I.R.S.T™ platform where patient material is the foundation throughout

the development process, the most clinically relevant target structures in a disease model and relevant antibodies can be identified simultaneously.

In addition to conducting preclinical and clinical development of antibody-based drugs, BioInvent also has an antibody production facility. Over a period of several decades, the Company has accumulated considerable experience in developing cell lines that produce antibodies and in manufacturing antibodies according to cGMP standards for clinical studies and for commercial products.

Currently, the Company is running three drug projects in the field of oncology, primarily focusing on haematological cancers where the medical need is considered significant. BioInvent also has a number of projects in research or preclinical phases that the Company considers promising. In addition to BioInvent's own cancer research, the Company also participates in external drug programmes.

Objectives

BioInvent's objective is to create value for its shareholders by building up a business which is largely self-financing and has a portfolio of clinical development projects where risk is balanced and significant revenues are generated for the Company from licensing or sales.

Business strategy

BioInvent's patented technology platforms F.I.R.S.T™ and n-CoDeR® together with the Company's considerable expertise in preclinical and clinical development, as well as the production of antibody-based drugs, represent the strategic value from which both revenue-generating contract research and in-house strategic drug development are created.

BioInvent is focusing on developing antibody-based cancer drugs, in particular immunomodulatory drugs for haematological cancers where the Company has interesting products in clinical phases. An important aspect of the Company's strategy is a clear focus on risk management. Over the course of several years, BioInvent has created a deep understanding for the entire biology relevant to developing antibody-based drug candidates in the cancer area that combine good efficacy with a good side-effect profile, as well as how to recreate the disease biology during the development phase. This should increase the possibility of producing competitive drug candidates and reduce the risk of failure in clinical phases. In general, the medical supervisory authorities and physicians have a higher tolerance level with respect to side-effects in the area of cancer if a drug is highly effective, which is a risk-mitigating factor for BioInvent. The Company seeks development partners with complementary expertise for research projects in relatively early development phases to reduce the financial risk. The licensing objective is to retain significant value in the projects through active, competitive business development initiatives and by offering attractive projects.

BioInvent's business model

BioInvent is focused on formulating innovative antibody-based drugs to treat cancer. Research is integrated with the Company's technology platform, which also serves as the basis of external drug programmes with larger pharmaceutical companies. The industrial position is supported by a unique technology platform for developing antibody-based drugs. BioInvent's patented technology platforms consist of the F.I.R.S.T™ discovery tool and n-CoDeR® antibody library. These tools are used both by BioInvent in its in-house drug development and by external partners who purchase BioInvent's services. The goal is to operate in such a way that the cost of basic operations is financed by revenues from the various partnerships and mainly from external drug programmes. One important factor in achieving this goal is that the Company must, to a sufficient extent, be able to enter into and receive revenues from partnership agreements.

In order to advance product candidates through late clinical development to full commercialisation, here too the Company's intention is to work with large pharmaceutical companies. In the case of certain projects, partnership agreements may be signed early on in the development phase, while other projects may be developed for a longer period by the Company. As a rule, the commercial value of a project increases the longer a company waits before selling the rights to it. BioInvent continues to place great emphasis on collaboration with external research teams as an important source of new medical concepts. The Company's in-house research will also remain an important source of new projects. BI-505 for the treatment of multiple myeloma and BI-1206 for the treatment of non-Hodgkin's lymphoma are both the result of such external programmes.

BioInvent's revenue model

According to BioInvent's business model, the Company will generate revenues in the following ways:

- From development partners buying into one of the Company's drug projects.
- From customers who use BioInvent's technology through technology licences.
- From customers for which BioInvent performs development assignments.

Revenue streams come from:

- Cash payments when agreements are signed.
- R&D milestone payments when projects pass a predetermined milestone.
- Research funding, where applicable, for development work carried out.
- Royalties; payment in the form of a percentage of sales of end products.
- Revenue, where applicable, from sales of products in the markets where the Company has retained market rights or shares market rights with relevant partners.

Market overview

Market for antibodies

Overview

BioInvent operates in a market that is based on antibody-based drugs in the field of oncology, focusing on haematological oncology, also called blood cell cancer. The market for antibody-based drugs is still considered the strongest segment in the research-based pharmaceutical industry. Annual sales growth is estimated at around 8 percent for the years 2010–20161), which is significantly higher than the estimated growth for traditional pharmaceuticals, primarily small molecules. Some slowing down is expected over the next few years compared with the last decade due to the expiry of patents for some of the drugs launched more than ten years ago. However, the ongoing launch of new and improved antibodies will prevent a significant growth decline for the market as a whole. During the period 2004–2010 the market value of antibody-based drugs in the field of oncology increased from USD 10 billion to USD 40 billion, and by 2016 the total value is expected to exceed USD 65 billion[1].

Around 30 percent of all research in new, original drugs consists of research in the antibody field. 75 percent of 360 antibodies in clinical development phases I–III are currently in the areas of cancer and immunology. Drugs based on antibodies have a favourable risk profile and several studies have shown that a significant higher proportion of projects in the antibody field today reach the market, compared with traditional medications.

Top drugs

BioInvent focuses its research on cancer therapies which constitutes the single largest application for antibodies. The three top-selling cancer drugs in the world are Rituxan/Mabthera® (rituximab, Roche), Herceptin® (trastuzumab, Roche) and Avastin® (bevacizumab, Roche), all of them antibody-based drugs. Sales amounted to USD 7.9 billion for Rituxan/Mabthera®, USD 6.9 billion for Herceptin® (2013) and USD 7.1 billion Avastin® (2013).[2]

Over the next five years the map is expected to be re-drawn, in part due to the fact that Rituxan/Mabthera® and Herceptin® will lose their patents, but also because new and improved therapies are expected to be launched. According to Datamonitor's estimate for 2018, Avastin® is expected to be the world's top-selling cancer drug with sales of USD 6.8 billion, followed by Revlimid® with an estimated increase in sales from USD 4.3 billion in 2013 to USD 6.4 billion. These are followed by Rituxan/Mabthera® with expected sales of USD 5.2 billion and Herceptin®, with expected sales of USD 4.3 billion. During the same period, Datamonitor expects products such as Yervoy™ to see increased sales from just under USD 1 billion today to USD 1.7 billion. Kadcyla®, a new product, is also expected to be among the drugs experiencing strong growth over the next few years, up to an estimated USD 1.2 billion in 2018.

Success factors

There are several success factors for growth in antibody-based drugs. Antibodies are nature's own defence molecules. They are highly selective and, in their natural form, are very well tolerated. They exert a precise effect and integrate naturally with the rest of the immune system which can therefore modulate the antibody's therapeutic effect. Another success factor is that antibody-based drugs maintain higher prices, mainly due to the fact that, compared to traditional drugs, they are exposed to much less competition from generics. This type of biopharmaceutical is much more complex than small molecules, and antibody-based drugs are therefore difficult to copy. It has also been shown that the time needed to develop antibody-based drugs is shorter than for traditional pharmaceuticals and development costs are therefore lower[2].

1) Reported sales for each respective company.
2) Tufts Center for the Study of Drug Development – Impact Report November/December 2011.

Market players

The strong underlying market for antibody-based drugs has, over the past decade, led to growing interest in the development of these drugs. Traditionally, antibody-based drugs have been developed by research-intensive biotech companies, but many of these have now been acquired by much larger pharmaceutical companies with their own sales organisations. One of the larger acquisitions in 2012 was Amgen's purchase of Micromet in January for a price of USD 1.2 billion. Stand-alone companies that develop antibody-based drugs in competition with BioInvent include Morphosys, Regeneron, Ablynx, Immunogen, Genmab and Seattle Genetics.

BioInvent's competitors in antibody-based drug development are mainly major pharmaceutical companies. Roche/Genentech is known for its strong market position with a portfolio containing products such as Avastin®, Rituxan/Mabthera® and Herceptin®. In the market for companies that supply global pharmaceutical companies with antibody projects for drug development, BioInvent is competing with most of the biotech companies that are developing cancer products in general and products to treat haematological cancer in particular. Another segment in which BioInvent is competing is technologies for antibody-based drug development. The main companies in this segment that are still free-standing are Dyax, Morphosys (phage display), Regeneron (transgender mice) and Adimab (yeast display).

Shorter lead times and lower costs for orphan drugs

When a new therapy has the potential to add significant value for patients, the US Food and Drug Administration (FDA) may in certain cases expedite and simplify the drug registration process through the fast track programme and breakthrough therapy designation. Breakthrough therapy designation was introduced in 2012 by the FDA to give priority to relevant drug candidates. With this programme, pharmaceutical companies can start a dialogue with the FDA at an early stage and receive support from the agency to plan their study programmes and in certain cases have an opportunity for a process where time to registration – if a drug is efficacious and safe – can be significantly reduced compared to the traditional clinical review process for registration. This means that products can be launched onto the market faster and at a significantly lower cost than would be the case in the normal drug registration process. Patients who are seriously ill can benefit from new, innovative treatments at an earlier stage than would otherwise be possible.

BI-505 – Multiple myeloma

BI-505 has been developed to treat multiple myeloma, a haematological disease that occurs in the patient's bone marrow. BI-505 is a fully human antibody aimed at the cell surface protein Intercellular Adhesion Molecule 1 (ICAM-1). The result from a

Haematological cancer

BioInvent is focusing on producing antibody-based drugs to treat haematological cancer and therapies that activate normal blood cells to treat several types of cancer. There are many types of cells with different functions in the blood and all of them can be turned into cancer cells. Some examples of cells that give rise to various types of haematological cancer, including lymphoma, leukaemia and myeloma, are lymphocytes (B-lymphocytes and T-lymphocytes) and myeloid cells (neutrophils and macrophages).

Lymphoma is a term used for a variety of tumour diseases originating from lymphocytes. The prognosis and treatment depends on the type of lymphoma. Most other types of lymphoma mainly affect older individuals, so that the age distribution is similar to that in many other forms of cancer where two thirds of patients are 65 or older. Lymphoma can be divided roughly into Hodgkin's lymphoma, high-grade and low-grade B-cell lymphomas, and T-cell lymphoma. In total there are more than sixty types of lymphoma.

Leukaemia is a collective term for cancer-like blood diseases in the blood-building bone marrow, where the white blood cells count is highly elevated. Leukaemia is usually divided into two sub-types: myeloid and lymphatic leukaemia. Acute leukaemia occurs from immature cells and develops rapidly, often within a few weeks. Chronic leukaemia has a slow disease progression and can progress for many years without the need for treatment. Both types of leukaemia can consist of tumour cells/cancer cells with a lymphatic or myelogenic origin. Acute lymphatic leukaemia is the most common in children and chronic lymphatic leukaemia as well as acute myeloid leukaemia are most common on adults. Symptoms of leukaemia are that people bruise easily and sores take a long time to heal, as well as anaemia due to disruptions in the production of red blood cells in the bone marrow. This results in shortness of breath. A deficiency of white blood cells also makes people more prone to infection.

Myeloma is a difficult type of cancer which originates from B-cells and where there is a great need for improved therapies. About one in five patients with haematological cancer have myeloma, which is why large sums of money are invested in research and development in the pharmaceutical industry in this area.

phase I study of BI-505 in 35 patients with advanced multiple myeloma was presented in January 2013 and showed a good safety profile. In the dosage groups to which extended therapy was offered, 24 percent of these severely ill patients demonstrated stable disease for at least two months, indicating a beneficial effect of BI-505.

Multiple myeloma accounts for about 1 percent of all cancer cases and 13 percent of the number of cases of haematological cancer, which makes it the second most common haematological cancer after non-Hodgkin's lymphoma. In the western world, an average of 5.6 new cases of multiple myeloma per 100,000 people are registered every year, which is equivalent to around 60,000 new cases a year[1]. The disease usually occurs in older people; the average patient is age 70 at diagnosis.

The pharmaceutical market for multiple myeloma in 2012 amounted to around USD 8.3 million, based on sales of the two top drugs, Revlimid® (Celgene) and Velcade® (Takeda/Johnson& Johnson), as well as other products including drugs to treat symptoms. Sales for Revlimid® alone amounted to around USD 4.3 billion and Velcade® for around USD 2.5 billion[2], due, among other things, to a trend towards starting treatment for the disease at an earlier stage, but also due to existing older medicines being replaced by more effective but more expensive new drugs. The products competing most closely to BI-505 are antibodies in the clinical phase, e.g., Elotuzumab (Bristol-Myers Squibb) and Daratumumab (Genmab/Johnson&Johnson).

BI-1206 – Haematological cancer

BI-1206 is an in-house developed, so-called antagonistic (blocking) antibody aimed at the immunosuppressive target protein Fc gamma receptor IIb, CD32b. CD32b is over-expressed on tumour cells in patients with the most severe types of non-Hodgkin's lymphoma, especially in patients who respond poorly to today's standard treatments. The data shows that CD32b is involved in the development of resistance to the current state-of-the-art treatment, rituximab (Rituxan®, Mabthera®, Roche), an antibody aimed at the CD20 target protein. Combination treatment with anti-CD32b and CD20 antibodies thus has great potential to significantly improve the treatment of patients with non-Hodgkin's lymphoma. Initially, development of BI-1206 focused on the non-Hodgkin's lymphoma indication, but preclinical studies are also planned to evaluate the potential of this antibody in other types of haematological cancer, in solid tumours and in combination with antibodies other than rituximab. The product is being developed in collaboration with a leading research group in Southampton, UK.

Development of the production process for BI-1206 has begun. After upscaling and production of the antibodies, the next stage of development involves toxicology studies, which are expected to begin in the first half of 2014.

BioInvent believes there is significant market potential for treatment where BI-1206 is combined with other antibodies. In 2013, sales of Rituxan/Mabthera® alone amounted to USD 7.9 million, most of which were in the area of haematological cancer. In various studies, up to half of all cancer patients who responded to an initial course of Rituxan/Mabthera® proved to be resistant to the drug on recurrence of the disease.

For non-Hodgkin's lymphoma the market (USA, Japan, UK, Germany, France, Italy and Spain) was estimated at USD 4 billion in 2009, and is expected to grow to USD 8.4 billion by 20191). These markets have an estimated annual growth rate of 8 percent.

The main competitors in the market, aside from Rituxan®, are Arzerra® (GSK – Glaxo Smith Kline), Treanda® (Cephalon/ TEVA) and Revlimid® (Celgene).

ADC-1013 – Metastatic cancer

Through an option agreement with Alligator Bioscience, in 2012 BioInvent obtained the right to develop the product candidate ADC-1013 together with Alligator Bioscience. The antibody has been developed from BioInvent's n-CoDeR® antibody library. The parties will share development expenses and future revenues from the project equally.

ACD-1013 is a so-called agonistic (activating) immunostimulatory antibody developed for local administration into tumour tissue. The antibody is targeted at the CD40 antigen which is expressed on several types of immune system cells. Stimulation of this protein activates the body's own defence mechanisms against cancer.

Development of the production process for ADC-1013 is ongoing and the next stage of development after up-scaling and production is toxicological studies. The project will be subject to an evaluation by BioInvent before an application to start clinical trials is filed.

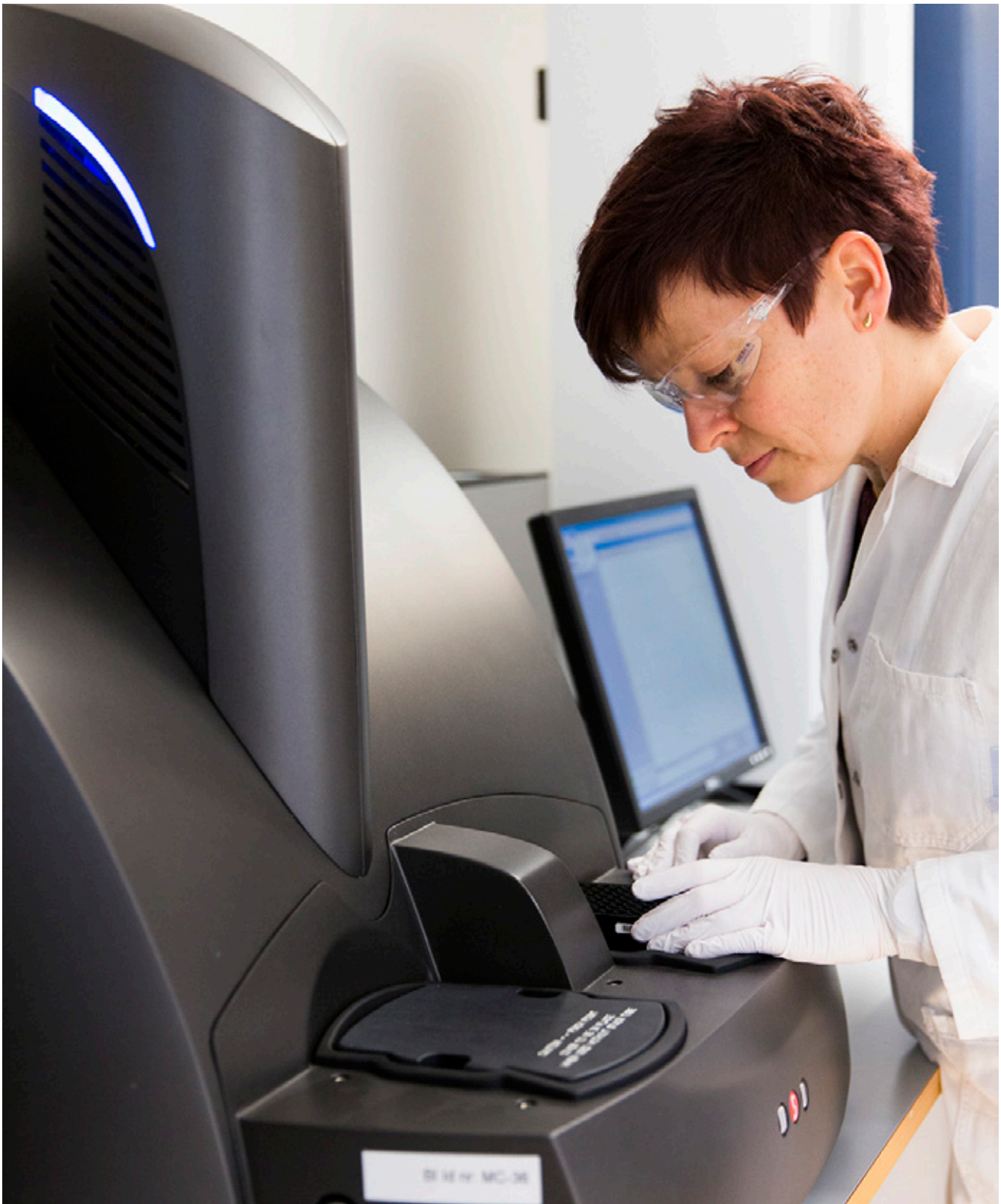
External drug programmes

BioInvent conducts research and development in cooperation with a number of partners, both in the pharmaceutical industry – often with leading international biotech and pharmaceutical companies – and with research groups in the academic world. Through these partnerships BioInvent is able to work with some of the world's most prominent experts in areas that are crucial for the Company's success. BioInvent has generated considerable revenues by sharing its specialist expertise in antibody research and production with world-leading companies. BioInvent's partners in this area include Bayer Pharma, Daiichi Sankyo, Mitsubishi Tanabe Pharma and Les Laboratoires Servier.

- Bayer Pharma: Identification and development of antibody-based products with the help of the n-CoDeR® library, and a licence for the n-CoDeR® library. The original agreement was for the development of up to 14 antibody-based therapeutic products. In 2013 the agreement with Bayer Pharma was renegotiated and extended.

1) National Cancer Institute, statistics review 1975–2007.
2) Cowen&Company 2012.

- Daiichi Sankyo: Licensing and research agreement for the development of therapeutic antibodies aimed at several target proteins, using the n-CoDeR® library. The agreement gives BioInvent certain rights to market products in Scandinavia and the Baltic countries.
- Mitsubishi Tanabe Pharma: Identification and development of antibody-based products using the n-CoDeR® library. The agreement allows for development of up to five antibody-based therapeutic products.
- Les Laboratoires Servier: Collaboration on the development of an antibody against a target structure relevant to tumour cell metabolism. Les Laboratoires Servier has contracted with BioInvent to select antibodies from the Company's n-CoDeR® antibody library. Les Laboratoires Servier, which is providing the target structure, will also have access to BioInvent's preclinical expertise in optimising antibody candidates for further clinical development. Collaboration between the parties was intensified in 2013.



Project overview

BioInvent is currently running three cancer projects in development phase (BI-505, BI-1206 and ADC-1013). In addition, BioInvent has a number of research stage projects that the company considers promising.

Development projects

Multiple myeloma (BI-505)

Background

The BI-505 drug candidate is a human antibody that specifically binds to the ICAM-1 adhesion protein (also known as CD54). Expression of ICAM-1 is elevated in myeloma cells, which makes it a suitable target for a drug candidate. BI-505 exerts its anti-tumour activity by inducing cell death of myeloma cells and by involving the patient's immune cells, known as macrophages, to attack myeloma cells. Macrophages are abundant in the bone marrow of myeloma patients, where they are thought to contribute to disease progression and development of resistance to currently available drugs. The ability of BI-505 to engage these disease-associated, disease-driving immune cells to kill myeloma cells is therefore a very interesting mechanism of action. In several relevant animal models, BI-505 proved to be more effective at killing tumours than existing drugs. The number of newly diagnosed patients with multiple myeloma worldwide is estimated at more than 40,000 per year.

BI-505 has been granted Orphan Drug Designation for multiple myeloma by the US Food and Drug Administration (FDA) and European Medicines Agency (EMA).

Project status

The initial results from the phase I study of BI-505 on patients in advanced stages of multiple myeloma were reported in January 2013. The preliminary analysis showed a good safety profile for BI-505. In the dosage groups to which extended therapy was offered, 24 percent of these severely ill patients demonstrated stable disease for at least two months, indicating a beneficial effect of BI-505. Optimal dose was determined according to the study protocol and will be used in the next clinical trial.

Results from the phase I study were presented in April 2013 at the International Myeloma Workshop 2013 in Kyoto, Japan. New preclinical data was also presented on the same occasion showing significantly enhanced anti-tumour activity compared with monotherapy when combining the approved drugs Velcade® or Revlimid® with BI- 505.

In April 2013 the journal Cancer Cell presented data showing preclinical proof-of-concept for both BI-505 and for BioInvent's function-based F.I.R.S.T.™ platform with which the antibody was developed. The article presents data showing the potent action of BI-505 in several preclinical multiple myeloma models.

The first patient was dosed in April 2013 in an initial phase II study of BI-505. The study is carried out in patients with asymptomatic multiple myeloma ("smouldering multiple myeloma"). Patients with asymptomatic myeloma have no clinical symptoms; the disease can only be seen in laboratory tests. The study includes up to 10 patients and evaluates how BI-505 affects disease activity in these patients. Secondary objectives include safety, pharmacokinetics and evaluation of biomarkers.

Patent protection

BioInvent has applied for patents for antibodies against ICAM-1 and their ability to induce cell death in different types of tumours such as multiple myeloma, lymphoma and carcinoma. Patents have so far been granted in 13 countries, including the US, Australia, Japan and China. BioInvent has also applied for patents for ICAM-1 antibodies to treat other multiple myeloma-related diseases, treatment of patients with resistance to, for example, chemotherapy, and treatment in combination with other cancer drugs.

Hematologic cancer (BI-1206)

Background

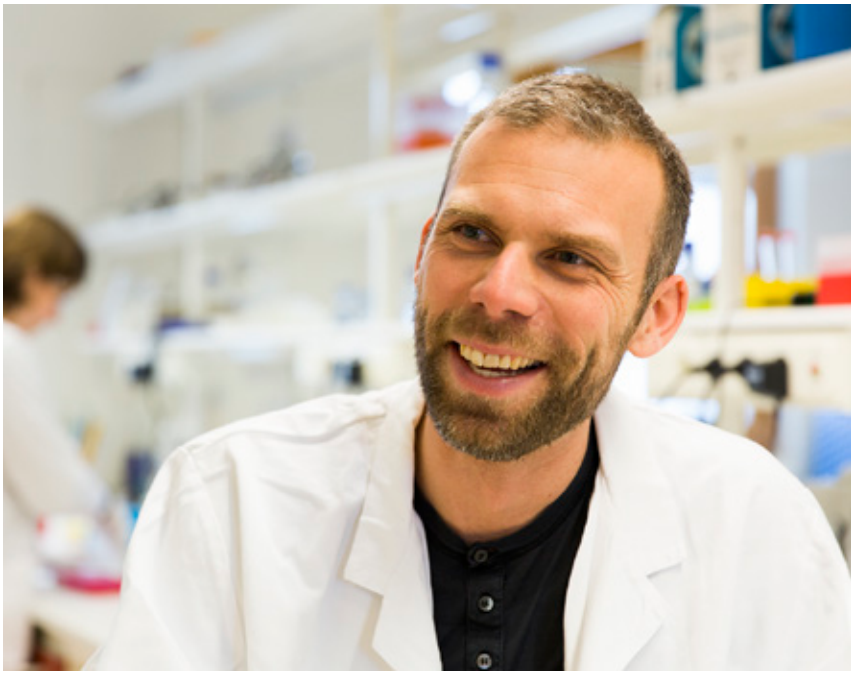
BI-1206 is a so-called antagonistic (blocking) antibody aimed at the immunosuppressive target protein Fc gamma receptor IIb, CD32b. CD32b is overexpressed on tumour cells in patients with lymphoma, especially in patients who respond poorly to currently available drugs. Data shows that CD32b is directly involved in the development of resistance in tumour cells to the current state-of-the-art treatment rituximab (Rituxan®, Mabthera®, Roche), an antibody aimed at the CD20 target protein. Treatment combining BI-1206 and rituximab in clinically relevant animal models with tumour cells from patients has demonstrated significantly improved effects compared with rituximab alone. Combination therapy therefore has the potential to significantly improve the treatment of patients with non-Hodgkin's lymphoma.

BI-1206 has also shown a strong ability to kill lymphoma cells on its own in preclinical models using tumour cells taken directly from patients. Moreover, other external groups have shown that animals lacking CD32b (CD32b knockout mice) respond better to antibody treatment and are better able to kill tumour cells in a lung cancer model compared with animals that have the CD32b protein. These results show that BI-1206 may have the potential to also be used as monotherapy and, by blocking the immunosuppressive effect of CD32b, create a more immunostimulatory environment and thereby enhance the therapeutic effect of several approved antibody-based drugs other than rituximab.

BI-1206 will initially be developed for severely ill patients with haematological cancer and work is currently under way to prioritise the most relevant patient group. Preclinical studies

"With an increased focus on blood cell cancer, immunomodulatory cancer therapies and our technology platform F.I.R.S.T.™, BioInvent's research is now in a very exciting phase. Our goal is to initiate clinical studies for both BI-505 and BI-1206, as well as generate commercial agreements and continue to build our internal pipeline with the help of F.I.R.S.T.™."

Björn Frendéus
Vice President,
Preclinical Research



are also planned to assess the efficacy potential of this antibody in other types of haematological cancer, in solid tumours and in combination with antibodies other than rituximab. The product is being developed in collaboration with a leading research team in Southampton, UK. Various studies have shown that as many as half of the cancer patients who responded to an initial Rituxan® treatment proved to be resistant to the drug at relapse.

Project status
Development of the production process for BI-1206 has begun. Following up-scaling and production of the antibodies, the next stage of development involves toxicology studies, which are expected to begin in the first half of 2014. The first clinical studies of BI-1206 are expected to start at the end of 2014/beginning of 2015.

Patent protection
BioInvent has applied for protection for antibodies against CD32b in combination with other antibodies, such as rituximab, for the treatment of cancer patients who are resistant or respond poorly to cancer therapies available today. Patent applications have been filed in nine large markets, including the US, Europe, Japan and China.

Metastatic cancer (ADC-1013)

Background
ACD-1013 is a so-called agonistic (activating) immunostimulatory antibody developed for local administration into tumour tissue (intratumoral administration). The antibody is directed against the CD40 antigen which is expressed on several types of immune system cells. Stimulation of this protein activates the body's own defence mechanisms against cancer. CD40 is also expressed on several types of tumours, including lymphoma. ADC-1013 and a mouse-specific surrogate antibody have been studied in various tumour models to show that local administration can cause systemic immune activation, resulting in eradication of metastases. Long-lasting immunity against the cancer should also be able to be created, which may protect against new metastases even after treatment has ended. Studies have been carried out which indicate that the effect can be achieved at lower doses compared to systemic administration, possibly resulting in a lower risk of side effects. The product is FIND®-optimised by Alligator Bioscience from an origin antibody selected from BioInvent's n-CoDeR® antibody library.

Project status
BioInvent has obtained the right to co-develop the product candidate ADC-1013 with Alligator Bioscience through an option agreement.

BioInvent and Alligator Bioscience will share development costs and future revenues from the project equally. Development of the production process for ADC-1013 is on-going and the next stage of development after up-scaling and production is toxicological studies. The project will be subject to an evaluation by BioInvent before an application to start clinical trials is filed.

Patent protection
BioInvent and Alligator Bioscience have jointly applied for patent protection for agonistic anti-CD40 antibodies for the local treatment of tumours. Patent applications have been pursued further in several important markets, such Europe, the US, Japan, China and India.

Preclinical research

The Company's preclinical research is aimed at expanding BioInvent's portfolio of drug candidates. In 2012 management took the decision to focus all of the Company's own research resources on cancer. Over the past decade the Company has accumulated a significant body of experience of relevant disease models within cancer biology and tumour immunology. The basis of the preclinical research is the models used to identify the most effective and potent antibody candidates, while extensively investigating the expected safety and tolerability of the antibody, based on the biology of the disease and the mechanism of action of the antibody.

Research in the area of cancer is focused on antibodies that are highly effective at killing tumour cells through apoptosis (programmed cell death) as well as activation of the body's own immune defence cells. Using the F.I.R.S.T.™ platform, which is particularly well-suited for identification of antibodies against cancer, the Company is actively searching for new drug candidates for the treatment of various haematological cancers. BioInvent is working with leading Swedish and international academic teams with the objective of developing antibodies based on new therapeutic concepts for the treatment of serious haematological and solid cancers. In the collaboration with Cancer Research Technology and Queen Mary's University Hospital in the UK to identify new drugs within the field of oncology, the research is focused on developing function-modulating antibodies against tumour-associated macrophages (TAM), a type of macrophage with oncogenic, or cancer-stimulating, effect.

Macrophages are dynamic cells which, depending on the signals from the environment, can assume both tumour-driving (TAM) and tumour-suppressing (classical macrophages) properties and functions. In certain types of cancer, macrophages account for a larger portion of tumour mass than the actual tumour cells. Antibody-mediated "training" of macrophages with tumour suppressor function is therefore a very attractive therapeutic concept and represents an area of research in which BioInvent and its partners are at the cutting edge.

External collaborations

The Company is already conducting research and development of antibody-based drugs in cooperation with other external partners such as Bayer Pharma, Les Laboratoires Servier, Daiichi Sankyo and Mitsubishi Tanabe Pharma. The structure of the various collaborations may vary, but common to them all is that BioInvent receives licence fees and research financing, as well as milestone payments and royalties on sales of commercial products. The contribution from these external drug programmes to the Company's drug portfolio today consists of one clinical phase I project, seven projects in the preclinical phase and more than ten projects in the early research phase.

Technology platforms

F.I.R.S.T.™ platform

BioInvent is actively seeking new drug candidates using the Company's F.I.R.S.T.™ platform which identifies antibodies directly based on their ability to kill primary cancer cells through differentially expressed, cancer cell-associated surface receptors. The Company works in cooperation with leading Swedish and international academic teams with the objective of developing antibodies to treat serious haematological and solid cancers using new pharmaceutical concepts. The various advantages of the platform over other technology platforms in antibody development were recently presented at scientific conferences in San Diego and Vancouver. F.I.R.S.T.™ represents a further development of, and an important complement to, the Company's n-CoDeR® platform. Its application coincides well with the Company's focus on developing cancer therapies in the field of haematologic oncology.

Four-stage antibody development:

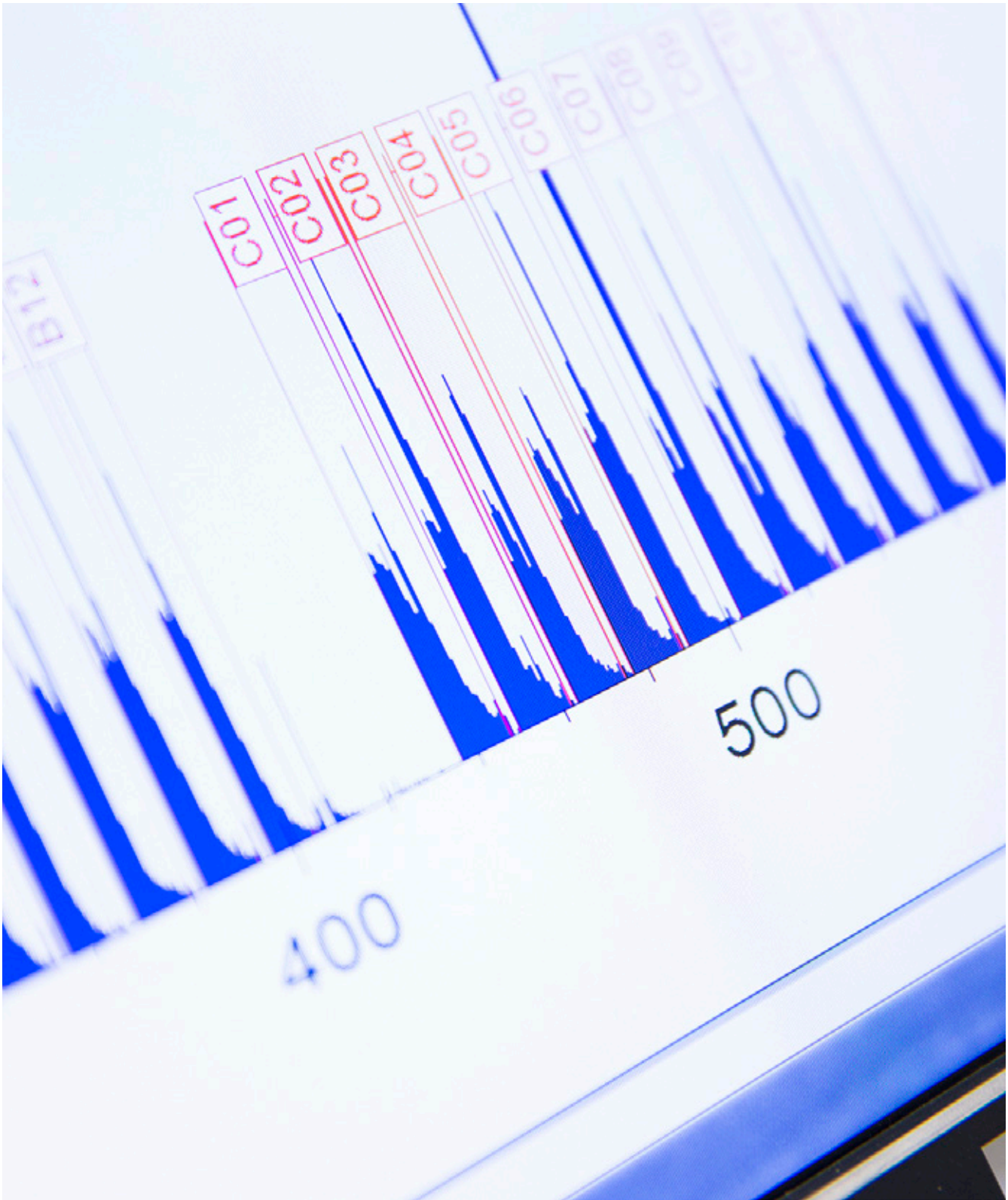
1. The first stage isolates antibodies that recognise cancer cells better than they recognise healthy cells. In this so-called comparative screening stage, a large number (hundreds to tens of thousands) of antibodies that bind very specifically to different target structures are identified.
2. The second stage involves functional screening of the antibodies' ability to kill cancer cells, i.e. their ability to inhibit the cancer cells' biological activity, as well as the ability to activate the patient's immune defence cells.
3. The third stage involves determining which target structures (antigens) the antibodies bind to. These may be both known and new target structures. This work is also important to the ability to protect the intellectual property in the biological material.
4. The fourth stage involves testing the studied antibodies and target structures in clinically relevant animal models. This is very important to determine tolerance and efficacy of the selected drug candidate in humans.

The unique aspect of F.I.R.S.T.™ is the ability to find a very large number of antibodies against different disease-relevant structures, and that the tool works in all of these stages with patient cells – from initial isolation of antibodies to proven anti-cancer activity in the best predictive animal models.

One example of the effectiveness of the platform is BI-505, the Company's product candidate for the treatment of multiple myeloma. BI-505 was discovered using an F.I.R.S.T.™-like prototype. BioInvent uses F.I.R.S.T.™ to identify new drug candidates for the treatment of haematological cancers. Antibodies are selected that bind specifically to cancer cells and mediate a functionality that is important for cancer treatment, mainly in the form of apoptosis or activation of the body's own immune defence system.

n-CoDeR® antibody library

BioInvent has developed a powerful technology platform for discovery, development and production of human antibodies based on the n-CoDeR® antibody library. The library contains a collection of more than 10 billion human antibody genes stored within bacteria in test tubes. The bacteria act as production units for different 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 the optimal antibody, BioInvent has developed automated processes in which robots carry out the analysis on an industrial scale. The n-CoDeR® library consists of naturally occurring 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 calls this "evolution beyond nature." The n-CoDeR® library is protected by patents and patent applications in the most important markets.



Exciting challenges in a new and focused organisation

BioInvent employee Gunilla Larsson has been with the Company since 2007 and, in connection with the reorganisation, was appointed head of the Protein & Analytical Chemistry team. She has a PhD in biochemistry from Lund University with a focus on protein chemistry and structural chemistry. She sees many exciting challenges in her new team leader role.

What does your team do?

"We are a team that provides support to both the research department and the section of Technical Operations that produces antibodies for clinical studies. We work, for example, with protein purification, analysis, analysis development, bioanalysis, development of bioassays and new drug formulation development."

What do you think about BioInvent's research?

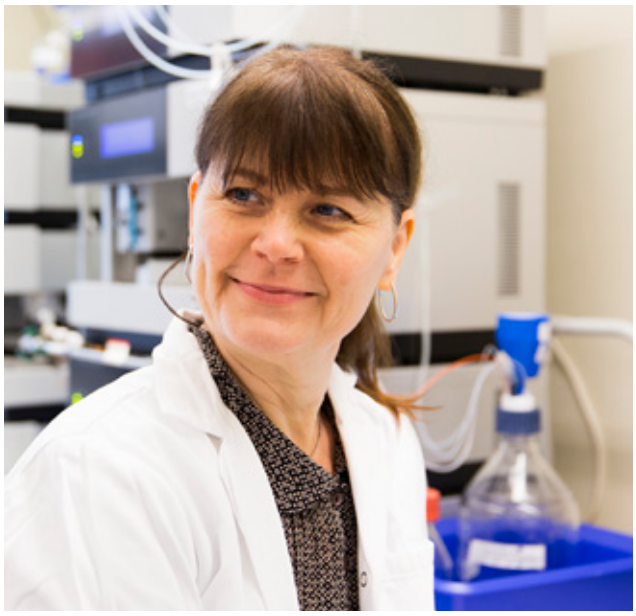
"At BioInvent we've assembled a team of very skilled people, which puts us far ahead in the antibody field in oncology drug development. To help us we have, among other things, our unique drug discovery tool, F.I.R.S.T™ and our antibody library n-CoDeR®. We also work in cooperation with some of the leading researchers in the world in our chosen therapy areas, including a research team at the University of Southampton, UK, and another at the University of Arkansas in the US. All this puts BioInvent in a very strong position to meet the international competition."

In your opinion, which projects are the most exciting ones?

"We have several exciting research projects under way, including one to develop a drug to treat multiple myeloma (BI-505) and another for non-Hodgkin's lymphoma, a type of haematological cancer. Both projects are in the haematological cancer area; one is in the clinical phase and the other in the preclinical phase."

Can you give an example of an international project that BioInvent is participating in?

"One of them is an EU project involving ten international research teams. Our role in the project is to produce antibodies that are dual-specific. This means they can bind to two target structures which can improve the therapeutic effects. Our team is providing purification methods for the antibody material we're producing. The ultimate goal is a new drug to treat solid tumours."



What do you think about BioInvent as an employer?

"For me, BioInvent is a very good employer. I came into the Company a bit by chance as a validation consultant and have since been given opportunities to grow in my professional role – both as a specialist and a manager. The different rounds of reorganisation have, of course, been difficult for the employees, but at the same time my colleagues and I have been given many challenging tasks and this has helped our personal growth."

What are your expectations for the future – both for your own growth and the Company's development?

"I'm an optimist by nature and I think BioInvent will continue to produce new and challenging projects; proprietary ones and for partners, or collaboration projects. Our company is in a period of transition, now focusing on antibodies and oncology. Our management team is setting clear goals and prioritising communication and transparency. That's a great way to further motivate people so we can achieve positive results in our research.

Personally I like challenges – both in my role as a leader, and in our operations. We've just purchased a new analytical instrument which can be used in many areas, including protein characterisation, which will facilitate in the discovery of potential new drug candidates in a high throughput way."

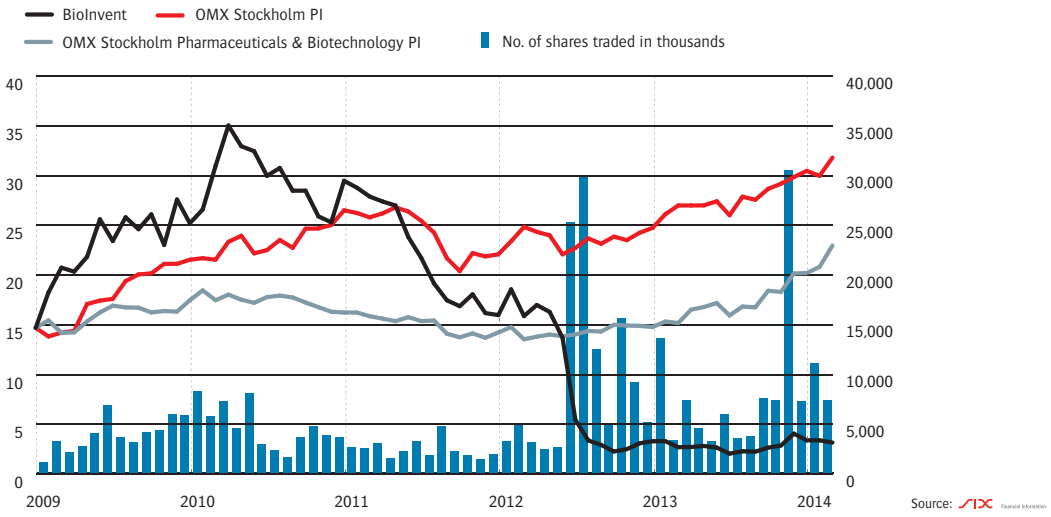
BioInvent's organisational structure

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

The research department has the following two teams: the Antibody Discovery team which focuses on developing BioInvent's technology platforms, F.I.R.S.T™ and n-CoDeR®, and the Oncology Team which develops antibodies for BioInvent's own research portfolio. Technical Operations consists of three functions, one responsible for producing antibodies for clinical studies, one working with quality assurance and quality control, and the Protein & Analytical Chemistry support team.

As of 31 December 2013 BioInvent had 43 employees, 36 of them working in research and development. 91 percent of the Company's employees have university degrees and 42 percent have PhDs.

The BioInvent share



BioInvent has been listed on NASDAQ OMX Stockholm since 2001.

Price trend and trading volume

In 2013, the share price increased 3 %, from SEK 3.30 to SEK 3.39. During 2013 the OMX Stockholm_PI increased 23 % and OMX Stockholm Pharmaceuticals & Biotechnology_PI increased 37 %. The highest price paid in 2013 was SEK 4.93 and the lowest price was SEK 1.89. BioInvent's market capitalization totalled SEK 288 million at the end of 2013.

During the year 97.1 million (117.9) BioInvent shares were traded for a value of SEK 315 million (608). This corresponds to a rate of turnover of 139 % (97). Average trading volume per trading day was 388,466 (471,632) shares for a value of SEK 1.3 million (2.4). Average number of trades per trading day were 110 (182).

Largest shareholders, 31 December 2013

Shareholders	No. of shares	Percentage of capital and votes
Van Herk Investments B.V.	14,701,604	17.3
B&E Participation AB	6,648,017	7.8
Avanza Pension Försäkring	4,944,928	5.8
Peter Hoglin	3,687,221	4.3
Staffan Rasjö	3,629,782	4.3
Ridgeback Capital Management	3,627,456	4.3
Nordnet Pensionsförsäkring	2,079,760	2.4
SEB Life Int. Assurance	1,766,788	2.1
Mikael Lönn	1,577,611	1.9
Christina Glad	1,144,221	1.3
Pershing Llc	1,028,904	1.2
Other shareholders	40,178,357	47.3
Total	**85,014,649**	**100.0**

Ownership structure

In 2013, the number of shareholders decreased 1 %, from 6,697 to 6,651. Foreign owners held 33 % (37) of the share capital and votes. The ten largest shareholders owned 52 % (48) of the shares. About 53 % (60) of the shareholders owned 1,000 or fewer shares each.

Analysts covering BioInvent

John Savin – Edison Investment Research, London
Johan Löchen – EPB, Stockholm
Mark Pospisilik – Kempen & Co, Amsterdam
Klas Palin – Redeye, Stockholm

Share capital

The Annual General Meeting in April 2013 and the Extraordinary General Meeting in June 2013 resolved on the reduction of the share capital, without retirement of shares and without repayment to the shareholders.

BioInvent has implemented a rights issue totaling 11,088,867 shares that in the third quarter of 2013 raised SEK 19.4 million after issue expenses. As of 31 December 2013 the Company's share capital amounted to SEK 6.8 million distributed between 85,014,649 shares.

If fully exercised, Employee Incentive Programme 2011/2015 and Employee Incentive Programme 2013/2017 will represent a dilution equivalent to around 1.4 percent of the shares in the Company. The Company's Employee Incentive Programmes are described on page 45–46.

There is only one class of share. Each share entitles the holder to one vote at shareholders' meetings and all shares carry equal rights to the Company's assets and profit.

Dividend and dividend policy

The Board of Directors do not recommend payment of any dividend for the 2013 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.

Upcoming financial information

Interim reports: 24 April, 24 July, 23 October 2014

Share statistics, 31 December 2013

Size of holdings	No. of shareholders	No. of shareholders, %	No. of shares in %
1–500	2,538	38.2	0.6
501– 1,000	968	14.6	0.9
1,001–2,000	1,046	15.7	1.8
2,001–5,000	968	14.6	3.8
5,001–10,000	473	7.1	4.2
10,001–20,000	313	4.7	5.2
20,001–50,000	223	3.4	8.3
50,001–100,000	53	0.8	4.4
100,001–500,000	48	0.7	10.2
500,001–1,000,000	10	0.2	7.9
1,000,001–5,000,000	9	0.1	27.6
5,000,000–10,000,000	1	0.0	7.8
10,000,001– 50,000,000	1	0.0	17.3
Total	**6,651**	**100.0**	**100.0**

Changes in the share capital

Year		Transaction capital, SEK	Increase in no. of shares	Increase in 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

[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 for BioInvent International AB after issue cost deductions.
[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 for BioInvent International AB after issue cost deductions.
[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 for BioInvent International AB after issue cost deductions.
[5)] New share issue in connection with the listing. The issue price was SEK 62 and SEK 261.6 million was raised for BioInvent International AB after issue cost deductions.
[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 for BioInvent International AB. 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 for BioInvent International AB 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 for BioInvent International AB 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 for BioInvent International AB 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 for BioInvent International AB 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 for BioInvent International AB 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 for BioInvent International AB after deductions of issue costs.

Five-year review

INCOME STATEMENT, SEK MILLION	2013	2012	2011	2010	2009
Net sales	81.7	42.9	124.6	82.9	80.7
Research and development costs	-71.2	-207.3	-163.9	-178.9	-229.2
Sales and administrative costs	-30.2	-39.2	-32.6	-32.2	-35.5
Other operating revenues and costs	0.5	12.5	0.2	0.4	4.5
	-100.9	-234.0	-196.3	-210.7	-260.2
Operating profit/loss	**-19.2**	**-191.1**	**-71.7**	**-127.8**	**-179.5**
Profit/loss from financial investments	1.1	3.2	4.6	-0.6	2.8
Profit/loss after financial items	**-18.0**	**-187.8**	**-67.1**	**-128.4**	**-176.7**
Tax on profit for the year	–	–	–	–	–
Profit/loss for the year	**-18.0**	**-187.8**	**-67.1**	**-128.4**	**-176.7**

BALANCE SHEET, SEK MILLION	2013	2012	2011	2010	2009
Intangible fixed assets	0.0	0.0	1.9	3.1	7.0
Tangible fixed assets	3.9	6.8	11.0	11.2	12.0
Inventories	0.2	0.2	0.3	0.7	2.0
Current receivables	12,6	9.5	18.7	17.0	21.2
Liquid funds	64.7	100.1	174.0	106.1	84.0
Total assets	**81,4**	**116.5**	**205.8**	**138.0**	**126.2**
Shareholders' equity	49.0	47.6	138.0	74.2	55.6
Non-interest-bearing liabilities	32,4	68.9	67.8	63.8	70.6
Interest-bearing liabilities	–	–	–	–	–
Total shareholders' equity and liabilities	**81,4**	**116.5**	**205.8**	**138.0**	**126.2**

CASH FLOW, SEK MILLION	2013	2012	2011	2010	2009
Operating profit/loss	-19.2	-191.1	-71.7	-127.8	-179.5
Adjustments for depreciation, interest and other items	3.9	11.1	12.3	12.6	17.0
Changes in working capital	-39.4	9.7	3.9	-2.4	35.3
Cash flow from current operations	**-54.7**	**-170.4**	**-55.5**	**-117.7**	**-127.1**
Cash flow from investment activities	0.0	-0.1	-4.9	-4.6	-1.3
Cash flow from current operations and investment activities	**-54.7**	**-170.4**	**-60.4**	**-122.3**	**-128.4**
Cash flow from financing activities	19.4	96.5	128.3	144.4	-
Increase/decrease in liquid funds	**-35.3**	**-73.9**	**67.9**	**22.1**	**-128.4**

KEY FINANCIAL RATIOS	2013	2012	2011	2010	2009
Net revenue growth, %	90.3	-65.5	50.4	2.7	-68.0
Net working capital, SEK million	-19.7	-59.2	-48.9	-46.1	-47.4
Net working capital/net sales, %	-24.1	-137.9	-39.2	-55.7	-58.7
Operating capital, SEK million	-15.7	-52.4	-36.0	-31.9	-28.4
Operating capital/net sales, %	-19.3	-122.1	-28.9	-38.5	-35.2
Capital employed, SEK million	49.0	47.6	138.0	74.2	55.6
Capital employedl/net sales, %	60.0	110.9	110.7	89.5	69.0
Shareholders' equity, SEK million	49.0	47.6	138.0	74.2	55.6
Return on shareholders' equity, %	-37.3	-202.4	-63.2	-197.8	-123.1
Return on capital employed, %	-37.3	-202.4	-63.2	-197.8	-123,1
Capital turnover, times	1.7	0.5	1.2	1.3	0.6
Equity/assets ratio, %	60.2	40.9	67.0	53.7	44.1
Intangible fixed assets investments, SEK million	-	-	-	-	-
Tangible fixed assets investments, SEK million	0.0	0.1	4.9	4.6	1.3
Average number of employees	47	76	89	96	105
Net sales per employee, SEK million	1.7	0.6	1.4	0.9	0.8

DATA PER SHARE	2013	2012	2011	2010	2009
Earnings per share, SEK					
Before dilution	-0.23	-2.61	-1.04	-2.12	-3.17
After full dilution	-0.23[1)]	-2.61[1)]	-1.04[1)]	-2.12[1)]	-3.17[1)]
Shareholders' equity per share, SEK					
Before dilution	0.58	0.64	2.05	1.21	1.00
After full dilution	0.58[2)]	0.64[2)]	2.05[2)]	1.19	1.00[2)]
Cash flow per share, SEK	-0.70	-2.37	-0.93	-2.02	-2.31
Average no. of shares					
Before dilution (thousands)	78,084	72,022	64,660	60,522	55,661
After full dilution (thousands)	78,084[2)]	72,022[2)]	64,660[2)]	61,542	55,661[2)]
Number of shares at end of period					
Before dilution (thousands)	85,015	73,926	67,205	61,096	55,661
After full dilution (thousands)	85,015[2)]	73,926[2)]	67,205[2)]	62,151	55,661[2)]
Share price, 31 December, SEK	3.39	3.30	16.10	29.70	25.40

[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

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

Operating capital
The balance sheet total less non-interest-bearing liabilities, other non-interest-bearing provisions and current investments and liquid funds.

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.

Average number of employees
Weighted average number of employees during the year.

Earnings per share
Profit/loss after financial items divided by the average number of shares.

Shareholders' equity per share
Shareholders' equity divided by the number of shares at the end of the period.

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

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. Associate professor at the Royal Institute of Technology (KTH) in Stockholm. Member of the Board since 1999 and Chairman of the Board since 2011. Member of the Audit Committe.

Other board appointments: Vice Chairman of the Board of Ångpanneföreningen's Foundation for Research and Development. Member of the Boards of ÅF AB and SwedNanoTech AB.

Shareholding: 18,857

Vessela Alexieva

Employee representative
Master of Science in Molecular and functional biology. Born 1959. Lives in Lund, Sweden. Research Engineer. Member of the Board since 2013.

Other board appointments: -

Shareholding: 20,850 (own and affiliated holdings)

Employee options: 2,250

Lars Backsell

B. Sc. in Economics at SSE and has completed AMP at Insead. Born 1952. Lives in Stockholm, Sweden. Previous roles include CEO of Recip AB and senior positions within Pharmacia AB and Coloplast A/S. Member of the Royal Swedish Academy of Engineering Sciences. Member of the Board since 2010. Member of the Audit Committe.

Other board appointments: Chairman of the Boards of Recipharm AB and Backsell Eldered Holding AB. Member of the Boards of B&E Participation AB, Rohirrim AB and Skärmare Drifts AB.

Shareholding: 6,648,017 (through companies)

Dharminder Chahal

M.Sc. in Aerospace Engineering and M.Sc. in Business Economics. Born 1976. Lives in Netherlands. CEO and founder of SkylineDx. CEO and co-founder of Cardio-Genx. Consultant to Van Herk Groep. Member of the Advisory Committee of Gilde Healthcare II and III. Member of the BioInvent Board since 2013 and Member of the Audit Committe.

Other board appointments: Member of the Board of VitalneXt B.V., Agendia Inc. and Isobionics.

Shareholding: 78,285

Lars Ingelmark

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

Other board appointments: Chairman of the Boards of Svensk Våtmarksfond and Skedala Säteri AB. Member of the Boards of Gyttorp AB and Svenska Jägareförbundet.

Shareholding: 1,100

Jonas Jendi

M.Sc. in Economics at SSE. Born 1970. Lives in Stockholm, Sweden. Previous roles include CEO of Cogmed Systems AB. Member of the Board since 2013.

Other board appointments: Member of the Board of AB Leichtle & Jendi. CEO and member of the Board Franz Besserwisser AB.

Shareholding: -

Elisabeth Lindner

Master of Science, MBA. Born 1956. Lives in Stockholm, Sweden. CEO of OxThera AB. Member of the Royal Swedish Academy of Engineering Sciences. Member of the Board since 2005.

Other board appointments: Chairman of the Board and CEO of Biosource Europe AB. Member of the Board of Cobra Biologics AB.

Shareholding: 8,045

Ulrika T. Mattson

Employee representative
University degree in Biomedical Laboratory Science. Born 1968. Lives in Malmö, Sweden. Biomedical Scientist. Member of the Board since 2007.

Other board appointments: -

Shareholding: 400 (own and affiliated holdings)

Employee options: 2,250

Auditors

KPMG AB
Auditor in charge: Alf Svensson, Authorised Public Accountant.
Born 1949. Lives in Bjärred, Sweden.
Auditor for BioInvent International AB since 2012.

Senior management

Michael Oredsson

President and CEO
Degree in International Business Administration from Lund University. Born 1960. Lives in Beddingestrand, Sweden. Employed since 2013. He was CEO of Probi AB 2007-2013. Former CEO of Biosignal in Australia, 2002-2007, and Nutripharma in Norway, 1999-2001. Before that he was responsible for building up Pharmacia's OTC product division in Australia. He has aslo held senior marketing positions at Nestlé and Mars Inc in Sweden, Germany and France.

Chairman of the Board of LIDDS AB. Member of the Board of SP Technical Research Institute of Sweden.

Shareholding: -

Employee options: 2,219

Björn Frendéus

Vice President, Preclinical Research
Doctor of Immunology. Born 1973. Lives in Landskrona, Sweden. Employed since 2001. Graduated from the Swedish Foundation for Strategic Research funded Biomedicine programmes within the Infection & Vaccinology programme in 2001. Honorary Professor at University of Southampton.

Shareholding: 804 (own and affiliated holdings)

Employee options: 3,000

Per-Anders Johansson

Senior Vice President, Technical Operations
Master of Science, Chemistry. Born 1955. Lives in Lund, Sweden. Employed in 1984 by the former subsidiary Bioinvent Production AB.

Shareholding: 250,300

Employee options: 3,000

Martin Wiles

Senior Vice President, Business Development
Ph. D. Chemistry, MBA. Born 1963. Lives in London, Great Britain. Employed since 2003. Previously employed as head of Business Development at KS Biomedix Holdings Plc.

Shareholding: -

Employee options: 3,000

Directors' report

The Board of Directors and the CEO of BioInvent International AB (publ), co. reg. no. 556537-7263, hereby present the annual accounts and consolidated accounts for the financial year 1 January–31 December, 2013. 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.

Operations

BioInvent International AB, listed on the NASDAQ OMX Stockholm (BINV), is a research-based pharmaceutical company focused on discovery and development of innovative antibody-based drugs against cancer. The Company's pipeline currently includes three product candidates for the treatment of cancer.

The company has unique expertise in antibody drug development from initial concept to late clinical phase. The screening tool F.I.R.S.T.™ and the antibody library n-CoDeR® are two patented tools that enable identification of relevant human antibodies and disease targets during the discovery phase.

The scope and strength of this platform is also used to develop antibody-based drugs in collaboration with partners who finance the development of the new drug, and provide BioInvent the right to milestone payments and royalties on sales. These partners include Bayer Pharma, Daiichi Sankyo, Mitsubishi Tanabe Pharma and Les Laboratoires Servier.

Review of the project portfolio

Multiple myeloma (BI-505)

Background

Candidate drug BI-505 is a human antibody that specifically binds to the ICAM-1 adhesion protein (also known as CD54). Expression of ICAM-1 is elevated in tumour cells, which makes it a suitable target for a candidate drug. BI-505 exerts its anti-tumour activity by inducing cell death of myeloma cells and by involving the patient's immune cells, known as macrophages, to attack myeloma cells. Macrophages are abundant in the bone marrow of myeloma patients, where they are thought to contribute to disease progression and development of resistance to currently available drugs. The ability of BI-505 to engage these disease-associated, disease-driving, immune cells to kill myeloma cells is therefore a very interesting mechanism of action. BI-505 has a new mechanism contributing to the effective killing of myeloma cells. In several animal models, BI-505 proved to be very effective at killing tumours and more effective than existing drugs. The number of newly diagnosed patients with multiple myeloma worldwide is estimated at more than 40,000 per year.

BI-505 has received Orphan Drug Designation for multiple myeloma by the U.S. Federal Drug Administration (FDA) and European Medicines Agency (EMA).

Project status

The initial results from the phase I study of BI-505 on patients in advanced stages of the malignant disease multiple myeloma were reported in January 2013. The preliminary analysis showed a good safety profile for BI-505. In those dosage groups to which extended therapy was offered, 24% of these severely ill patients demonstrated stable disease for at least two months, indicating a beneficial effect of BI-505. Optimal dose was determined according to the study protocol and is used in the current clinical trial.

Results from the phase I study were presented in April 2013 at the International Myeloma Workshop 2013 in Kyoto, Japan. New preclinical data were also presented on the same occasion showing significantly enhanced antitumour activity compared with monotherapy when combining the approved drugs Velcade® or Revlimid® with BI- 505.

In April the journal Cancer Cell presented data showing preclinical proof-of-concept both for BI-505, and for BioInvent's function-based F.I.R.S.T.™ platform with which the antibody was developed. The article presents data showing the potent action of BI-505 in several preclinical multiple myeloma models.

The first patient was dosed in April in an initial phase II study of BI-505. The study is carried out in patients with asymptomatic multiple myeloma ("smouldering multiple myeloma"). Patients with asymptomatic myeloma have no clinical symptoms; the disease can only be seen in laboratory tests. The study includes up to 10 patients and evaluates how BI-505 affects disease activity in these patients. Secondary objectives include safety, pharmacokinetics and evaluation of biomarkers.

Hematologic cancer (BI-1206)

Background

BI-1206 is a so-called antagonistic (blocking) antibody aimed at the immunosuppressive target protein Fc gamma receptor IIB, CD32b. CD32b is overexpressed on tumour cells in patients with lymphoma, especially in patients who respond poorly to currently available drugs. Data show that CD32b is directly involved in the development of tumour cell resistance to the current state-of-the-art treatment – Rituximab (Rituxan®, Mabthera®, Roche), an antibody directed against target protein CD20. Combined treatment with BI-1206 and rituximab in clinically relevant animal models with tumour cells from patients demonstrated significantly improved antitumour effects compared to monotherapy with rituximab. Combination therapy therefore has the potential to significantly improve treatment of patients with non-Hodgkin's lymphoma.

BI-1206 has also shown strong ability to kill lymphoma cells on its own in preclinical models using tumour cells taken directly from patients. Moreover, other groups have shown that animals lacking CD32b (CD32b knockout mice) respond better to antibody treatment and are better able to kill tumour cells in a lung cancer model compared with animals that have the CD32b protein. These results show that BI-1206 may have the potential to also be used as monotherapy and, by blocking the immunosuppressive effect of CD32b, create a more immunostimulatory environment and thereby enhance the therapeutic effect of several approved antibody-based drugs other than rituximab.

BI-1206 will initially be developed for severely ill patients with blood cancer and work is currently underway to prioritize the most relevant patient group. Preclinical studies are also planned to assess the potential for this antibody to be effective in other types of hematologic cancer, in solid tumours and in combination with antibodies other than rituximab. The product is developed in collaboration with a leading research group in Southampton, England. Various studies, have shown that as many as half of all cancer patients who responded to an initial Rituxan® treatment proved to be resistant to the drug at relapse.

Project status

Development of the production process for BI-1206 has begun. The next stage of development after up-scaling and production involves toxicological studies, which are expected to begin in the first half of 2014. The first clinical study with BI-1206 is expected to start at year end 2014.

Metastatic cancer (ADC-1013)

ACD-1013 is a so-called agonistic (activating) immunostimulatory antibody developed for local administration into tumour tissue (intratumoral administration). The antibody is directed against the CD40 antigen which is expressed on several types of immune system cells. Stimulation of this protein activates the body's own defence mechanisms against cancer. CD40 is also expressed on several types of tumours, including lymphoma. ADC-1013 and a mouse-specific surrogate antibody have been studied in various tumour models to show that local administration can cause systemic immune activation, resulting in eradication of metastases. Long-lasting immunity against the cancer should also be able to be created, which may protect against new metastases even after treatment has ended. Studies have been carried out which indicate that the effect can be achieved at lower doses compared to systemic administration, possibly resulting in a lower risk of side effects. The product is FIND®-optimised by Alligator Bioscience from an origin antibody selected from BioInvent's n-CoDeR® antibody library.

Project status

BioInvent has obtained the right to co-develop the product candidate ADC-1013 with Alligator Bioscience through an option agreement.

BioInvent and Alligator Bioscience will share development costs and future revenues from the project equally. Development of the production process for ADC-1013 is on-going and the next stage of development after up-scaling and production is toxicological studies. The project will be subject to an evaluation by BioInvent before an application to start clinical trials is filed.

Partner's Projects

The Company is already conducting research and development of antibody-based drugs in cooperation with other external partners such as Bayer Pharma, Les Laboratoires Servier, Daiichi Sankyo and Mitsubishi Tanabe Pharma. The structure of the various collaborations may vary, but common to them all is that BioInvent receives licence fees and research financing, as well as milestone payments and royalties on sales of commercial products. The contribution from these external drug programmes to the Company's drug portfolio today consists of one clinical phase I project, seven projects in the preclinical phase and more than ten projects in the early research phase.

Technology platform

BioInvent's F.I.R.S.T™ platform identifies antibodies directly based on their ability to kill primary cancer cells through differentially expressed, cancer cell-associated surface receptors. The various advantages of the platform over other technology platforms in antibody development were presented at scientific conferences in San Diego and Vancouver. F.I.R.S.T.™ makes use of and is an important complement to the Company's n-CoDeR® platform.

BioInvent is working with leading Swedish and international academic teams with the objective of developing antibodies based on new therapeutic concepts for the treatment of serious haematological and solid cancers. The research in this collaboration with Cancer UK and Queen Mary's University Hospital, for identification of novel antibody therapeutics within oncology focuses on functionmodulating antibodies against so-called tumour-associated macrophages (TAM), a type of macrophage with oncogenic, tumour driving properties.

Personnel and organisation

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

The research department has the following two teams: the Antibody Discovery team which focuses on developing BioInvent's technology platforms, F.I.R.S.T.™ and n-CoDeR®, and the Oncology Team which develops antibodies for BioInvent's own research portfolio. Technical Operations consists of three functions, 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 treasury and IT.

As of 31 December 2013 BioInvent had 43 (50) employees, 36 (42) of whom work in research and development. 91 percent of the Company's employees have university degrees, including 42 percent with PhDs.

The 9th of January, 2013 BioInvent announced that Svein Mathisen had resigned from his positions as chief executive officer of the Company and as member of the Board of Directors. Cristina Glad, previously executive vice president, was appointed as acting chief executive officer. Michael Oredsson took up the post as BioInvent's new CEO 19th of August 2014.

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. 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.

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 was 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 raw materials and that contracted services maintain a high standard.

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 82 million (43). Revenues for the period are derived from partners developing therapeutic antibodies from the n-CoDeR® antibody library.

The Company's total costs amounted to SEK 101 million (247). Operating costs are divided between external costs of SEK 46 million (149), personnel costs of SEK 52 million (92) and depreciation of SEK 2,9 million (6.1). Personnel costs include a provision of SEK 2.1 million as per 31 December 2013 for dismissal payments to the former acting CEO Cristina Glad. Provisions were made for restructuring costs (personnel costs) as per 31 December 2013 of SEK 4.4 million in connection with cutbacks in the work force.

The decrease in external costs in 2013 is due to a more extensive clinical programme was carried out during 2012. As of 30 June 2012 a provision was made of SEK 31 million for the

termination of the development of TB-402. Provisions of in total SEK 24 million were made as of 30 June 2012 and 30 September 2012 for restructuring costs, primarily personnel costs. Research and development costs amounted to SEK 71 million (207). During the period financial support from the EU's framework programme was reported for early research projects. The subsidy amounted to SEK 0.9 million (12) and has been reported in the income statement under "Other operating revenues and costs".

Earnings after tax amounted to SEK -18 million (-188). The net financial items amounted to SEK 1.1 million (3.2). Earnings per share before and after dilution amounted to SEK -0.23 (-2,61).

Financial position and cash flow

As of 31 December 2013, the Group's liquid funds amounted to SEK 65 million (100). The cash flow from current operations and investment activities amounted to SEK -55 million (-170). Payment of reserves from 2012 for the remaining costs of the TB-402 project and for restructuring costs affected cash flow negatively in 2013.

The shareholders' equity amounted to SEK 49 million (48) at the end of the period. The equity/assets ratio at the end of the period was 60 (41) per cent. Shareholders' equity per share amounted to SEK 0.58 (0.64). The Group had no interest-bearing liabilities.

The five-year review is described on page 22.

Investments

Investments in tangible fixed assets amounted to SEK 0.0 million (0.1). No investments were made in intangible assets during the period (-).

Parent company

The BioInvent Group consists of the parent company, BioInvent International AB, and the subsidiary BioInvent Finans AB, which administers warrants issued by BioInvent International AB. Net revenues amounted to SEK 82 million (43). The loss for the year amounted to SEK -18 million (-188). The cash flow from current operations and investment activities amounted to SEK -55 million (-170). The Parent company coincides in every material way with the Group.

The share

The BioInvent share has been listed on NASDAQ OMX Stockholm since 2001.

BioInvent has implemented a rights issue totaling 11,088,867 shares that in the third quarter of 2013 raised SEK 23 million before issue expenses. The share issue included a rights issue of 10,560,826 shares and an overallotment option of 528,041 shares. The subscription price was set at SEK 2.10 per share. The rights issue was oversubscribed. After the share issue the share capital consists of 85,014,649 shares.

The Annual General Meeting in April 2013 and the Extraordinary General Meeting in June 2013 resolved on the reduction of the share capital, without retirement of shares and without repayment to the shareholders. The reduction means that the quotient value of the shares is in total reduced by SEK 0.42, from SEK 0.50 to SEK 0.08. The purpose is to accounting-wise cover the 2012 accumulated loss and to cover part of the Company's reported loss for the first quarter 2013, while at the same time better adapting the size of the share capital to the company's business. After the reduction and the rights issue, the Company's share capital amount to SEK 6.8 million.

If fully exercised, Employee Incentive Programme 2011/2015 and Employee Incentive Programme 2013/2017 will represent a dilution equivalent to around 1.4 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 2013 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 authorisation shall not exceed 15 per cent 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 generate a high degree of

self-financing of our basic operations through increased revenues and to build a clinical portfolio with balanced risk and significant revenues are generated for the Company from licensing or sales.

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 carried out by the Company or its partners will not demonstrate sufficient safety and efficacy to obtain necessary government authority approvals or that the trials will lead to competitive products. If the Company or its partners cannot demonstrate with sufficient reliability that the intended products are safe and effective, authorization for these products could be denied, which would mean that they 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 products 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 commercialised 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 or that granted patents will provide sufficient protection, will not be attacked or contested by competitors or will not infringe upon competitors' rights. 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.

Changes in healthcare systems

In several countries proposals have been submitted to change healthcare compensation and payment systems in ways that could affect BioInvent's ability to profitably engage in its business.

BioInvent's success depends in part on the extent to which the Company's products will qualify for subsidies from publicly or privately financed healthcare programmes. 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

The Company has narrowed the focus of operations and reduced costs with the objective of creating the necessary conditions and business so that investments in BioInvent's own activities and preclinical research can be financed by revenues from partnership agreements with pharmaceutical companies. 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) sales of rights to individual projects, (ii) partnerships that guarantee product financing, (iii) 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 43.

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

Remuneration of Directors, the CEO and other senior executives is described in note 1.

The 2013 Annual General Meeting adopted principles of remuneration to the CEO and benefits for other senior executives. There were no deviations from these guidelines. The Board proposes that the principles of remuneration to the CEO and other senior executives remain unchanged and apply from the 2014 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 1.5 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).

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% of pensionable salary. Senior executives 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.

At the time of the 2014 Annual General Meeting, BioInvent has a compensation obligation of SEK 1.1 million to the company's former acting CEO, Cristina Glad.

Events after the end of the financial year

The Board of Directors has resolved on a rights issue and a directed new share issue subject to approval by an Extraordinary General Meeting on 19 March 2014.

Proposed appropriation of profits

At the disposal of the Annual General Meeting: Share premium reserve of SEK 32,541,177, retained earnings of SEK 39,000 and loss for the year of SEK -18,038,910. The Board of Directors propose that profits at the disposal of 14,541,267 SEK is carried forward. Thus, it is proposed that no dividend be given for the financial year 2013.

Consolidated statement of comprehensive income for the Group

SEK thousand	Note	2013	2012
Net sales		81,713	42,946
Operating costs	1–6		
Research and development costs		-71,180	-207,278
Sales and administrative costs		-30,220	-39,241
Other operating revenues	7	938	13,460
Other operating costs	7	-427	-980
		-100,889	-234,039
Operating profit/loss		**-19,176**	**-191,093**
Financial income	8	1,748	4,386
Financial expenses	9	- 611	-1,138
Net financial items		**1,137**	**3,248**
Profit/loss before tax		**-18,039**	**-187,845**
Tax	10	-	-
Profit/loss for the year		**-18,039**	**-187,845**
Other comprehensive income			
Items that have been or may be reclassified subsequently to profit or loss			
Changes in actual value current investments		-10	-13
Comprehensive income for the year		**-18,049**	**-187,858**
Other comprehensive income for the year attributable to parent company's shareholders		-18,049	-187,858
Earnings per share, SEK	11		
Before dilution		-0.23	-2.61
After dilution		-0.23	-2.61

Consolidated statement of financial position for the Group

SEK thousand	Note	2013	2012
ASSETS			
Acquired intangible fixed assets	12	0	0
Equipment	13	3,644	6,362
Investments in rented premises	13	284	414
Total fixed assets		**3,928**	**6,776**
Inventories		205	249
Accounts receivables	18	6,603	71
Other receivables	18	2,047	3,659
Prepaid expenses and accrued income	15	3,909	5,727
Liquid funds	18	64,745	100,061
Total current assets		**77,509**	**109,767**
Total assets		**81,437**	**116,543**

SEK thousand	Note	2013	2012
SHAREHOLDERS' EQUITY	16		
Share capital		6,801	36,963
Other allocated capital		1,214,749	1,165,204
Reserves		1	11
Accumulated loss		-1,172,544	-1,154,554
Total shareholders' equity		**49,007**	**47,624**
Shareholder's equity pertaining to the Parent company's shareholders		49,007	47,624
LIABILITIES			
Accounts payables	18	9,446	13,349
Other liabilities	18	2,293	14,694
Accrued expenses and deferred income	17, 18	20,691	40,876
Total short term liabilities		**32,430**	**68,919**
Total shareholders' equity and liabilities		**81,437**	**116,543**
Pledged assets		-	-
Contingent liabilities		-	-

Consolidated statement of cash flows for the Group

SEK thousand	2013	2012
Current operations		
Operating profit/loss	-19,176	-191,093
Depreciation	2,896	6,138
Adjustments for other non-cash items	49	995
Interest received	929	3,921
Interest paid	-	-3
Cash flow from current operations before changes in working capital	**-15,502**	**-180,042**
Changes in working capital		
Changes in inventories	44	33
Changes in current receivables	-3,102	9,196
Changes in short term liabilities	-36,292	-5,731
	-39,350	**9,661**
Cash flow from current operations	**-54,652**	**-170,381**
Investment activities		
Acquisition of tangible fixed assets	-47	-58
Cash flow from investment activities	**-47**	**-58**
Cash flow from current operations and investment activities	**-54,699**	**-170,439**
Financing activities		
Rights issue	19,383	96,535
Cash flow from financing activities	**19,383**	**96,535**
Change in liquid funds	**-35,316**	**-73,904**
Opening liquid funds	100,061	173,965
Liquid funds at year-end	**64,745**	**100,061**
Liquid funds, specification:		
Current investments	50,073	79,336
Cash and bank	14,672	20,725
	64,745	**100,061**

Statement of changes in equity for the Group

SEK thousand	Share-capital	Other allocated capital	Reserves	Accumulated loss	Total
Shareholders' equity 31 December 2011	**33,603**	**1,072,029**	**24**	**-967,704**	**137,952**
Comprehensive income for the year					
Profit/loss for the year				-187,845	-187,845
Comprehensive other income for the year			-13		-13
Total comprehensive income for the year			**-13**	**-187,845**	**-187,858**
Total, excluding transactions with equity holders of the Company	**33,603**	**1,072,029**	**11**	**-1,155,549**	**-49,906**
Transactions with equity holders of the Company					
Effect of employee incentive programme				995	995
Rights issue	3,360	93,175			96,535
Shareholders' equity 31 December 2012	**36,963**	**1,165,204**	**11**	**-1,154,554**	**47,624**
Comprehensive income for the year					
Profit/loss for the year				-18,039	-18,039
Comprehensive other income for the year			-10		-10
Total comprehensive income for the year			**-10**	**-18,039**	**-18,049**
Total, excluding transactions with equity holders of the Company	**36,963**	**1,165,204**	**1**	**-1,172,593**	**29,575**
Transactions with equity holders of the Company					
Effect of employee incentive programme				49	49
Reduction of share capital	-31,049	31,049			0
Rights issue	887	18,496			19,383
Shareholders' equity 31 December 2013	**6,801**	**1,214,749**	**1**	**-1,172,544**	**49,007**

The share capital as of 31 December 2013 consists of 85,014,649 shares and the share's ratio value is 0.08. The rights issue carried out in August 2013 raised SEK 19,383 thousands after issue expenses, which amounted to SEK 3,903 thousands. The rights issue carried out in April 2012 raised SEK 96,535 thousands after issue expenses, which amounted to SEK 8,305 thousands.

Consolidated income statement for the Parent Company

SEK thousand	Note	2013	2012
Net sales	1–6	81,713	42,946
Operating costs			
Research and development costs		-71,180	-207,278
Sales and administrative costs		-30,220	-39,241
Other operating revenues	7	938	13,460
Other operating costs	7	-427	-980
		-100,889	-234,039
Operating profit/loss		**-19,176**	**-191,093**
Interest income and similar items	8	1,748	4,386
Interest costs and similar items	9	-611	-1,138
Profit/loss after financial items		**-18,039**	**-187,845**
Tax	10	-	-
Profit/loss for the year		**-18,039**	**-187,845**
Other comprehensive income			
Changes in actual value current investments		-10	-13
Comprehensive income for the year		**-18,049**	**-187,858**

Consolidated balance sheet for the Parent Company

SEK thousand	Note	2013	2012
ASSETS			
Fixed assets			
Intangible fixed assets			
Acquired intangible fixed assets	12	0	0
Tangible fixed assets			
Equipment	13	3,644	6,362
Investments in rented premises	13	284	414
		3,928	6,776
Financial fixed assets			
Shares in subsidiaries	14	100	100
Total fixed assets		**4,028**	**6,876**
Current assets			
Inventories		205	249
Current receivables			
Accounts receivables		6,603	71
Other receivables		2,047	3,659
Prepaid expenses and accrued income	15	3,909	5,727
		12,559	9,457
Liquid funds			
Current investments		50,073	79,326
Cash and bank		14,672	20,725
		64,745	100,051
Total current assets		**77,509**	**109,757**
Total assets		**81,537**	**116,633**

SEK thousand	Note	2013	2012
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		6,801	36,963
Statutory reserve		27,693	27,831
		34,494	64,794
Non-restricted equity			
Share premium reserve		32,541	169,721
Retained earnings		39	982
Profit/loss for the year		-18,039	-187,845
		14,541	-17,142
Total shareholders' equity		**49,035**	**47,652**
Short term liabilities			
Accounts payables		9,446	13,349
Liabilities to subsidiaries		101	101
Other liabilities		2,268	14,694
Accrued expenses and deferred income	17	20,687	40,837
Total short term liabilities		**32,502**	**68,981**
Total shareholders' equity and liabilities		**81,537**	**116,633**
Pledged assets		-	-
Contingent liabilities		-	-

Consolidated statement of cash flows for the Parent Company

SEK thousand	2013	2012
Current operations		
Operating profit/loss	-19,176	-191,093
Depreciation	2,896	6,138
Adjustments for other non-cash items	49	995
Interest received	929	3,921
Interest paid	-	-3
Cash flow from current operations before changes in working capital	**-15,302**	**-180,042**
Changes in working capital		
Changes in inventories	44	33
Changes in current receivables	-3,102	9,196
Changes in short term liabilities	-36,282	-5,718
	-39,340	**-39,350**
Cash flow from current operations	**-54,642**	**-170,368**
Investment activities		
Acquisition of tangible fixed assets	-47	-58
Cash flow from investment activities	**-47**	**-58**
Cash flow from current operations and investment activities	**-54,689**	**-170,426**
Financing activities		
Rights issue	19,383	96,535
Cash flow from financing activities	**19,383**	**96,535**
Change in liquid funds	**-35,306**	**-73,891**
Opening liquid funds	100,051	173,942
Liquid funds at year-end	**64,745**	**100,051**
Liquid funds, specification:		
Current investments	50,073	79,326
Cash and bank	14,672	20,725
	64,745	**100,051**

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 2011	**33,603**	**27,831**	**141,024**	**-64,478**	**137,980**
Appropriation of profit/loss			-64,478	64,478	0
Comprehensive income for the year					
Profit/loss for the year				-187,845	-187,845
Comprehensive other income for the year				-13	-13
Total, excluding transactions with equity holders of the Company	**33,603**	**27,831**	**76,546**	**-187,858**	**-49,878**
Transactions with equity holders of the Company					
Effect of employee incentive programme				995	995
Rights issue	3,360		93,175		96,535
Shareholders' equity 31 December 2012	**36,963**	**27,831**	**169,721**	**-186,863**	**47,652**
Appropriation of profit/loss			-186,863	-186,863	0
Comprehensive income for the year					
Profit/loss for the year				-18,039	-18,039
Comprehensive other income for the year				-10	-10
Total, excluding transactions with equity holders of the Company	**36,963**	**27,831**	**-17,142**	**-18,049**	**29,603**
Transactions with equity holders of the Company					
Effect of employee incentive programme				995	995
Reduction of share capital	-31,049	-138	31,187		0
Rights issue	887		18,496		19,383
Shareholders' equity 31 December 2013	**6,801**	**27,693**	**32,541**	**-18,000**	**49,035**

Accounting principles and information notes

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 2013 are unchanged from the previous year.

Critical accounting issues and accounting estimates
Senior management and the Board of Directors make estimates and assumptions about the future. These estimates and assumptions affect reported assets and liabilities, as well as revenues and expenses and other disclosures. These assessments are based on historical experience and the various assumptions that are assessed to be reason-able under prevailing circumstances. Actual outcomes can differ from these assessments if other assumptions are made or other conditions arise.

Conditions of material importance for the report which were specifically reviewed during the year are revenues and expenses in collaboration agreements.

Accounting principles
The accounting principles are unchanged from the previous year with the exception of the amended IAS 1 Presentation of Financial Statements, an amendment whereby the presentation of other comprehensive income is divided into two groups based on whether or not the items will be reclassified to profit and loss (reclassification adjustment), and the amended IFRS 13 Fair Value Measurement, a new uniform standard to measure fair value and for improved disclosure requirements. Other amendments to standards and interpretations that went into force in 2013 have not had any significant impact on the Group's reporting.

New IFRSs that the Company has not yet started to apply
A number of new standards and amendments of interpretations and existing standards that will go into effect during the upcoming financial year have not been applied in the preparation of the consolidated financial statements. None of these is expected to have any significant impact on the Group's financial statements.

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, which administers the warrants issued by BioInvent International AB. The consolidated financial statements are prepared using the acquisition method. Accordingly, shareholders' equity in the subsidiaries is entirely eliminated upon acquisition. The Group's equity consists of the equity in the Parent Company and the equity in the subsidiaries 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 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 organisation in Sweden.

Net revenues, fixed assets and investment activities	2013	2012
Net revenues		
Sweden	-	-
Europe	57.3	15.3
Other countries	24.4	27.6
Fixed Assets	**81.7***	**42.9****
Sweden	3.9	6.8
Investment activities		
Sweden	0.0	0.1

* Revenues come mainly from five customers.
** Revenues come mainly from five customers.

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 recognised 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 recognised 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 and process development. 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 8.

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
BioInvent mainly has defined benefit pension obligations. BioInvent's pension commitment is secured by an Alecta insurance policy. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this is a benefit-based plan that covers several employers. For the 2013 financial year, the Company did not have access to the information necessary to report this plan as a benefit-based plan. The ITP pension plan secured by an Alecta insurance is therefore reported as a premium based plan. At the end of 2013 Alecta's surplus in the form of the collective funding ratio was 148 percent (129). 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 assumptions. Note 1 provide information about the premiums. The Company reports pension payments as a cost during the period that the employee carries out the work to which the benefit relates.

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
The Annual General Meeting in 2011 resolved to adopt Employee Incentive Programme 2011/2015 and the Annual General Meeting in 2013 resolved to adopt Employee Incentive Programme 2013/2017. See also note 1.

Disclosure of related party transactions
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. There are no substantial deferred taxes that relate to temporary differences as of 31 December 2013.

Deferred tax assets relating to unutilised loss carry-forwards and deductible temporary differences are only reported if it is likely that they will be utilised against future taxable earnings. The Group's accumulated unutilised loss carry-forwards amounted to SEK 1,204 million as of 31 December 2013. 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.

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 recognised 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.

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 recognised when an invoice has been received. A financial asset is derecognised 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 and financial liabilities 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 interest-bearing 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".

Financial 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 2013 99 percent (100) of revenues were invoiced in foreign currencies, mainly EUR. Around 32 percent (42) of costs in 2013 were invoiced in foreign currencies, mainly in GBP and EUR. Realised forward contracts for flows in 2013 had an effect on the operating income in the amount of SEK 0.0 (0.3) million. A sensitivity analysis shows that the Company's operating profit/loss in 2013 before hedging transactions would have been affected in the amount of SEK -0.1 million if the Swedish krona had weakened by 1 percent compared with GBP and in the amount of SEK +0.6 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 2013 was 1.1 percent (2.3). A change in the interest rate of 1 percent in 2013 would have affected the net interest income by SEK 0.6 million.

Liquidity and credit risk
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 1 Salaries, other remuneration and social security etc

	2013		2012	
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	34,507	17,564 (6,186)	60,803	30,233 (9,621)
Subsidiaries	-	-	-	-
Group total	**34,507**	**17,564 (6,186)**	**60,803**	**30,233 (9,621)**

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

	2013		2012	
SEK thousand	Board and CEO	Other employees	Board and CEO	Other employees
Parent company	4,726	29,781	8,072	52,731
Subsidiaries	-	-	-	-
Group total	**4,726**	**29,781**	**8,072**	**52,731**

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

	2013		2012	
SEK thousand	Board and CEO	Other employees	Board and CEO	Other employees
Parent company	2,352	3,834	1,672	7,949
Subsidiaries	-	-	-	-
Group total	**2,352**	**3,834**	**1,672**	**7,949**

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 2013 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 consists of a variable remuneration model that was introduced in 2003.

Variable performancerelated remuneration of 0–30 percent of fixed annual cash salaries may be paid out on an annual basis to senior executives. The performance-related components in the current programme, for the period 1 January – 31 December 2014, are based primarily on high expectations for technical and commercial milestones in proprietary drug projects. The Board of Directors resolved in February 2014 to pay SEK 94 thousand in variable remuneration to the acting CEO Cristina Glad and SEK 35 thousand to CEO Michael Oredsson and SEK 276 thousand to other senior executives for the period 1 January – 31 December 2013. Variable remuneration is pensionable income.

In addition, the CEO and other senior executives are covered by an employee stock option incentive programme, described on page 45–46.

Remuneration and other benefits in 2013

	Fixed salary/ fees	Board and committee fees	Variable remuneration	Other benefits	Salary exchange	Pension costs	**Total**
Board and CEO							
Björn O. Nilsson, Chairman		400					**400**
Lars Backsell, member		200					**200**
Carl Borrebaeck, member	394						**394**
Dharminder Chahal, member		200					**200**
Lars Ingelmark, member		210					**210**
Jonas Jendi, member		160					**160**
Elisabeth Lindner, member		160					**160**
Cristina Glad, Acting CEO	2,088		94	47	1,022	1,202	**4,453**
Michael Oredsson, CEO	700		35	38		128	**901**
	3,182	**1,330**	**129**	**85**	**1,022**	**1,330**	**7,078**
Other senior executives (6 individuals*)	**6,399**		**276**	**40**		**1,263**	**7,978**
Total	**9,581**	**1,330**	**405**	**125**	**1,022**	**2,593**	**15,056**

* Average number during the period.

Benefits for the Board and CEO

The Board's fees were set by the 2013 Annual General Meeting at SEK 400 thousand for the Chairman of the Board and SEK 160 thousand for each of the other members of the Board not employed by the Company. In addition hereto, but not to the Chairman of the Board, it was decided that SEK 50 thousand shall be the fee for the Chairman of the Audit Committee and SEK 40 thousand shall be the fee for each of the other members in the Audit Committee and SEK 20 thousand shall be the fee for each of the members in the Remuneration Committee.

Carl Borrebaeck was Senior Scientific Advisor to the Company until 30 June 2013 and received a consultancy fee of SEK 394 thousand.

Cristina Glad was acting CEO and President during the period 9 January 2013 to 18 August 2013 and has received a fixed gross cash salary of SEK 2,088 thousand (of which SEK 881 thousand relating to dismissal pay) and SEK 94 thousand in variable remuneration, as well as SEK 47 thousand in other benefits. The total cost for Cristina Glad's pension benefits amounted in 2013 to SEK 2,224 thousand (of which SEK 1,022 thousand has been transferred from gross cash salary to pension cost and SEK 723 thousand relate to dismissal pay).

Michael Oredsson took office as CEO and President on 19 August 2013 and has received a fixed gross cash salary of SEK 700 thousand and SEK 35 thousand in variable remuneration, as well as SEK 38 thousand in other benefits. The total cost for Michael Oredsson's pension benefits amounted in 2013 to SEK 128 thousand 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 2,219 employee options in February 2014.

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 2013 of SEK 6,399 thousand (of which SEK 809 thousand after employment ends) and SEK 276 thousand in variable salary, as well as SEK 40 thousand in other benefits (primarily car benefit). The total pension costs relating to other senior executives in 2013 amounted to SEK 1,263 thousand (of which SEK 151 thousand after employment ends). Other senior executives received an allotment of 12,000 of employee options in February 2014.

Average number of employees

	2013		2012	
	Number of employees	Of which women	Number of employees	Of which women
Parent company	47	68%	76	63%
Subsidiaries	-	-	-	-
Group total	**47**	**68%**	**76**	**63%**

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

	2013		2012	
	Number*	Of which women	Number*	Of which women
Board and CEO	9	33%	9	33%
Other senior executives	5	0%	6	17%

* Number on 31 December

Employee Incentive Programme 2011/2015

The 2011 Annual General Meeting voted in favour of complementing the already established Employee Incentive Programme 2008/2012 aimed at newly employed senior executives and key individuals not participating in Employee Incentive Programme 2008/2012. The number of employee options was within the framework of the number of options still not exercised in Employee Incentive Programme 2008/2012, including previous supplementary programmes.

Each employee option entitles the holder to acquire 1.016 new shares in BioInvent for a subscription price of SEK 29.89 up to 1 December 2015. Under the programme a maximum of 33,750 employee options can be allotted. Subscription price and number of shares that each employee option entitles to are converted pursuant to rights issues carried out.

Basic allotment could take place until the Annual General Meeting 2012. The holders shall be able to exercise 50 percent of the basic allotment of the employee options as from the third anniversary of the allotment and the remaining 50 percent as from the fourth anniversary of the allotment. Extra allotment could take place in connection with the interim statement for the financial year 2011, 2012 and 2013, respectively, and may be exercised as from the date of the Annual General Meeting 2015. The last day for exercising the options shall be 1 December, 2015.

The employee options are free of charge and are not transferable. Exercise of the employee options requires that the option holder is still employed by the Group. All new employees could receive a maximum of 7,500 options, except for members of management without a substantial shareholding in the company, who could receive a maximum of 30,000 employee options. The maximum basic allotment could be adjusted proportionate to the length of employment with the Company for each individual. Extra allotment could be obtained, based on performance, for the financial years 2011, 2012 and 2013, respectively, amounting to maximum 15,000 employee options each year to members of management and maximum 7,500 employee options each year to key-employees. Extra allotment, in the case of members of management, involved the same criteria as payment of salary bonuses. These criteria consisted of technical milestone criteria relating to the Company's project and research portfolio, and the outcome of strategic partnering and financing. 50 percent of the extra allotment for individuals holding key positions was based on technical milestone criteria relating to the Company's project and research portfolio which provided a bonus and resulted in extra allotment management, and 50 percent was based on personal performance. Extra allotment was adjusted proportionate to the length of employment with the Company.

NOTE 1 Salaries, other remuneration and social security etc

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.

Each employee option will entitle the holder to acquire 1.012 new share in BioInvent for a subscription price of SEK 3.48 during the period from the date of publication of the Company's year-end financial statement for the 2016 financial year up to and including 1 December 2017. Subscription price and number of shares that each employee option entitles to are converted pursuant to rights issue carried out. Allotment of 102,622 employee options took place in February 2014.

Allotment is as follows: CEO maximum 30,000 options per year, members of management maximum 15,000 options per year, heads of sections and other key personnel maximum 7,500 options per year, other employees maximum 3,000 options per year. As regards the CEO and members of the management, allotment shall be based on the same criteria as for bonus benefits, 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. Allotment for heads of sections and other key personnel shall be based at 50 per cent on technical milepost-criteria in projects which entitle to bonus and at 50 per cent on personal performance. Allotment for other employees shall be based on the assessment of the Remuneration Committee as regards whether and to what extent the company has fulfilled the company's general goals for development. As regards allotment based on performance during the financial year 2013, the allotment may be proportional in relation to the period of employment during 2013.

To guarantee BioInvent's commitment and cover the costs associated with Employee Incentive programme 2013/2017, the 2013 Annual General Meeting resolved to issue a maximum of 1,182,780 warrants to BioInvent Finans AB.

Assuming that all issued warrants relating to Employee Incentive Programme 2011/2015 and Employee Incentive Programme 2013/2017 are exercised for subscription of new shares, the Company's share capital will increase by SEK 98,170.80 to SEK 6,899,342.72 equivalent to about 1.4 percent of shares and votes in the Company after full exercise.

The fair value of the options was determined using the Black-Scholes model for each allotment made during 2011-2013. This measurement model is considered to provide a fair representation of the value for the options. The data below has been used for the calculation.

Employee stock option plan 2011/2015	2013	2012	2011
Allotted options	3,938	6,667	37,500
Fair value per option (SEK)	0.00	2.58	4.14
Share price for underlying shares (SEK)	3.20	19.11	20.80
Subscription price (SEK)	30.24	30.36	30.36
Estimated life of the option	2.78 years	3.81 years	4.44 years
Risk-free interest rate during the life of the option	1.00%	1.18%	2.50%
Assumed volatility	40%	35%	35%
Expected dividends	-	-	-
Wage costs in 2013 for employee stock option programme (SEK thousand)	0	5	44
Wage costs in 2012 for employee stock option programme (SEK thousand)		5	42
Wage costs in 2011 for employee stock option programme (SEK thousand)			26

In 2013 wage costs for Employee Incentive Programme 2011/2015 had a negative impact on operating profit of SEK 49 thousand. In 2012 wage costs for Employee Incentive Programme 2008/2012 and Employee Incentive Programme 2011/2015 had a negative impact on operating profit of SEK 931 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 2 Information about auditors' fees

	Group		Parent company	
SEK thousand	2013	2012	2013	2012
KPMG				
Audit	295	174	295	174
Other auditing activities besides the audit	70	15	70	15
Tax consultations	-	-	-	-
Other services	242	-	242	-
Total	**607**	**189**	**607**	**189**
Ernst & Young				
Audit	-	99	-	99
Other auditing activities besides the audit	-	65	-	65
Tax consultations	-	-	-	-
Other services	-	2	-	2
Total	**-**	**166**	**-**	**166**

NOTE 3 Depreciation and impairment losses according to plan of intangible and tangible fixed assets

	Group		Parent company	
SEK thousand	**2013**	**2012**	**2013**	**2012**
Research and development costs	2,343	5,521	2,343	5,521
Sales and administrative costs	553	617	553	617
Total	**2,896**	**6,138**	**2,896**	**6,138**

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 (1,200) and impairment losses amounted to SEK - thousand (652) and is included in the income statement item "Research and development costs".

NOTE 4 Operational leasing

Leasing charges are for laboratory, production and office premises. Leasing costs in 2013 and 2012 amounted to SEK 6,154 thousand (10,514) 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 2014	6,696	6,696
Year 2015-2018	12,534	12,534
Year 2019 or later	-	-
Total	**19,230**	**19,230**

NOTE 5 Income statement classified according to type of cost

	Group		Parent company	
SEK thousand	**2013**	**2012**	**2013**	**2012**
External costs	46,137	148,187	46,137	148,187
Personnel costs	52,367	92,194	52,367	92,194
Depreciation	2,896	6,138	2,896	6,138
Total	**101,400**	**246,519**	**101,400**	**246,519**

NOTE 6 Exchange rate differences that affected profit/loss for the period

	Group		Parent company	
SEK thousand	**2013**	**2012**	**2013**	**2012**
Exchange rate differences that affected the operating profit/loss	-385	286	-385	286
Financial exchange rate differences	453	-366	453	-366
Total	**68**	**-80**	**68**	**-80**

NOTE 7 Other operating revenues and costs

SEK thousand	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Other operating revenues				
Financial support from the EU's framework programme	897	12,201	897	12,201
Exchange rate gains	41	1,259	41	1,259
	938	13,460	938	13,460
Other operating costs				
Exchange rate losses	-426	-974	-426	-974
Other	-1	-6	-1	-6
	-427	-980	-427	-980
Total	**511**	**12,480**	**511**	**12,480**

In 2012 and 2013 financial support from the EU's framework programme was reported for early research projects.

NOTE 8 Financial revenues

SEK thousand	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Interest income	684	3,617	684	3,617
Exchange rate differences	1,064	769	1,064	769
Total	**1,748**	**4,386**	**1,748**	**4,386**

Interest income relates entirely to assets measured at amortised cost.

NOTE 9 Financial costs

SEK thousand	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Interest costs	-	-3	-	-3
Exchange rate differences	-611	-1,135	-611	-1,135
Total	**-611**	**-1,138**	**-611**	**-1,138**

Interest income relates entirely to assets measured at amortised cost.

NOTE 10 Tax on profit for the year

Tax on profit for the year	Group 2013	Group 2012	Parent company 2013	Parent company 2012
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 2013	Group 2012	Parent company 2013	Parent company 2012
Reported profit/loss before tax	-18,039	-187,845	-18,039	-187,845
Tax according to the applicable tax rate, 22.0% (26.3%)	3,969	49,403	3,969	49,403
Tax effect of costs that are not deductible	-123	-426	-123	-426
Tax effect of loss carry forward for which the deferred tax claim has not been/shall be considered	-3,846	-48,977	-3,846	-48,977
Reported tax on profit/loss for the year	**0**	**0**	**0**	**0**

NOTE 11 Earnings per share

Earnings per share before dilution	2013	2012
Profit/loss for the period	-18,039	-187,845
Average number of outstanding shares (thousand)	78,084	72,022
Earnings per share before dilution, SEK	**-0.23**	**-2.61**

Earnings per share after dilution	2013	2012
Profit/loss for the period	-18,039	-187,845
Average number of outstanding shares (thousand)	78,084	72,022
Earnings per share after dilution, SEK	**-0.23**	**-2.61**

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. The subscription price for the Employee Incentive Programme 2011/2015 is SEK 29.89 per share. An average share price of SEK 3.25 per share was used to determine whether a dilution effect exists for 2013.

Options issued under Employee Stock Option Plan 2011/2015 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 12 Intangible fixed assets

Acquired intangible fixed assets	Group		Parent company	
SEK thousand	2013	2012	2013	2012
Opening acquisition value	47,885	47,885	47,885	47,885
Acquisitions	-	-	-	-
Disposals	-	-	-	-
Closing accumulated acquisition value	**47,885**	**47,885**	**47,885**	**47,885**
Opening depreciation	-47,885	-46,033	-47,885	-46,033
Disposals	-	-	-	-
Depreciation for the year	-	-1,200	-	-1,200
Impairment losses for the year	-	-652	-	-652
Closing accumulated depreciation and impairment losses	**-47,885**	**-47,885**	**-47,885**	**-47,885**
Closing residual value according to plan		**0**		**0**

NOTE 13 Tangible fixed assets

Equipment	Group		Parent company	
SEK thousand	2013	2012	2013	2012
Opening acquisition value	66,949	76,672	66,949	76,672
Acquisitions	47	58	47	58
Disposals	-7,168	-9,781	-7,168	-9,781
Closing accumulated acquisition value	**59,828**	**66,949**	**59,828**	**66,949**
Opening depreciation	-60,587	-66,320	-60,587	-66,320
Disposals	7,168	9,781	7,168	9,781
Depreciation for the year	-2,765	-4,048	-2,765	-4,048
Closing accumulated depreciation	**-56,184**	**-60,587**	**-56,184**	**-60,587**
Closing residual value according to plan	**3,644**	**6,362**	**3,644**	**6,362**

Investments in rented premises	Group		Parent company	
SEK thousand	2013	2012	2013	2012
Opening acquisition value	11,771	11,771	11,771	11,771
Acquisitions	-	-	-	-
Closing accumulated acquisition value	**11,771**	**11,771**	**11,771**	**11,771**
Opening depreciation	-11,357	-11,118	-11,357	-11,118
Depreciation for the year	-130	-239	-130	-239
Closing accumulated depreciation	**-11,487**	**-11,357**	**-11,487**	**-11,357**
Closing residual value according to plan	**284**	**414**	**284**	**414**

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

NOTE 14 Shares in subsidiaries

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

BioInvent Finans AB administers warrants issued by BioInvent International AB.

NOTE 15 Prepaid expenses and accrued income

	Group		Parent company	
SEK thousand	2013	2012	2013	2012
Prepaid rent	1,596	2,500	1,596	2,500
Other items	2,313	3,227	2,313	3,227
Total	**3,909**	**5,727**	**3,909**	**5,727**

NOTE 16 Shareholders' equity

Share capital

Thousands of shares	Ordinary shares 2013	2012
Issued as of 1 January	73,926	67,205
Rights issue	11,089	6,721
Issued as of 31 December	**85,015**	**73,926**

The share capital as of 31 December 2013 consists of 85,014,649 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.

Dividend
The Board of Directors proposes that no dividend be paid out for the 2013 financial year.

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 17 Accrued expenses and deferred income

SEK thousand	Group 2013	2012	Parent company 2013	2012
Payroll liabilities	11,534	20,517	11,534	20,517
Social security fees	4,169	7,719	4,169	7,719
Other items	4,988	12,640	4,988	12,601
Total	**20,691**	**40,876**	**20,687**	**40,837**

NOTE 18 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	**2013**	**2012**	**2013**	**2012**
Financial assets				
Loan receivables and accounts receivables				
Accounts receivables	6,603	71	6,603	71
Other receivables	2,047	3,560	2,047	3,560
	8,650	3,631	8,650	3,631
Available-for-sale financial assets				
Current investments	50,073	79,336	50,073	79,336
Cash and bank	14,672	20,725	14,672	20,725
	64,745	100,061	64,745	100,061
Financial assets carried at fair value through profit or loss for the year				
Derivatives*	0	99	0	99
Total	**73,395**	**103,791**	**73,395**	**103,791**
Financial liabilities				
Other financial liabilities				
Accounts payables	-9,446	-13,349	-9,446	-13,349
Other liabilities	-2,291	-14,693	-2,291	-14,693
Accrued expenses	-20,691	-40,876	-20,691	-40,876
	-32,428	-68,918	-32,428	-68,918
Financial liabilities recognised at fair value through profit or loss for the year				
Derivatives	-2	-1	-2	-1
Total	**-32,430**	**-68,919**	**-32,430**	**-68,919**

*Värderingen av derivaten tillhör nivå 2 i verkligt värde hierarkin i IFRS 7, vilket innebär att verkligt värde fastställts indirekt utifrån observerbar marknadsdata (valutakurser).

MATURITIES

Maturities for financial instruments are presented below

Remaining term, 31 Dec. 2013, SEK thousand	**On demand**	**< 3 months**	**3-12 months**	**Total**
Financial assets				
Loan receivables and accounts receivables				
Accounts receivables		6,603		6,603
(where of past due but not recognised as impairment losses)		(-)		(-)
Other receivables		2,047		2,047
Available-for-sale financial assets				
Current investments		50,073		50,073
Cash and bank	14,672			14,672
Financial assets carried at fair value through profit or loss for the year				
Derivatives		0		0
Total	**14,672**	**58,723**	**-**	**73,395**

Remaining term, 31 Dec. 2012, SEK thousand	**On demand**	**< 3 months**	**3-12 months**	**Total**
Financial liabilities				
Other financial liabilities				
Accounts payables		-9,446		-9,446
Other liabilities		-2,291		-2,291
Accrued expenses		-20,691		-20,691
Financial liabilities recognised at fair value through profit or loss for the year				
Derivatives		-2		-2
Total	**-**	**-32,430**	**-**	**-32,430**
Remaining term, 31 Dec. 2012				
Financial assets	**20,725**	**64,078**	**18,988**	**103,791**
Financial liabilities	**-**	**-68,919**	**-**	**-68,919**

NET GAINS/LOSSES

Below are the net gains/losses for financial instruments recognised through profit or loss for the year.

SEK thousand	**2013**	**2012**
Financial assets		
*Loan receivables and accounts receivables**	-45	-182
*Available-for-sale financial assets***	453	-366
Financial assets carried at fair value through profit or loss for the year	-	-
Financial liabilities		
*Other financial liabilities**	-340	468
Financial liabilities recognised at fair value through profit or loss for the year	-	**-**
Total	**68**	**-80**

*Reported in "Other operating revenues and costs". ** Reported in "Financial revenues/financial costs".

NOTE 19 Important events after the end of the reporting period

The Board of Directors has resolved on a rights issue and a directed new share issue subject to approval by an Extraordinary General Meeting on 19 March 2014.

NOTE 20 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, together referred to as the Group.

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with Internationa l 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.

Lund, 19 March 2014

Björn O. Nilsson Chairman of the Board	Vessela Alexieva Board member	Lars Backsell Board member	Dharminder Chahal Board member
Lars Ingelmark Board member	Jonas Jendi Board member	Elisabeth Lindner Board member	Ulrika T. Mattson Board member
Michael Oredsson President and CEO			

Our audit report was submitted on 19 March 2014
KPMG AB

Alf Svensson
Authorised Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of BioInvent International AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 26–54.

Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts
The Board of Directors and the CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of BioInvent International AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the CEO
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Companies Act.

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

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

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

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

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

Lund,19 March 2014
KPMG AB

Alf Svensson
Authorised 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 OMX Stockholm, and good practices on the stock market.

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

Annual General Meeting

The Annual General Meeting (AGM), or where appropriate an extraordinary general meeting, is the decision-making body for BioInvent at which all shareholders can participate. The Articles of Association do not stipulate any restriction with respect to how many votes each shareholder may exercise at shareholders' meetings and contain no specific provisions on amendments to the Articles of Association. The AGM considers the Company's progress and resolves on a number of key issues such as adoption of the income statement and balance sheet, allocation of result, discharge of the Board of Directors from liability, and the election of a new Board of Directors until the next Annual General Meeting. An auditor for the Company is appointed for a term of two years and a decision is made on compensation for the auditor.

The Annual General Meeting 2013 authorised the Board of Directors 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 annual general meeting.

The 2013 Annual General Meeting was held on 25 March 2014 and the minutes are available on the BioInvent website.

The Annual General Meeting 2014 will be held on Thursday 24 April at 10 a.m.

Notification to attend the AGM is published no earlier than six, and no later than four, weeks before the Meeting. Proposals to the 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.

Extraordinary General Meeting in June 2013

The Extraordinary General Meeting 19 June 2013 resolved on a reduction of the Company's share capital and to amend the limits for the share capital in the articles of association for the purpose of enabling the reduction. The reduction was made without retirement of shares and without repayment to the shareholders.

Nominating Committee

In accordance with the resolution of the Annual General Meeting, the Nominating Committee shall consist of the Chairman of the Board as the convenor, 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, Chairman of the Board and other Board members, board remuneration, 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 2013 Annual General Meeting comprised Dharminder Chahal (van Herk Investments B.V.), Mikael Lönn (representing own holdings), Tony Sandell (B&E Participation AB) and the Chairman of the Board Björn O. Nilsson. The Nominating Committee formulated proposals for the chairman of the general meeting, and the composition of the Board of Directors, as well as explanations for these choices, along with directors' fees. The Nominating Committee had three meetings and a number of telephone calls. The Nominating Committee did not receive any remuneration.

The composition of the Nominating Committee for the 2014 Annual General Meeting was presented on the BioInvent website on 16 January 2014. 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 Annual General Meeting and, where applicable, information on which shareholders the Committee members represent. Due to the fact that it has taken longer than anticipated to appoint the Nominating Committee, BioInvent has deviated from the abovenamed requirement. The Nominating Committee for the 2014 Annual General Meeting consists of Erik Esveld (van Herk Investments B.V.), Mikael Lönn (representing own holdings), Tony Sandell (B&E Participation AB) and the Chairman of the Board Björn O. Nilsson. Other than van Herk Investments B.V., which holds 17.2 percent of the shares and voting rights in the company, no shareholder holds a stake equal to or greater than 10 percent. Proposals to the Nominating Committee should be addressed to Stefan Ericsson, by mail: BioInvent International AB (publ), SE-223 70 Lund or tel: +46 (0)46-46 286 85 50. The Nominating Committee has prepared proposals for the 2014 Annual General Meeting for the chairman of the general meeting, composition of the Board of Directors and election of auditors, along with explanations for these choices, as well as directors' fees and auditor's fees. The Nominating Committee had one meeting and a number of telephone conversations. The Nominating Committee did not receive any remuneration.

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, according to the Articles of Association, is to consist of no fewer than five and no more than nine members. The Articles of Association do not contain specific stipulations on the appointment or dismissal of Board.

The 2013 AGM discharged the Board members and the President and CEO from liability and re-elected the Board members Lars Backsell, Lars Ingelmark, Elisabeth Lindner och Björn O. Nilsson, and newly elected Dharminder Chahal and Jonas Jendi. Björn O. Nilsson was reelected Chairman of the Board. The Board of Directors consists of six elected directors as well as employee representatives Vessela Alexieva and Ulrika T. Mattson. After Sidonie Karlsson resigned in August 2013, Anna Lönn has been co-opted as employee representative on the Board for one meeting.

The Board of Directors is presented on page 24. Dharminder Chahal is considered dependent in relation to major shareholders in the Company by holding positions for van Herk Investments B.V.. Other directors are independent in relation to the major shareholders.

The 2013 AGM resolved that the Board's fees shall remain unchanged at SEK 400 thousand for the Chairman of the Board and SEK 160 thousand for each of the other members of the Board not employed by the Company. In addition hereto, but not to the Chairman of the Board, it was decided that SEK 50 thousand shall be the fee for the Chairman of the Audit Committee and SEK 40 thousand shall be the fee for each of the other members in the Audit Committee and SEK 20 thousand shall be the fee for each of the members in the Remuneration Committee.

The Board has one preparatory committee, the Audit Committee. The work of the Board is governed by rules of procedure that are revised and re-adopted by the Board at least once a year. The rules of procedure consist primarily of directions for the work of the Board, instructions for the division of duties between the Board and the CEO and instructions for financial reporting. After the 2013 AGM the Board of Directors decided to not establish a remuneration committee, which is a deviation from the Code. These issues are addressed directly by the Board.

In 2013 the Board of Directors held eight regular meetings and eleven extra 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 senior management. Attorney Madeleine Rydberger, Mannheimer Swartling Advokatbyrå, served as the secretary of the Board during the year. Regular items on the agenda at the meetings included following up on 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, audits, financial reporting and compensation related issues. Once a year the Board conducts an evaluation of its work and the work of the CEO and this evaluation is provided to the Nominating Committee.

Board member	Attendance
Björn O. Nilsson (Chairman)	19 (19)
Vessela Alexieva[1)]	3 (4)
Lars Backsell	18 (19)
Carl Borrebaeck[2)]	6 (7)
Dharminder Chahal[3)]	9 (12)
Lars Ingelmark	18 (19)
Jonas Jendi[3)]	11 (12)
Sidonie Karlsson[4)]	11 (13)
Elisabeth Lindner	16 (19)
Ulrika T. Mattson	13 (19)
Kenth Petersson[2)]	5 (7)

[1)] Appointed as employee representative in October 2013.
[2)] Resigned on 25 April 2013 in conjunction with the AGM.
[3)] Elected on 25 April 2013 in conjunction with the AGM.
[4)] Resigned as employee representative in August 2013 when she left the company.

Remuneration Committee

After the 2013 AGM the Board of Directors decided to not establish a remuneration committee. These issues are addressed directly by the Board. 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 also includes preparation of other remuneration issues of greater importance, such as incentive programs. Added to this are assignments to monitor and evaluate ongoing and completed programs 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.

Audit Committee

The Board of Directors has appointed an Audit Committee consisting of Lars Ingelmark (Chairman), Lars Backsell, Dharminder Chahal and Björn O. Nilsson. All directors are independent in relation to the Company, senior executives and major shareholders, except for Dharminder Chahal who is considered dependent in relation to major shareholders. 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 pertaining to selection of auditors and remuneration, follow up of the auditors' work and the Company's internal control systems, follow up of the current risk scenario, follow up of external audits and the Company's financial information, adoption of the interim reports for quarters 1 and 3, preparation of the interim report for quarters 2 and 4, as well as the Company's annual report, follow up of issues pertaining to financing, and preparations to adopt and

revise financial policy and other issues that the Board of Directors entrusts to the Committee. The Audit Committee reports to the Board of Directors. The committee held five meetings in 2013.

Member of the Audit Committee	Attendance
Kenth Petersson (Chairman)[1)]	1 (2)
Lars Ingelmark (Chairman)[2)]	4 (5)
Lars Backsell	5 (5)
Dharminder Chahal[3)]	3 (3)
Björn O. Nilsson	5 (5)

[1)] Resigned on 25 April 2013.
[2)] Chairman as from 25 April 2013.
[3)] Elected on 25 April 2013.

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 2012 Annual General Meeting elected KPMG AB to serve as the Company's auditors, for a two-year mandate. Alf Svensson, authorised public accountant, is principal auditor.

Group Management
According to its guidelines and instructions, the Board of Directors has delegated day-to-day management to the CEO. The CEO and under his leadership, other members of the management group, are responsible for collective business operations and day-today management. The CEO reports regularly 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 senior management is present at this meeting. The CEO and senior management are presented on page 25.

Remuneration to senior executives
The 2013 Annual General Meeting 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. 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 31–32.

The Company's systems for internal control and risk management with respect to financial reporting for the 2013 financial year According to the Swedish Companies Act and the Swedish Code of Corporate Governance the Board is responsible for internal control. This description was prepared according to the Annual Accounts Act, chapter 6 § 6, and describes the Company's systems for internal control in connection with financial reporting.

Internal control over financial reporting is a process designed by the Board of Directors to provide the Board, senior management and others involved in the organisation with 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 firms.

Control Environment
The foundation of the internal control process consists of the overall control environment: the Company's ethical values, organizational 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
Control activities are necessary for senior management of the essential risks associated with the internal control process. To ensure the efficacy of its internal control procedures, BioInvent has both computerized 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 policy 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 re-considered annually by the Board of Directors.

Lund, 19 March 2014
The Board of Directors

Auditor's report on the corporate governance statement

To the annual 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 2013 on pages 56–59. 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. That 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 opinion set out below.

Opinion
In our opinion, the corporate governance statement has been prepared and is consistent with the annual accounts and the consolidated accounts.

Lund, 19 March 2014
KPMG AB

Alf Svensson
Authorised Public Accountant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Annual General Meeting

The Annual General Meeting will be held on Thursday 24 April 2014 at 10 a.m., Edison Park, Elmdalavägen 16, Lund. Notice to attend will be announced in the Swedish press in Post- och Inrikes Tidningar and on the Company's website.

Shareholders wishing to attend the AGM must be registered in the shareholders' register kept by the Swedish Securities Register Centre (Euroclear) no later than Wednesday 16 April 2014 and must inform BioInvent of their intention to attend no later than 4 p.m. on Wednesday 16 April 2014 by sending a letter to: Sölvegatan 41, SE-223 70 Lund, attn: Stefan Ericsson, or by phone +46 (0)46 286 85 50, or by e-mail to stefan.ericsson@bioinvent.com.

In order to participate in the AGM, shareholders with nomineeregistered shares must request that their shares be temporarily owner-registered in the Euroclear shareholders' register. Such registration must be completed no later than Wednesday 16 April 2014 and the nominee must be informed of this well in advance of this date.

Shareholders must include their name, personal/company registration number, shareholding, telephone number and the name of any assistants that will be attending. Proxy to act on behalf of a shareholder shall be sent together with the notice of attendance. Representative of a legal person shall hand in a copy of a registration certificate or similar papers of authorisation. The company will supply proxy forms upon request from a shareholder.

Upcoming financial reports
BioInvent will present the following financial reports:
Interim reports 6 May, 24 July, 23 October 2014

Investor Relations
Michael Oredsson, CEO, +46 (0)46 286 85 67,
mobile +46 (0)707 18 89 30
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´s Annual Report is produced in cooperation with ID kommunikation.
Photo: Lars Strandberg.

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