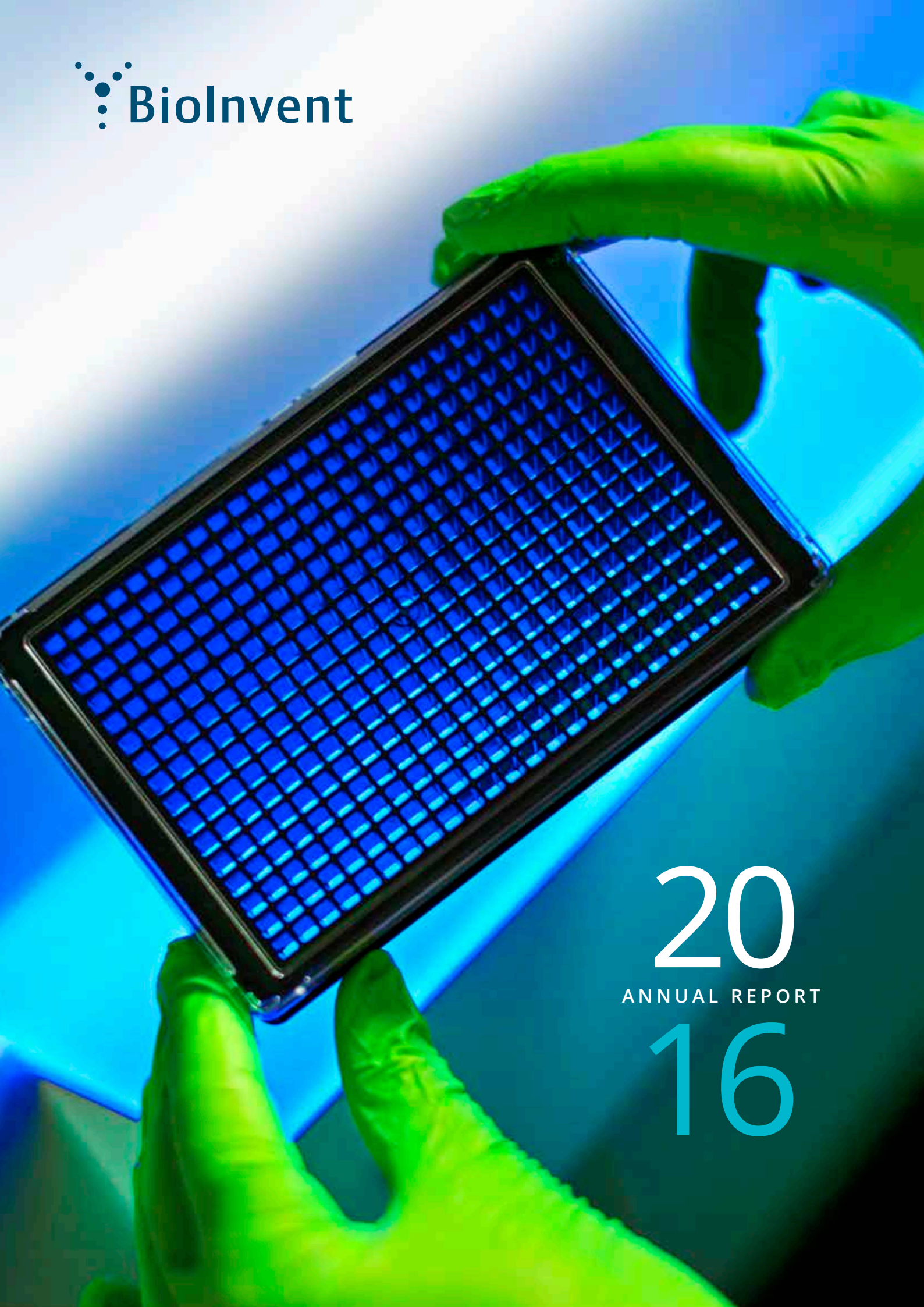
BioInvent



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2016 in brief

Clinical development

- In January, the U.S. Food and Drug Administration (FDA) gave the green light to start a phase I/II trial with drug candidate TB-403. In March, collaboration was initiated with the U.S. based research network NMTRC (Neuroblastoma and Medulloblastoma Translational Research Consortium) to accelerate implementation of the trial, which started in May.

- The clinical phase II trial with the BI-505 antibody that was initiated during the year was terminated in December following the issuance of a full clinical hold by the FDA due to an unfavourable risk/benefit profile in the patient population in question.

- The first clinical study (phase I/II) with BI-1206 in patients with non-Hodgkin lymphoma and chronic lymphocytic leukaemia was initiated during the year.

Commercial collaborations

- In February BioInvent received a milestone payment of EUR 2 million from Daiichi Sankyo in conjunction with the start of a phase I clinical trial with a licensed n-CoDeR® antibody.

- In July BioInvent entered into a process development and manufacturing collaboration concerning the ADC-1015 antibody with Swedish biotech company Alligator Biosciences. The agreement is expected to generate revenues of more than SEK 20 million.

- In August an existing agreement with a major global pharmaceutical company relating to production services was expanded, by an amount of about SEK 8 million.

- In December BioInvent entered into a research collaboration and license agreement with Pfizer Inc., for the purpose of developing antibodies against tumour-associated myeloid cells. Pfizer has paid BioInvent an upfront payment of USD 3 million and a USD 6 million equity investment in new shares of BioInvent, and will pay USD 1 million in research funding during 2017. In total BioInvent could be eligible for potential future development milestones in excess of USD 0.5 billion (assuming five antibodies are developed through to commercialisation). The Company could also receive up to double digit royalties related to product sales.

Financial status

- In order to finance the Company's high-priority development projects, BioInvent issued a private placement to U.S. healthcare investor Omega Funds, as well as a rights issue. The issuances raised a total of approximately SEK 234 million before issue expenses.

- In December BioInvent announced a private placement of USD 6 million to Pfizer Inc; more information can be found under the heading "Commercial collaborations" above.

SEK million	**2016**	**2015**
Net sales	71	16
Profit/loss for the year	-63	-91
Liquid funds	226	40

BioInvent in five minutes

BioInvent develops tomorrow's cancer therapy

One in three people will get cancer. Even though treatments have improved, mortality in many forms of cancer is high and drug side effects are severe. The body's immune defence is one of the most effective weapons to fight cancer and development of immuno-oncology drugs directing the immune defence against the tumour is expected to revolutionise the treatment. Researchers and pharmaceutical companies all around the world are now working intensely to find antibodies that can affect the target structures on tumour cells and in the immune system that counteract tumour growth and promote immune responses against cancer. If antibodies can be identified that are effective yet do not obstruct the normal functions of cells in the rest of the body, patients will survive longer and their quality of life will be improved.

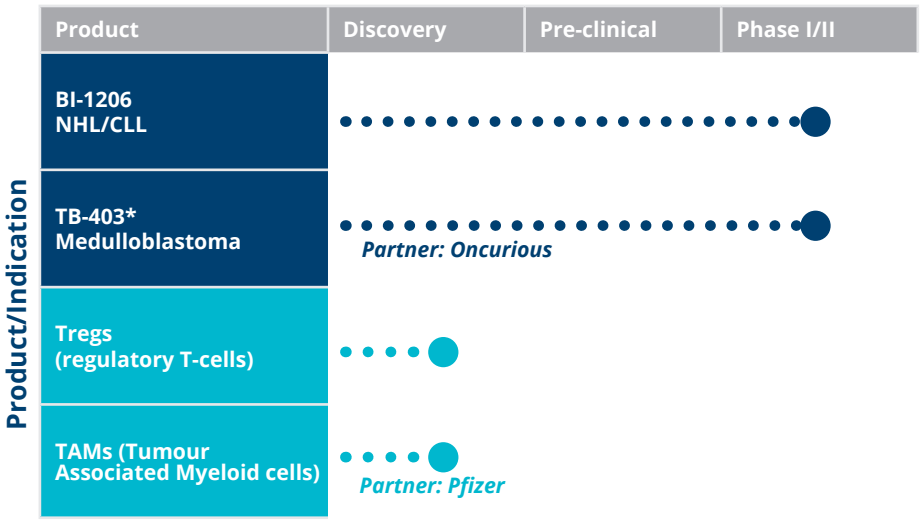
BioInvent's platform for development of immuno-oncology drugs

BioInvent's n-CoDeR® antibody library is one of the largest in the world, with more than 30 billion different antibodies. In order to identify antibodies that can affect those target structures on tumour cells and in the immune system that counteract tumour development and activate immune responses against cancer, BioInvent uses its proprietary F.I.R.S.T.™ tool. This proprietary technology platform and BioInvent's extensive expertise in biology and immuno-oncology provide unique opportunities for the Company to develop new treatments for life-threatening cancer diseases.

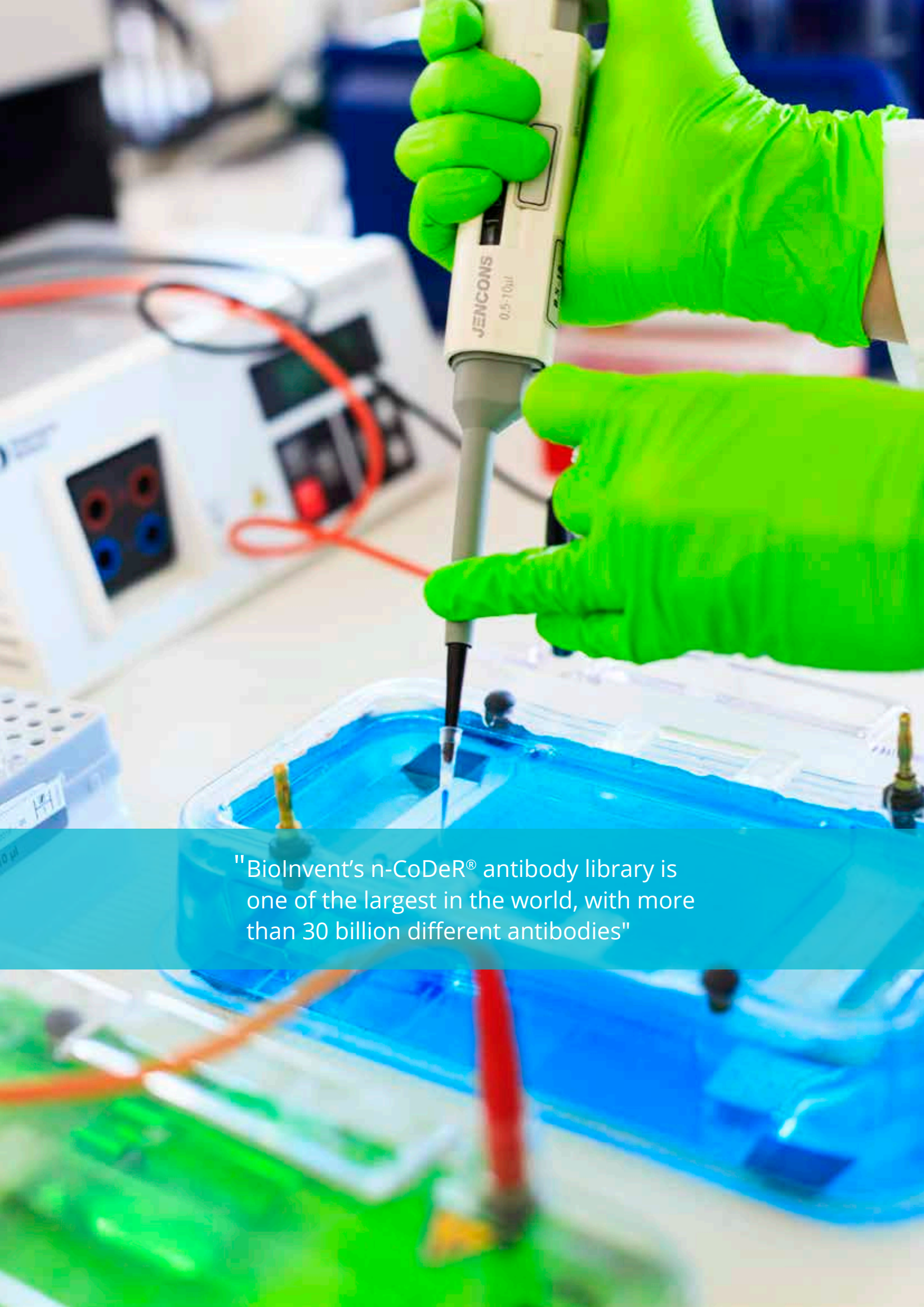
Attractive partner for pharmaceutical companies and academic research groups

BioInvent has entered into a license agreement with Pfizer Inc. for research collaboration in the field of cancer immunotherapy to develop antibodies against tumour-associated myeloid cells. The Company also has collaboration agreements with a number of global pharmaceutical companies that pay for access to the Company's antibody library and methodology to find the right antibodies for new drug projects. The research collaborations with partners such as the University of Southampton, Cancer Research UK, Lund University and Penn Medicine are further confirmation of BioInvent's position on the cutting edge of immuno-oncology research.

Clinical and Pre-Clinical Pipeline



*THR-317 (Indication: Diabetic Macular Edema, Partner: ThromboGenics) is based on the same antibody as TB-403, and this antibody targets the PlGF protein. BioInvent has a 40% equity stake provided it chooses to contribute half of the development costs.



"BioInvent's n-CoDeR® antibody library is one of the largest in the world, with more than 30 billion different antibodies"

Comments by the CEO

Over the past few years BioInvent has worked intensively to secure a prominent position in the development of immuno-oncology drugs. In 2016 we received two significant acknowledgements from the outside world on the quality and high level of our pharmaceutical projects. After careful analysis of our research results and our internal expertise, U.S. specialist investor Omega Funds chose at the beginning of the year to go in as a new major shareholder, and in December they were joined by Pfizer, one of the largest pharmaceutical companies in the world. Pfizer's investment coincided with the start of a collaboration to develop new drugs against tumour-associated myeloid cells. In total BioInvent could be eligible for potential future development milestones in excess of USD 0.5 billion, assuming five antibodies are developed through to commercialisation. The early payments already amount to USD 10 million, including Pfizer's investment of USD 6 million in BioInvent shares.

Today BioInvent has two projects in clinical development aimed at different types of cancers, BI-1206 and TB-403. The Company is also a partner in a project against diabetic macular edema, which is conducted by ThromboGenics, a Belgian biotech company. A third cancer project, BI-505 for treatment of multiple myeloma, was terminated during the year after the U.S. Food and Drug Administration having issued a full clinical holvd in the phase II study that was underway due to an unfavourable risk/benefit profile in the study's patient population. BioInvent continues to evaluate BI-505 data.

Unfortunately, this type of setback is not uncommon when developing new therapies, though of course it is still a disappointment both for BioInvent and for patients in the need of more effective drugs.

At the end of 2016 a phase I/II clinical study with BI-1206 was initiated in patients with non-Hodgkin lymphoma and chronic lymphocytic leukaemia, two cancer diseases where current treatment often causes resistance. BI-1206 is an antibody directed against CD32b – a protein which in these particular patient groups has been shown to play a key role in the development of resistance against rituximab, the drug that is currently standard therapy. BI-1206 stimulates the immune system and is expected to be able to enhance the efficacy of both rituximab and other antibody-based drugs. Each year non-Hodgkin lymphoma and chronic lymphocytic leukemia affect a total of almost 200,000 people and the need for better treatment is great.

"In 2016 we received two significant acknowledgements from the outside world on the quality and high level of our pharmaceutical projects"

Michael Oredsson

During the year a clinical study was also initiated with TB-403, an antibody for the treatment of rare but life-threatening cancer diseases in children. The safety profile of the antibody is already well-documented in a study of adult cancer patients and the decision to evaluate the effect in new patient groups was taken based on new research findings published in the scientific journal Cell.

In our preclinical projects, the focus is on development of therapeutic antibodies directed against tumour-associated myeloid cells, regulatory T-cells, OX-40 and 4-1BB. All of these cells and target structures are promising points of attack for new drugs that could be combined with the immuno-oncology therapies of today. Although products such as Keytruda®, Opdivo® and Yervoy® have achieved great commercial success, they do not help more than a fraction of patients and the need for more effective drugs is large. Combination therapy with immuno-oncological drugs may exert a broader impact on the immune system, which is expected to make treatments effective in a larger proportion of patients.

BioInvent's focus in 2017 will be on continued clinical development of BI-1206 and TB-403, as well as preclinical development of the projects tumour-associated myeloid cells (along with our partner Pfizer), Treg, OX40 and 4-1BB. The first drug candidate in the OX-40-project will be further characterised as it continues on the path towards clinical trials. Our preclinical data will be carefully benchmarked against competing projects in this field. BioInvent will also dedicate resources to continued marketing of its drug projects and its expertise towards potential licensees and collaboration partners. It is our aspiration that all these activities will help to strengthen the areas that we consider to be essential for creating long-term value for our shareholders – professional project development, commercial focus, collaborations with leading medical centres and researchers, good risk management and financial sustainability.

Lund, April, 2017

Michael Oredsson
President and CEO

Business strategy and goals

High-level science	Risk management	Financing	Product development	Commercialisation
Unique technology platform (n-CoDeR® and F.I.R.S.T.™)	Access to biological material from relevant cancer patients	Refinancing in 2016 provides a good cash position	In-house employees with extensive experience of pre-clinical and clinical drug development	High demand for immuno-onclogy projects
In-house employees with high scientific expertise	Access to predictive preclinical models	Revenue from antibody manufacturing	Collaboration with world-leading pharmaceutical companies	Focus on commercial potential at start of all new projects
Research collaborations with leading academic institutions	Antibodies generally have lower development risk than small molecules	Revenue from collaboration agreements	Potential for accelerated approval for certain projects	Board of Directors and senior management with extensive experience of commercial collaboration agreements
Publication of research results in scientific journals	Broad project portfolio	Efficient use of internal resources	In-house production secures access to trial materials in the early clinical phase	Structured marketing of projects to potential partners
	Shared risk through joint projects	Financial support from research foundations	Collaboration with a network of leading clinicians	

Value creation

BioInvent's strategy is to leverage its expertise in antibodies and cancer biology to develop immunotherapeutic drugs that significantly improve the treatment of cancer diseases. This is accomplished through collaborations with large pharmaceutical companies, academic research groups, networks of clinical specialists and research foundations. The goal is to create value for the Company's shareholders based on successful drug development and subsequent revenue streams from existing and future commercial partners.

Five focus areas are deemed essential to the Company's continued success – high-level science, professional product development, commercial focus, good risk management and financial sustainability. Above is a description of BioInvent's position and aspirations within these areas.

High-level science

BioInvent has built an extensive internal knowledge about the biological aspects of the development of antibody-based drug candidates. The Company also collaborates with leading external researchers, notably Professors Martin Glennie and Mark Cragg at the University of Southampton. Their research group is a global leader in antibodies and cancer. In 2017 BioInvent aims to expand its collaborations with leading international experts in immuno-therapy and cancer, who will contribute their expertise and open new doors in the research world. This aggregated knowledge will make it possible to increase the value of the Company's n-CoDeR® and F.I.R.S.T.™ technology platforms. A clear indication of the high-level science of BioInvent's research and drug development are the publications of its research in scientific journals, such as Cancer Cell.

Risk management

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

BioInvent focuses on the development of antibodies for the treatment of cancer. Antibodies generally have a lower development risk than small molecule drug candidates and in this area the Company can leverage the extensive body of knowledge we have accumulated with respect to the biological aspects of developing new antibody-based drug candidates. BioInvent uses biological material from relevant cancer patients throughout the drug development process. This makes it possible to recreate disease biology in the laboratory environment already in the early development phase and to get indications of the effect of various substances. This approach increases the potential for developing competitive drug candidates and reduces the risk of failure in clinical phase.

Another way to manage development risks is to share them with a partner, as in the cooperation with Oncurious and ThromboGenics on TB-403 and THR-317, resulting in lower investments for BioInvent than if the projects had been run in-house.

Financing

Financial sustainability is a necessity for companies that develop drugs. The rights issues completed in 2016 resulted in a good cash position for BioInvent. At the same time, the Company has been able to reduce the cost of drug development in the clinical phase by obtaining financial and operational support from highly-respected research foundations. One example of this is the collaboration with Cancer Research UK, Cancer Research Technology and Leukaemia & Lymphoma Research regarding the Company's BI-1206 antibody.

There is also potential for revenue from contract manufacturing of antibodies at the Company's own GMP-certified production facility and from n-CoDeR® library licensees. The collaboration with Pfizer includes income in the form of research funding and potential milestone payments. Moreover, good cost control and efficient use of internal resources are integral to BioInvent's way of working.

Product development

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

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

In 2016 BioInvent upgraded its production facility, including installation of a "Single Use Bioreactor" (SUB), thereby increasing BioInvent's capacity to independently produce antibodies while providing great advantages in the early phase of clinical development.

Commercialisation

Demand from global pharmaceutical companies for promising immuno-oncology projects is high, and number of new major collaboration agreements with considerable financial value have been announced in recent years. For BioInvent it is natural to focus on the commercial potential in all decisions related to starting new drug projects. The Board of Directors and management have extensive experience of negotiations and business transactions with global companies, but also engage external expertise whenever necessary. The Company has a structured approach to marketing its projects and management spends a significant portion of its time on contacts with prospective partners and licensees.

Immuno-oncology drugs can revolutionise treatment of cancer

The body's immune system detects and destroys bacteria and viruses that would otherwise harm our organs and tissues. However, the immune system also has the potential to protect us from – and fight – cancer. Unfortunately, many tumour cells have the ability to manipulate important cells in our immune system in order to undisturbedly continue to multiply.

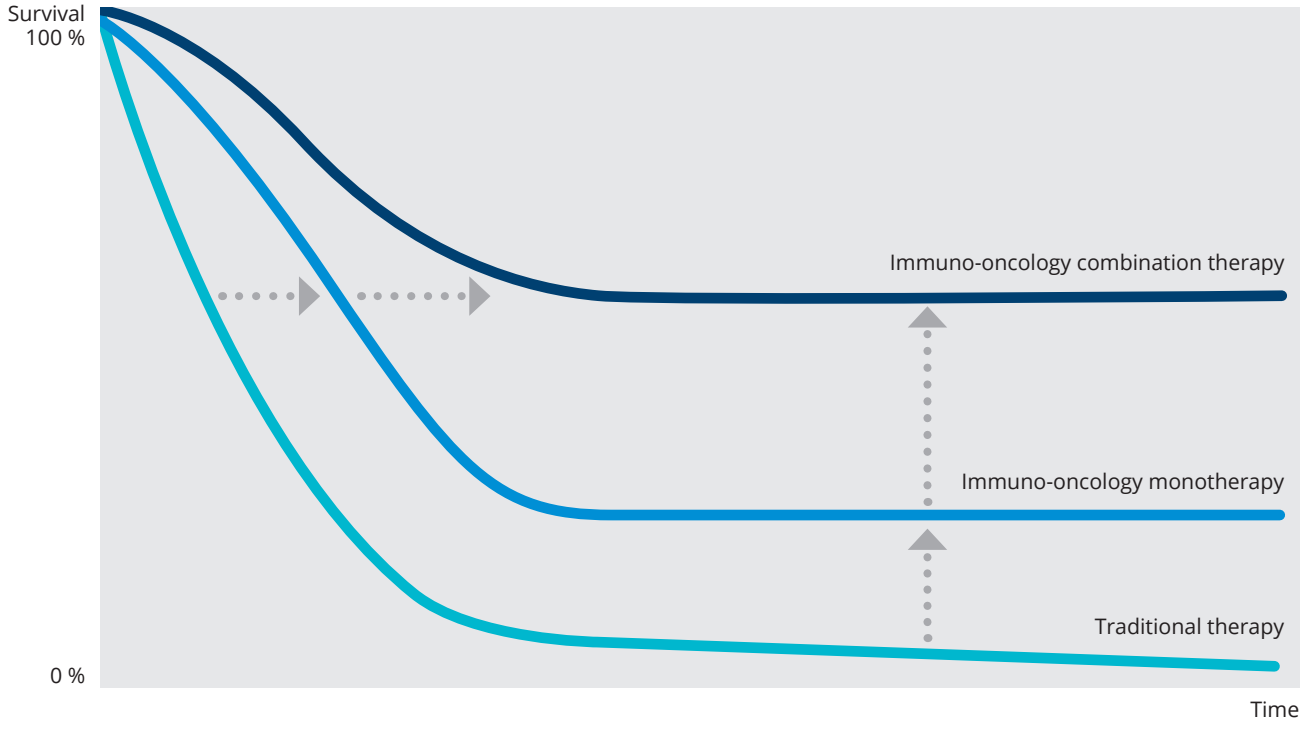
While chemotherapy is aimed directly at the tumour cells, immuno-oncology drugs activate important cells in the immune system (especially T-cells), and activate them to attack the tumour. In certain patient groups this concept has proven to be substantially more effective than chemotherapy, though as yet only a minority of patients are helped by this new type of therapy.

A special type of molecule known as checkpoints can be found on the surface of our white blood cells. Checkpoints function as a kind of switch to activate or deactivate the immune system. In some cases cancer cells manipulate these proteins to avoid attacks. For the past few years, immuno-oncology drugs have been used that are capable of inhibiting the checkpoint receptors PD-1, PD-L1 and CTLA-4. They have produced good treatment results in certain types of solid tumours and achieved great commercial success, but unfortunately they only help a minority of patients with metastatic cancer. Consequently, intense efforts are underway to develop new drugs that can complement the checkpoint inhibitors in order to improve survival.

Immuno-oncology drugs are one of the greatest breakthroughs of the twenty-first century in the field of medicine and, even though they are unable to help more than a fraction of all the people who suffer from cancer, they are making an important contribution to treatments. Commercially, they are expected to continue to be a success, with estimated sales to exceed USD 40 billion by 2022, according to the Cowen 2017 Therapeutic Categories report.

BioInvent strives to contribute to the development of more effective cancer treatments. The Company occupies a prominent position within the understanding of the biological and immunological aspects of cancer treatment and has a unique platform for identifying and developing new types of antibodies against the relevant target structures.

Combination therapy – the next step towards treatment to cure cancer



Combination therapy using various types of immuno-oncology drugs is expected to improve efficancy and increase opportunities to cure patients. (The graph is only illustrative).

BioInvent's technology platforms

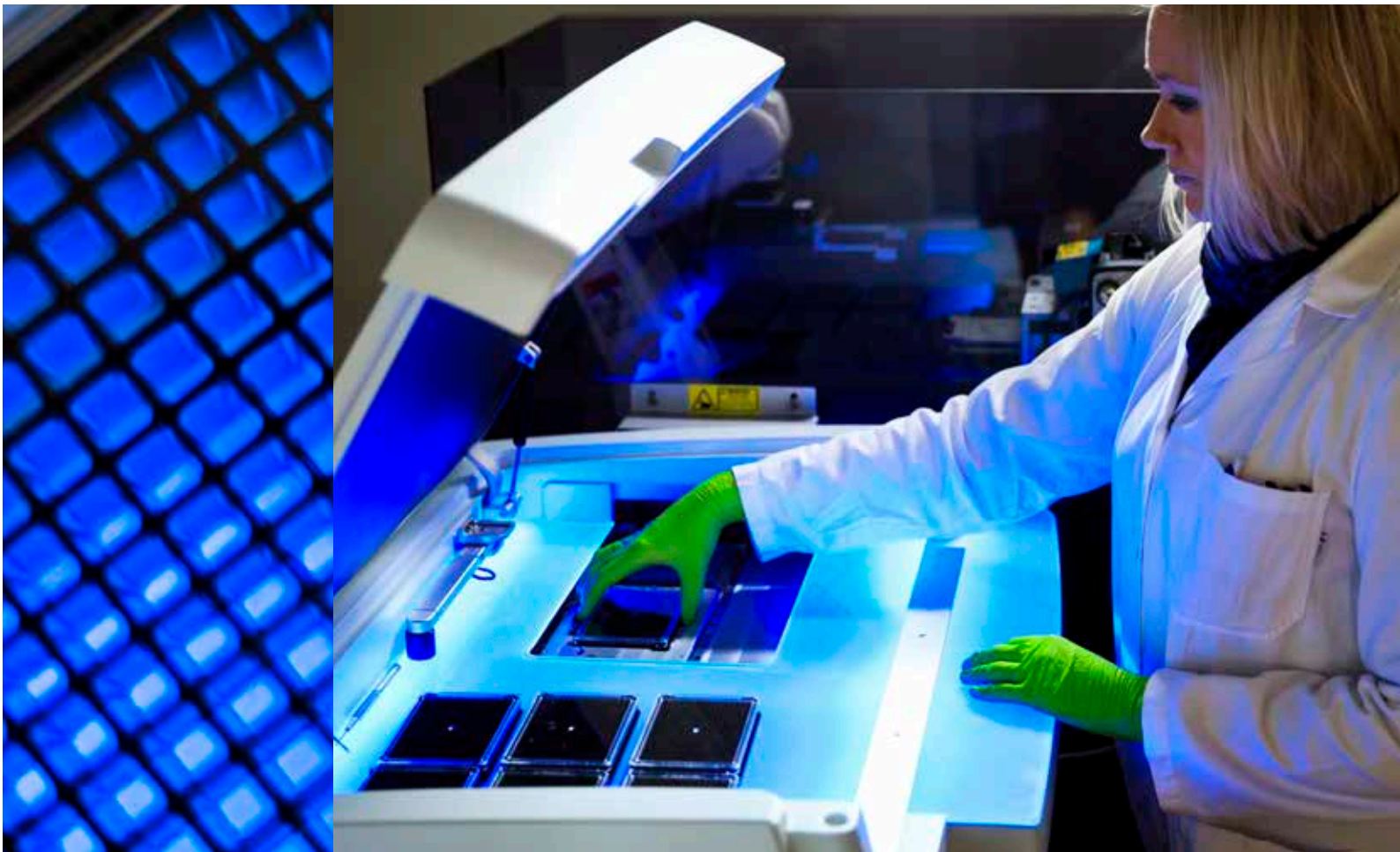
The Company's technology platforms consist of the n-CoDeR® antibody library and the unique F.I.R.S.T.™ development tool. From n-CoDeR®, a library developed by BioInvent containing fully human antibodies, drug candidates that bind specifically and firmly to their target structures can be identified. With 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 matching antibodies can be identified simultaneously.

n-CoDeR® antibody library

BioInvent's antibody library contains more than 30 billion human antibody genes stored within bacteria in test tubes. The bacteria act as production units for various antibodies, making it possible to search the library to identify precisely those antibodies that bind to a specific target protein. The n-CoDeR® library is searched using an established technology called phage display. To identify an optimal antibody, BioInvent 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 in the most important markets.

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

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



Project overview

BioInvent has two drug projects aimed at treating cancer (BI-1206 and TB-403) currently in clinical trials. BioInvent also has a number of discovery projects, including one targeting tumour-associated myeloid cells conducted in collaboration with Pfizer, and further a number of collaborations relating to the n-CoDeR® antibody library with independent pharmaceutical companies.

BI-1206 (B-cell cancer)

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

Non-Hodgkin Lymphoma

Non-Hodgkin lymphoma (NHL) is an umbrella term for a group of cancers that develop in the body's lymphatic system. Aggressive lymphoma is usually treated with combinations of various chemotherapeutic agents and monoclonal antibodies such as rituximab (Rituxan®, Mabthera®, Roche). Indolent lymphoma has a better prognosis, and treatment often first begins at a stage when the patient experiences disease symptoms.

Chronic lymphocytic leukaemia

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

Indications	Non-Hodgkin lymphoma (NHL) and chronic lymphocytic leukaemia (CLL).
Target	BI-1206 targets B-cell tumour cells via the immunosuppressive protein CD32b. This may induce killing of the tumour cell, and also enhance the therapeutic effect of other antibody-based drugs such as rituximab.
Preclinical and clinical data	Data from clinically relevant animal models showing that BI-1206 has an anti-tumour effect and potential to overcome resistance to rituximab therapy have been published in the scientific journal Cancer Cell. Combined treatment with BI-1206 and rituximab has shown significantly enhanced anti-tumour effects in clinically relevant animal models using tumour cells from patients with CLL and NHL, compared with monotherapy with rituximab. Moreover, BI-1206 demonstrated the ability to kill lymphoma cells in pre-clinical models using tumour cells taken directly from patients.
Status	An clinical Phase I/II study has been initiated at the end of 2016. Up to 80 patients with CLL or NHL is planned to be treated with BI-1206, either as monotherapy or in combination with rituximab. The initial safety and dose readouts from this study are expected in the first half of 2018. In parallel, preclinical evaluations of the relevance of CD32b in different subpopulations of NHL is continuing.
Patent protection	Patent applications have been filed relating to antibodies against CD-32b 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. Applications have been filed in nine large markets, including the US, Europe, Japan and China. Patent protection has also been applied for the treatment of cancer patients who not respond to previous antibody therapy.
Partner	The Phase I/II study is funded by and conducted in collaboration with Cancer Research UK, Cancer Research Technology (CRT) and Leukaemia & Lymphoma Research (LLR). BioInvent has been granted the option for an exclusive license to the study data in return for low milestone and royalty payments to CRT.
Market potential	In Europe and North America around 157,000 people are diagnosed with NHL each year and approximately 35,000 people are diagnosed with CLL. A series of studies have shown that as many as half of the cancer patients who responded to an initial rituximab treatment were resistant to the drug at relapse, which underscores the need for an improved treatment with the potential to avoid such resistance. Combination therapy has the potential to significantly improve treatment. BI-1206 also has the potential to be used as monotherapy.

TB-403 (malignant diseases in children)

TB-403 is an antibody that targets a protein, PlGF, which is believed to be involved in the development of a variety of rare but life-threatening tumours mainly affecting children and adolescents. Preclinical studies indicate that TB-403 has the potential to be developed as a drug to improve outcome in patients with medulloblastoma. A Phase I/II study is currently underway in collaboration with BioInvent's partner Oncurious, which owns 60 percent of the project.

Medulloblastoma

Medulloblastoma is a malignant tumour that starts in the cerebellum and almost exclusively affects children. Treatment usually involves surgical removal of the tumour without chemotherapy. Radiotherapy is often given as adjuvant treatment, though rarely in children under the age of three. Up to 75 percent of patients are cured by these treatments, but normal cells important for cognition and memory are also affected. Consequently, those children who survive often suffer lifelong neurological side effects.

Indications	Medulloblastoma (tumour of the cerebellum)
Target	TB-403 is a monoclonal antibody that targets the PlGF protein and its signalling via the Nrp-1 receptor (neuropilin 1). PlGF has been shown to be expressed in Medulloblastoma, Neuroblastoma, Ewing's sarcoma, and Alveolar rhabdomyosarcoma tumours.
Preclinical and clinical data	Preclinical studies indicate that TB-403 has the potential to be developed for use to complement currently available therapy with increased benefit for patients. Doses up to 35 mg/kg has been administered in clinical trials with approx 70 adult cancer patients, without safety concerns. The decision to initiate the current clinical study and further preclinical evaluation is based on new findings about the antibody which were described in an article in the scientific journal Cell.
Status	A Phase I/II trial is underway in the US, in collaboration with the Neuroblastoma and Medulloblastoma Translational Research Consortium (NMRTC). TB-403 has received orphan drug designation in the EU for madulloblastoma.
Patent protection	Patents for TB-403 and similar antibodies have been granted in Europe, the US, Japan and several other countries, and patent applications are pending in additional countries. Patents covering use of antibodies against PlGF, for example for the purpose of treating or preventing cancer, have also been granted, including in the US.
Partner	Belgian biotech company Oncurious BV. BioInvent is contributing half of the development costs and is entitled to 40 percent of all future revenues from the project.
Market potential	Medulloblastoma, neuroblastoma, Ewing's sarcoma, and alveolar rhabdomyosarcoma are rare, diagnosed in a total of about 20 individuals per million inhabitants per year. The need for improved therapy is significant. Provided positive outcome in the ongoing clinical trial in medulloblastoma patients, investigations will be expanded to related tumour types expressing PlGF and its receptor Neuropillin-1.

THR-317 (diabetic macular edema)

THR-317 is based on the same antibody as TB-403, and this antibody targets the PlGF protein. THR-317 is developed for the indication of diabetic macular edema. The development is currently conducted and funded by BioInvent's partner the Belgian biotech company ThromboGenics, which in early January initiated a Phase II study in patients with diabetic macular edema. Macular edema is a condition characterised by fluid retention and swelling of the macula, which can result in significant loss of vision. About 30 percent of patients who suffer from diabetes for over 20 years are at risk of macular edema. Current treatment options include laser therapy, steroids, anti-VEGF (Vascular Endothelial Growth Factor), or a combination thereof.

BioInvent is entitled to 40 percent of all future revenues from the project, provided that the Company chooses to fund half of the development costs. BioInvent is currently evaluating how it can best leverage the value of its share of the project.

Pre-clinical projects

BioInvent´s preclinical research is focused on developing novel immuno-modulatory antibodies to significantly improve on the efficacy of currently available checkpoint inhibitor therapies. These novel antibodies may also activate anti-cancer immunity in currently non-responding patients and cancer types.

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

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

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

Tregs can substantially inhibit various immune responses enabling tumour cells to escape detection. BioInvent is currently developing antibodies specific for currently undetermined Treg targets and functions as well as for known targets such as OX-40 and 4-1BB.

BioInvent currently works at expanding the pool of antibodies and targets that have been shown associated with Treg specificity and Treg depleting activity.

BioInvent is working in cooperation with Cancer Research Technology and the University of Southampton in the UK to develop new immunotherapeutic cancer drugs based on antibodies that target OX-40 and 4-1BB, two known co-receptors that help activate T cells, to produce long-lasting anti-tumour immune responses.

New strategic collaboration with Pfizer – developing antibodies that act on tumour-associated myeloid cells

In December 2016, BioInvent announced that it has entered into a cancer immunotherapy research collaboration and license agreement with Pfizer Inc. to develop antibodies targeting tumour-associated myeloid cells. BioInvent will leverage its expertise to identify novel oncology targets and therapeutic antibodies that inhibit cancer growth either by reversing the immunosuppressive activity of tumour-associated myeloid cells or by reducing the number of tumour-associated myeloid cells in the tumour.

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

Pfizer has paid BioInvent an upfront payment of $3 million and is committed to paying $1 million in research funding during 2017. Pfizer has also made a $6 million equity investment in new shares of BioInvent.

Manufacturing and technology revenues

The Company currently has a number of antibody manufacturing agreements with major pharma and biotech companies. Given its production capacity and expertise, BioInvent is actively seeking to secure more manufacturing contracts.

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

Market overview

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

Expected sales 2020 (USD billion).

The market for antibodies

BioInvent develops antibody-based drugs in the field of cancer, focusing on haematological cancers. The antibody-based drug segment is one of the fastest growing segments in the global pharmaceutical market. Antibodies have a beneficial risk profile and several studies have shown that a larger percentage of projects in the antibody area reach the market today compared with traditional pharmaceuticals.[1] Three of the world's best-selling antibody-based drugs for treatment of cancer are Rituxan/Mabthera® (rituximab, Roche), Herceptin® (trastuzumab, Roche) and Avastin® (bevacizumab, Roche). The combined sales of these substances was approximately USD 21 billion in 2016.[2]

Market trends

Over the next five years the patent protection will expire for the antibody-based drugs Rituxan/Mabthera® and Herceptin®, at the same time as new improved therapies are expected to reach the market. For example, Venclexta/Venclyxto® was approved by the FDA and EMA in 2016 for treatment of patients with CLL. The market prognosis from analysis company Datamonitor for 2020 is presented in the table above.

Success factors

There are several factors that explain the strong market growth for antibody-based drugs. Antibodies are nature's own defence molecules. They are highly selective and very well-tolerated in their human form. They exert a precise effect and integrate naturally with the immune system, which then can modulate the therapeutic effect of the antibody. Another explanation is that the prizing of antibody-based drugs are on a high level, mainly due to the fact that, compared to traditional drugs, they are exposed to much less competition from generics. This type of biopharmaceuticals are much more complex than small molecules, which makes them difficult to copy. Moreover, the time needed to develop antibody-based drugs has proved to be shorter than for traditional pharmaceuticals, and development costs are therefore lower.[3]

Competition

BioInvent's competitors are global pharmaceutical companies that are developing their own antibody-based drugs. Roche/Genentech is known for its strong market position with products like Avastin®, Rituxan/Mabthera® and Herceptin® in its portfolio. In the market where there are companies that supply global pharmaceutical companies with antibody projects, BioInvent competes with a number of biotech companies that are developing cancer products in general and products for treatment of haematological cancers in particular. They include companies such as Morphosys, Regeneron, Ablynx, Immunogen, Genmab and Seattle Genetics.

Market for non-hodgkin lymphoma and chronic lymphocytic leukaemia

BioInvent's drug candidate BI-1206 is being developed for treatment of haematological cancers, primarily non-Hodgkin lymphoma and chronic lymphocytic leukaemia, as well as other cancers. The Company is of the opinion that there is significant market potential for treatment with BI-1206 in combination with other antibodies. Sales of Rituxan/Mabthera® alone amounted to USD 7.2 billion in 2016,[4] primarily in the field of haematological cancers. Various studies have shown that as many as up to half of all cancer patients who responded to an initial course of Rituxan/Mabthera® proved to be resistant to the drug on relapse of the disease.

The market for pharmaceutical treatment of non-Hodgkin lymphoma in the eight largest pharmaceutical markets (the US, Japan, the UK, Germany, France, Italy, Spain and Canada) is expected to achieve USD 9.2 billion by 2020.[5] The main competitors in the market for haematological cancers are Rituxan®, Arzerra® (GSK), Treanda® (Cephalon/TEVA) and Revlimid® (Celgene).

1) Hay et al., Nature Biotechnology, Number 1, January 2014.
2) Company Reports 2016
3) Tufts Center for the Study of Drug Development – Impact Report November/December 2011.
4) Company Reports 2016
5) GBI Research. National Cancer Institute, October 2014.

Interview with CEO Michael Oredsson

Bioinvent's collaboration with Pfizer

At the end of 2016 BioInvent signed a collaboration and licensing agreement with Pfizer. In total BioInvent could be eligible for potential future development milestones in excess of $0.5 billion and could also receive up to double digit royalties related to product sales. The road is long and the risks associated with drug development are great, but this collaboration is a clear confirmation of BioInvent's expertise in the field of immuno-oncology. The agreement included a directed share issue to Pfizer, which is now one of the largest shareholders of BioInvent.

Why are tumour-associated myeloid cells such an exciting drug target?
Myeloid cells are crucial to our innate immune system, but they can also be "hijacked" by tumours to support growth and spread of cancer. We hope to use our F.I.R.S.T.™ technology platform to identify new antibodies that have the ability to "reprogram" tumour-associated myeloid cells, so that they attack the tumour instead of protecting it from the immune system. This would open up possibilities of using antibodies against tumour-associated myeloid cells to enhance the effects of today's immuno-oncology drugs – a concept that has already proven successful in preclinical experiments.

How important is this collaboration for BioInvent?
An agreement of this magnitude shines the spotlight on BioInvent and makes our expertise and projects more visible to other global pharmaceutical companies and investors. I see it as an important door opener to other potential partners. An external validation in the form of a collaboration agreement is a clear sign to the outside world that our research and technology platforms maintain a high international standard. For the tumour-associated myeloid cells project in particular, the collaboration offers the opportunity for a faster and more powerful development process than we would have been able to achieve alone.

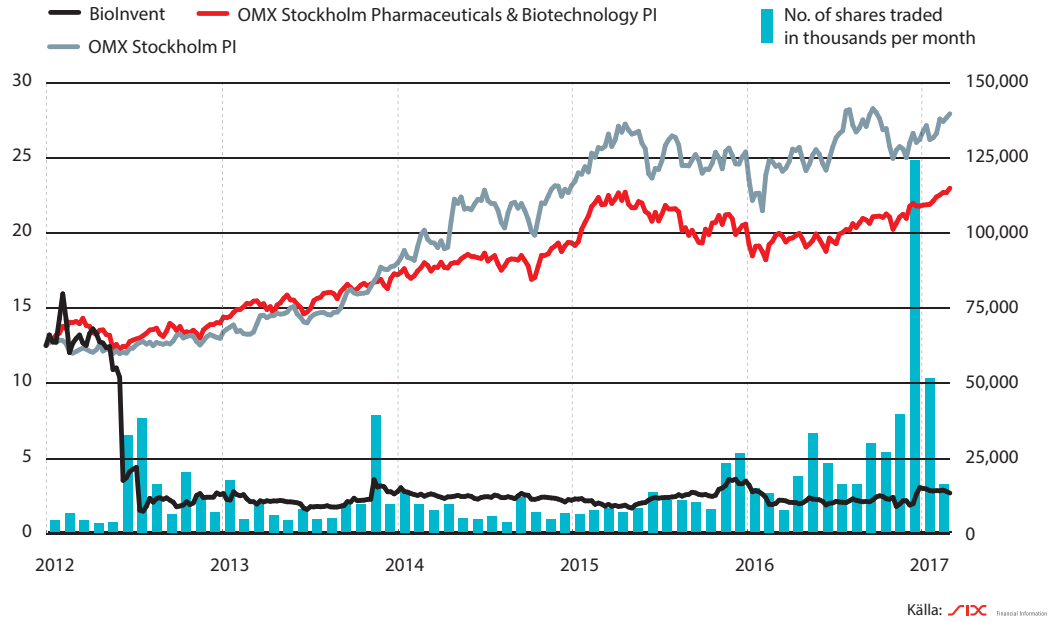
Were other parties interested in collaborating on this project?
We experienced considerable interest in tumour-associated myeloid cells as a drug target, but Pfizer came in first and we believe they are extremely well-suited to successfully advance the project.

What does it mean for BioInvent that Pfizer is becoming a major shareholder of the company?
Pfizer subscribed for shares for $6 million at a premium of 30 percent, which was an attractive way to strengthen our cash position. Having Pfizer high up on the list of major shareholders is also a feather in our cap when dealing with other investors. The investment is linked to the collaboration agreement relating to tumour-associated myeloid cells and should primarily be viewed as an acknowledgement of the commercial potential of this particular project.

How sure are you that the project will result in new drugs?
In purely statistical terms, the risk that the project fails along the way is considerably greater than probability that it reaches the goal. It's the grim reality of drug development and a fact we must allow for. We do this by restocking our pipeline with attractive new projects and by balancing our own risk-taking with collaboration agreements that, like the one at hand, have the potential to bring in revenue already during the development phase.

Will there be further agreements of a similar nature over the next few years?
Promising immuno-oncology projects are currently among the most sought-after and highly valued in the pharmaceutical industry. We have other early projects against target structures for which there is significant interest from global pharmaceutical companies. One example is regulatory T cells, which would be highly appropriate for a collaboration already in the preclinical phase. Experience has brought wisdom, however, so I will refrain from making any forecasts. Sometimes the processes go quickly, but often it takes longer to reach an attractive agreement than would initially appear to be the case.

The BioInvent share



BioInvent has been listed on NASDAQ Stockholm since 2001.The share price trend was negative for major parts of 2016 but recovered towards the end of the year in connection with the announcement of BioInvent's research collaboration and license agreement with Pfizer.

Price trend and trading volume

In 2016, the share price decreased 14 %, from SEK 3.59 to SEK 3.07. During 2016 the OMX Stockholm_PI increased 6 % and OMX Stockholm Pharmaceuticals & Biotechnology_PI increased 3 %. The highest price paid in 2016 was SEK 3.59 and the lowest price was SEK 1.77. BioInvent's market capitalization totalled SEK 935 million at the end of 2016.

During the year 357 million (124) BioInvent shares were traded for a value of SEK 887 million (363). This corresponds to a rate of turnover of 152 % (90).

Average trading volume per trading day was 1,410,211 (492,504) shares for a value of SEK 3.5 million (1.4). Average number of trades per trading day were 267 (119).

Largest shareholders, 31 December 2016

	Number of shares	Percentage of capital and votes
Van Herk Investments B.V.	26,600,998	8.7
Omega Fund IV, LP	25,754,622	8.5
Avanza Pension Försäkring	23,275,345	7.6
Pfizer	21,973,594	7.2
Nordnet Pensionsförsäkring	11,185,235	3.7
Rhenman Healthcare Equity L/S	10,048,316	3.3
East Bay AB	9,400,000	3.1
Peter Hoglin	7,630,007	2.5
Staffan Rasjö	5,651,114	1.9
Pershing Llc	4,975,941	1.6
Other shareholders	158,200,041	51.9
Total	**304,695,213**	**100.0**

Ownership structure

In 2016, the number of shareholders increased 43 %, from 6,745 to 9,638. Foreign owners held 28 % (32) of the share capital and votes. The ten largest shareholders owned 48 % (48) of the shares.

Share capital

The Board of Directors of BioInvent resolved in February 2016 on a private placement of SEK 43 million to the US-based healthcare investor Omega Funds and a rights issue of SEK 191 million. The Extraordinary General Meeting in March 2016 resolved to approve the Board's decision on the rights issue. The new share issues amounts to a total of SEK 234 million before issue costs. The subscription price for the new share issues was set to SEK 1.95 per share. 85.4 percent of the new share issue was subscribed for with subscription rights. 7.8 percent of the share issue was subscribed for without subscription rights and 6.8 percent was subscribed for by guarantors.

As part of the agreement with Pfizer, the Board of Directors of BioInvent on 21 December 2016 resolved, based on the authorization of the annual general meeting on 12 May 2016, on a directed issue of 21,973,594 new shares to Pfizer at a subscription price per share of SEK 2.56, corresponding to a total investment of USD 6 million before issue costs. The subscription price corresponds to an approximately 30 % premium to the average volume weighted price for BioInvent's share during the 10 trading days prior to 21 December 2016. The reason for the derogation from the shareholders' preferential right is that the investment, in addition to providing BioInvent with new capital, brings Pfizer as a new strategic partner, in alignment with shareholders' interests as a new shareholder.

After the share issue the share capital consists of 304,695,213 shares.

If fully exercised, Employee Options Programme 2013/2017 and Subscription Warrants Programme 2016/2019 will represent a dilution equivalent to around 0.4 percent of the shares in the Company. The Company's Employee Incentive Programmes are described on pages 42-43.

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 2016 financial year. The Company will continue to focus on research and development of new products. Available financial resources will be used to finance these projects. The Board of Directors therefore do not recommend that any dividend be paid for the next few years.

Distribution of financial reports

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

Analysts covering BioInvent

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

Upcoming financial information

Interim reports: 17 May, 26 July, 26 October 2017

Share statistics, 31 December 2016

Size of holdings	No. of shareholders	No. of shareholders %	No. of shares in %
1–500	2,692	27.9%	0.2%
501–1 000	1,232	12.8%	0.3%
1 001–5 000	2,895	30.0%	2.6%
5 001–10 000	1,019	10.6%	2.7%
10 001–20 000	716	7.4%	3.6%
20 001–50 000	590	6.1%	6.3%
50 001–100 000	242	2.5%	5.9%
100 001–500 000	205	2.1%	14.6%
500 001–1 000 000	23	0.2%	5.4%
1 000 001–5 000 000	15	0.2%	12.1%
5 000 001–10 000 000	3	0.0%	7.4%
10 000 001–50 000 000	6	0.1%	39.0%
Total	**9,638**	**100.0%**	**100.0%**

Changes in the share capital

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

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

Five-year review

INCOME STATEMENT, SEK MILLION	2016	2015	2014	2013	2012
Net sales	71.3	15.9	46.9	81.7	42.9
Research and development costs	-99.5	-80.5	-73.4	-71.2	-207.3
Sales and administrative costs	-35.7	-31.6	-31.9	-30.2	-39.2
Other operating revenues and costs	1.0	1.3	3.4	0.5	12.5
	-134.1	-110.9	-101.9	-100.9	-234.0
Operating profit/loss	**-62.9**	**-95.0**	**-54.9**	**-19.2**	**-191.1**
Net financial items	0.3	-0.1	0.9	1.1	3.2
Profit/loss before tax	**-62.6**	**-95.0**	**-54.0**	**-18.0**	**-187.8**
Tax	–	4,3	–	–	–
Profit/loss for the year	**-62.6**	**-95.0**	**-54.0**	**-18.0**	**-187.8**

BALANCE SHEET, SEK MILLION	2016	2015	2014	2013	2012
Intangible fixed assets	0.0	0.0	0.0	0.0	0.0
Tangible fixed assets	5.6	1.3	2.3	3.9	6.8
Financial fixed assets	–	–	4,5	–	–
Inventories	1.9	0.5	0.1	0.2	0.2
Current receivables	42.6	12.7	21.6	12.6	9.5
Liquid funds	226.1	40.0	45.6	64.7	100.1
Total assets	**276.3**	**54.4**	**74.1**	**81.4**	**116.5**
Shareholders' equity	230.4	29.5	52.4	49.0	47.6
Non-interest-bearing liabilities	45.9	25.0	21.7	32.4	68.9
Interest-bearing liabilities	–	–	–	–	–
Total shareholders' equity and liabilities	**276.3**	**54.4**	**74.1**	**81.4**	**116.5**

CASH FLOW, SEK MILLION	2016	2015	2014	2013	2012
Operating profit/loss	-62.9	-95.0	-54.9	-19.2	-191.1
Adjustments for depreciation, interest and other items	1.1	6.2	2.7	3.9	11.1
Changes in working capital	-10.3	16.2	-23.8	-39.4	9.7
Cash flow from current operations	**-72.0**	**-72.6**	**-76.0**	**-54.7**	**-170.4**
Cash flow from investment activities	-5.3	-0.7	-0.4	0.0	-0.1
Cash flow from current operations and investment activities	**-77.4**	**-73.2**	**-76.4**	**-54.7**	**-170.4**
Cash flow from financing activities	263.5	67.6	57.3	19.4	96.5
Increase/decrease in liquid funds	**186.1**	**-5.7**	**-19.1**	**-35.3**	**-73.9**

KEY FINANCIAL RATIOS	2016	2015	2014	2013	2012
Net revenue growth, %	347.6	-66.1	-42.6	90.3	-65.5
Net working capital, SEK million	-1.3	-11.8	0.0	-19.7	-59.2
Net working capital/net sales, %	-1.9	-74.4	0.0	-24.1	-137.9
Operating capital, SEK million	4.3	-10.5	6.8	-15.7	-52.4
Operating capital/net sales, %	6.1	-66.1	14.5	-19.3	-122.1
Capital employed, SEK million	230.4	29.5	52.4	49.0	47.6
Capital employed/net sales, %	323.3	185.0	111.7	60.0	110.9
Shareholders' equity, SEK million	230.4	29.5	52.4	49.0	47.6
Return on shareholders' equity, %	-48.2	-232.1	-106.4	-37.3	-202.4
Return on capital employed, %	-48.2	-232.1	-106.4	-37.3	-202.4
Capital turnover, times	0.5	0.4	0.9	1.7	0.5
Equity/assets ratio, %	83.4	54.1	70.7	60.2	40.9
Intangible fixed assets investments, SEK million	-	-	-	-	-
Tangible fixed assets investments, SEK million	5.3	0.7	0.4	0.0	0.1
Average number of employees	46	39	38	47	76

DATA PER SHARE	2016	2015	2014	2013	2012
Earnings per share, SEK					
Before dilution	-0.25	-0.64	-0.53	-0.23	-2.61
After full dilution	-0.25[1)]	-0.64[1)]	-0.53[1)]	-0.23[1)]	-2.61[1)]
Shareholders' equity per share, SEK					
Before dilution	0.76	0.18	0.46	0.58	0.64
After full dilution	0.76[2)]	0.18[2)]	0.46[2)]	0.58[2)]	0.64[2)]
Cash flow per share, SEK	-0.31	-0.51	-0.75	-0.70	-2.37
Average no. of shares					
Before dilution (thousands)	247,962	142,450	101,989	78,084	72,022
After full dilution (thousands)	247,962[2)]	142,450[2)]	101,989[2)]	78,084[2)]	72,022[2)]
Number of shares at end of period					
Before dilution (thousands)	304,695	162,919	112,790	85,015	73,926
After full dilution (thousands)	304,695[2)]	162,919[2)]	112,790[2)]	85,015[2)]	73,926[2)]
Share price, 31 December, SEK	3.07	3.59	2.28	2.73	2.66

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

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

Definitions [3)]

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

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.

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

[3)]Definitions of alternative financial ratios not defined by IFRS

The Board and Auditors

Björn O. Nilsson

Chairman of the Board
Doctor of Science. Born 1956. Lives in Sollentuna, Sweden. Professor, CEO and Fellow of the Royal Swedish Academy of Engineering Sciences (IVA). Adjunct Associate professor at the Royal Institute of Technology (KTH) in Stockholm. Member of the Board since 1999. Chairman of the Board since 2011. Member of the Audit Committee.

Other board appointments:
Chairman of the Boards of the ÅForsk Foundation for Research and Development, Swedish Foundation for Strategic Research and Stockholm Science City. Member of the Boards of ÅF AB, European Institute of Innovation and Technology (EIT) and SwedNanoTech AB.

Shareholding:
54,474

Vessela Alexieva

Employee representative
MSc 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)

Options:
Employee options 5,250

An van Es Johansson

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

Other board appointments:
-

Shareholding:
-

Lars Ingelmark

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

Other board appointments:
Chairman of the Board of Svensk Våtmarksfond. Member of the Board of Gyttorp AB.

Shareholding:
2,539

Elin Jaensson Gyllenbäck

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

Other board appointments:
-

Shareholding:
-

Leonard Kruimer

MBA. Born 1958. Lives near Amsterdam, Netherlands. Former CFO of SkylineDx., former CFO and board member of Crucell N.V. 1998-2011, chairman of supervisory board of Profibrix B.V., several earlier executive positions, consultant with McKinsey & Company and auditor with Price Waterhouse & Company. Member of the BioInvent Board since 2016. Member of the Remuneration Committee.

Other board appointments:
-

Shareholding:
-

Martin Nicklasson

Pharm. PhD. Born 1955. Lives in Västra Frölunda, Sweden. Associate Professor at the Faculty of Pharmacy, Uppsala University. Former CEO of Swedish Orphan Biovitrum AB 2007-2010. Several positions with Astra/AstraZeneca, including responsible for global drug development and marketing and business development with AstraZeneca Ltd., and CEO of AstraZeneca Sweden AB. CEO of Astra Hässle AB and responsible for R&D within KABI. Member of the BioInvent Board since 2016. Member of the Audit Committee.

Other board appointments:
Chairman of the Board of Orexo AB, Zealand Pharma A/S and Farma Investment AS. Member of the Boards of Basilea Pharmaceutical Ltd. and Biocrine AB.

Shareholding:
21,000

Vincent Ossipow

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

Other board appointments:
Member of the Boards of Andrew Alliance, Etherna Immunotherapies and Sophia Genetics.

Shareholding:
-

Birgitta Stymne Göransson

MBA, Harvard Business School and M.Sc. in Biotechnology from the Royal Institute of Technology in Stockholm. Born 1957. Lives in Stockholm. Former CEO of the Memira Group, CEO of Semantix, and Deputy CEO of Telefosgruppen. Member of the Board since 2015. Member of the Remuneration Committee.

Other board appointments:
Chairman of the Board of HL Display AB and Fryshuset Foundation. Member of the Boards of Capio AB, Elekta AB, Rhenman & Partners Asset Management AB, Midsona AB and Pandora A/S.

Shareholding:
89,600

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

Senior management

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 also held senior marketing positions at Nestlé and Mars Inc in Sweden, Germany and France. Member of the Board of SP Technical Research Institute of Sweden.

Shareholding:
913,035

Options:
Employee options 18,719

Stefan Ericsson

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

Shareholding:
114,641

Options:
Employee options 3,750

Björn Frendéus

Chief Scientific Officer
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:
317,151 (own and affiliated holdings)

Options:
Employee options 6,000

Kristoffer Rudenholm Hansson

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

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

Options:
Subscription Warrants 50,000

Anna Wickenberg

Senior Vice President, Clinical Development
PhD in Medical Sciences, Immunology, and MSc in Molecular Biology. Born in 1974. Lives in Lund, Sweden. Employed since 2015. She has 15 years of experience of leading clinical development projects from various positions at Teva Pharmaceuticals, NeuroSearch, and AstraZeneca. Most recently, Anna was responsible for the clinical development of new chemical entities in an orphan indication within CNS at Teva.

Shareholding:
231,348

Options:
-

Information on the holdings of shares and other financial instruments in BioInvent by Directors and Group management refers to conditions as of 11 April 2017, and includes personal holdings and holdings of related parties, as well as holdings of legal entities that are directly or indirectly controlled by the person or a related party. For the CEO information is also provided about any significant shareholdings and ownership in companies with which BioInvent has significant business relationships

Directors' report

The Board of Directors and the CEO of BioInvent International AB (publ), co. reg. no. 556537-7263, hereby present the annual accounts and consolidated accounts for the financial year 1 January–31 December, 2016. The Company is registered in Sweden and is located in the Lund municipality. The visiting address is Sölvegatan 41, Lund and the postal address is 223 70 Lund. The descriptions below of the status of BioInvent's projects are current at the time this annual report was presented.

Business focus

BioInvent is generating value for shareholders by employing its antibody and cancer biology expertise to identify antibodies with novel mechanisms-of-action and novel oncology targets. The Company employs this approach to generate therapeutic immuno-modulating antibodies that can be developed for a broad range of cancer indications. The Company plans to bring these antibodies to the clinic through its own resources and together with partners.

Clinical Projects

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

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

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

TB-403 in paediatric brain tumours - development in collaboration with Oncurious, subsidiary of ThromboGenics

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

TB-403 is currently in a Phase I/II study for the treatment of patients with medulloblastoma in cooperation with a US based pediatric oncology network, Neuroblastoma and Medulloblastoma Translational Research Consortium. TB-403 has recently received Orphan Drug Designation for medulloblastoma from the European Medicines Agency.

BioInvent has a 40% equity stake in TB-403, developed in conjunction with Oncurious. This is the result of a collaboration agreement signed in 2004 with Oncurious' parent company ThromboGenics. Under the terms of the agreement BioInvent pays 50% of development costs of TB-403.

THR-317 in diabetic macular edema - development in collaboration with ThromboGenics

In addition to TB-403, the collaboration agreement with ThromboGenics also allows for BioInvent to have a 40% equity stake in THR-317, an ophthalmologic formulation of TB-403, provided it chooses to contribute half of the development costs. As earlier communicated, BioInvent is currently evaluating how to ensure that the value of this project is optimized. The product is currently in a Phase II clinical study for the treatment of patients with diabetic macular edema. The study will evaluate the safety and efficacy of two dose levels of THR-317 and plans to include a total of 50 patients.

Pre-clinical projects

BioInvent´s preclinical research is focused on developing novel immuno-modulatory antibodies to significantly improve on the efficacy of currently available checkpoint inhibitor therapies. These novel antibodies may also activate anti-cancer immunity in currently non-responding patients and cancer types.

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

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

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

Tregs can substantially inhibit various immune responses enabling tumour cells to escape detection. BioInvent is currently developing antibodies specific for currently undetermined Treg targets and functions as well as for known targets such as OX-40 and 4-1BB.

BioInvent currently works at expanding the pool of antibodies and targets that have been shown associated with Treg specificity and Treg depleting activity.

BioInvent is working in cooperation with Cancer Research Technology and the University of Southampton in the UK to develop new immunotherapeutic cancer drugs based on antibodies that target OX-40 and 4-1BB, two known co-receptors that help activate T cells, to produce long-lasting anti-tumour immune responses.

New strategic collaboration with Pfizer - developing antibodies that act on tumour-associated myeloid cells

In December 2016, BioInvent announced that it has entered into a cancer immunotherapy research collaboration and license agreement with Pfizer Inc. to develop antibodies targeting tumour-associated myeloid cells. BioInvent will leverage its expertise to identify novel oncology targets and therapeutic antibodies that inhibit cancer growth either by reversing the immunosuppressive activity of tumour-associated myeloid cells or by reducing the number of tumour-associated myeloid cells in the tumour.

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

Pfizer has paid BioInvent an upfront payment of $3 million and is committed to paying $1 million in research funding during 2017. Pfizer has also made a $6 million equity investment in new shares of BioInvent.

Manufacturing and technology revenues

The Company currently has a number of antibody manufacturing agreements with major pharma and biotech companies.

Given its production capacity and expertise, BioInvent is actively seeking to secure more manufacturing contracts.

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

Personnel and organization

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 projects. This enables the Company to benefit from the accumulated cancer and biology know-how, ensuring that prioritised projects have the resources they need for their development.

The research department has the following two teams: the Antibody Discovery team working with BioInvent's technology platforms, F.I.R.S.T.™ and n-CoDeR®, and the Oncology Team which develops antibodies for BioInvent's 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 2016 BioInvent had 51 (40) employees, 45 (34) of whom work in research and development. 95 percent of the Company's employees have university degrees, including 44 percent with PhDs.

Environment

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

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

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

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

Quality and regulatory approval

The Company has a permit under the EU rules on producing investigational pharmaceutical products for clinical trials according to Good Manufacturing Practice (GMP). This permit 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 internal work, raw materials and that contracted services maintain a high standard. The Company conducts regular internal inspections and audits of external suppliers to ensure that GMP regulations are met.

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

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

Revenues and result

Net sales amounted to SEK 71 million (16). Revenues for the period are derived from an upfront payment of USD 3 million in December 2016 from the research collaboration and license agreement with Pfizer and as well as production of antibodies for clinical studies and from partners developing therapeutic antibodies from the n-CoDeR® antibody library. BioInvent announced in February 2016 that a EUR 2 million milestone payment had been received under the collaboration with Daiichi Sankyo pertaining to the progression of a Phase I clinical trial.

The Company's total costs amounted to SEK 135 million (112). Operating costs are divided between external costs of SEK 82 million (72), personnel costs of SEK 52 million (39) and depreciation of SEK 1.0 million (1.7). Research and development costs amounted to SEK 99 million (81).

Profit/loss after tax amounted to SEK -63 million (-91). The net financial items amounted to SEK 0.3 million (-0.1). Earnings per share before and after dilution amounted to SEK -0.25 (-0.64).

Financial position and cash flow

As of 31 December 2016, the Group's liquid funds amounted to SEK 226 million (40). The cash flow from current operations and investment activities for the January - December period amounted to SEK -77 million (-73).

The shareholders' equity amounted to SEK 230 million (29) at the end of the period. The Company's share capital at the end of the period was SEK 24 million. The equity/assets ratio at the end of the period was 83 (54) per cent. Shareholders' equity per share amounted to SEK 0.76 (0.18). The Group had no interest-bearing liabilities.

The five-year review is described on pages 20-21.

Investments

Investments in tangible fixed assets amounted to SEK 5.3 million (0.3).

Parent company

The BioInvent Group consists of the parent company, BioInvent International AB, and the subsidiary BioInvent Finans AB. Net sales amounted to SEK 71 million (16). Earnings after tax amounted to SEK -63 million (-91). The cash flow from current operations and investment activities amounted to SEK -77 million (-73). The Parent company coincides in every material way with the Group.

The share

The BioInvent share has been listed on NASDAQ Stockholm (BINV) since 2001.

The Board of Directors of BioInvent resolved in February 2016 on a private placement of SEK 43 million to the US-based healthcare investor Omega Funds and a rights issue of SEK 191 million. The Extraordinary General Meeting in March 2016 resolved to approve the Board's decision on the rights issue. The new share issues amounts to a total of SEK 234 million before issue costs. The subscription price for the new share issues was set to SEK 1.95 per share. 85.4 percent of the new share issue was subscribed for with subscription rights. 7.8 percent of the share issue was subscribed for without subscription rights and 6.8 percent was subscribed for by guarantors.

As part of the agreement with Pfizer, the Board of Directors of BioInvent on 21 December 2016 resolved, based on the authorization of the annual general meeting on 12 May 2016, on a directed issue of 21,973,594 new shares to Pfizer at a subscription price per share of SEK 2.56, corresponding to a total investment of USD 6 million before issue costs. The subscription price corresponds to an approximately 30% premium to the average volume weighted price for BioInvent's share during the 10 trading days prior to 21 December 2016. The reason for the derogation from the shareholders' preferential right is that the investment, in addition to providing BioInvent with new capital, brings Pfizer as a new strategic partner, in alignment with shareholders' interests as a new shareholder.

After the share issue the share capital consists of 304,695,213 shares.

If fully exercised, Employee Options Programme 2013/2017 and Subscription Warrants Programme 2016/2019 will represent a dilution equivalent to around 0.4 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 2016 authorised the Board of Directors to resolve on the issue of new shares on one or several occasions during the period up to the next annual general meeting. The number of shares to be issued by virtue of the authorization shall not exceed 15 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 build a portfolio of clinical development projects within cancer where risk is balanced and significant revenue streams are generated for the Company from licensing or sales, and to assist international pharmaceutical companies in their drug development and thereby generate revenue to help balance the Company's basic costs.

Risks and risk management

Pharmaceutical development

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

BioInvent's operations are subject to the usual risks associated with pharmaceutical development, including the risk that BioInvent or partners using BioInvent's technology through technology licences will not succeed in developing new product candidates, that development work will be delayed, that some or all of the Company's product candidates will prove ineffective, have side effects or in another way not meet the applicable requirements or receive the necessary market approval, or prove to be difficult to license successfully or develop into commercially viable products.

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

Clinical trials and product responsibility

BioInvent endeavours to advance its projects through the value chain, which will mean increased expenses for clinical trials and

relevant market approval. To receive approval from the authorities for commercial sales of the Company's product candidates, the Company or its partners must demonstrate the safety and efficacy of each potential product for human use for each stated indication.

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

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

Commercialisation and partners

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

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

Competition and fast technological development

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

Biotechnology and patent risk

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

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

Compensation for pharmaceutical sales

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

Qualified personnel and key individuals

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

Additional financing requirements

BioInvent's overall objectives are to build a portfolio of clinical development projects within cancer where risk is balanced and significant revenue streams are generated for the Company from licensing or sales, and to assist international pharmaceutical companies in their drug development and thereby generate revenue. Based on the fact that future, new clinical studies are expected to involve considerable cost, BioInvent's activities relating to these studies are expected to continue cause negative cash flows to accrue until the Company generates annual revenues on an ongoing basis from products on the market. The capital requirement is financed through (i) revenues from collaboration agreements associated with outlicensing of proprietary projects, (ii) revenues from technology licenses, (iii) revenues from external development projects and, (iv) shareholders' equity. Failure to secure such financing could negatively affect the Company's business, financial position and operating income. Revenues expected to be received from outlicensing existing or new product candidates may fluctuate considerably. Payment from partners will typically be contingent upon projects reaching agreed development and regulatory approval milestones. An inability to achieve such milestones or adhere to schedules could seriously harm the Company's future financial position.

See also financial risks at page 40.

Guidelines for remuneration to the CEO and other senior executives

Remuneration of Directors, the CEO and other senior executives

is described in note 1. The 2016 Annual General Meeting adopted guidelines for remuneration to the CEO and other senior executives. There has been no deviations from these guidelines. The Board proposes that the guidelines for remuneration to the CEO and other senior executives remain unchanged and apply from the 2017 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 1.7 million (excluding social security costs), calculated based on the number of persons currently included in executive management (such costs may change proportionately if the number of persons in management should change).

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

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

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

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

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

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

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

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

Events after the end of the financial year

In January 2017, ThromboGenics, BioInvent's partner, announced the enrollment of the first patients in a phase II clinical trial with THR-317 for the treatment of diabetic macular edema.

Proposed appropriation of profits

At the disposal of the Annual General Meeting: Share premium reserve of SEK 240,935,852, retained earnings of SEK 58,000 and loss for the year of SEK -62,586,668. The Board of Directors propose that profits at the disposal of SEK 178,407,184 is carried forward. Thus, it is proposed that no dividend be given for the financial year 2016.

Consolidated statement of comprehensive income for the Group

SEK thousand	Note	2016	2015
Net sales		71,284	15,925
Operating costs	2-8		
Research and development costs		-99,477	-80,502
Sales and administrative costs		-35,715	-31,647
Other operating revenues	9	1,250	1,257
Other operating costs	9	-201	-6
		-134,143	-110,898
Operating profit/loss		**-62,859**	**-94,973**
Financial income	10	290	152
Financial expenses	11	- 18	-207
Net financial items		**272**	**-55**
Profit/loss before tax		**-62,587**	**-95,028**
Tax	12	-	4 347
Profit/loss for the year		**-62,587**	**-90,681**
Other comprehensive income			
Items that have been or may be reclassified subsequently to profit or loss			
Changes in actual value current investments		-	-
Comprehensive income for the year		**-62,587**	**-90,681**
Other comprehensive income for the year attributable to parent company's shareholders		-62,587	-90,681
Earnings per share, SEK	13		
Before dilution		-0.25	-0.64
After dilution		-0.25	-0.64

Consolidated statement of financial position for the Group

SEK thousand	Note	2016	2015
ASSETS			
Acquired intangible fixed assets	14	0	0
Equipment	15	2,020	1,277
Investments in rented premises	15	3,628	46
Long-term receivables		-	-
Total fixed assets		**5,648**	**1,323**
Inventories		1,918	464
Accounts receivables	20	32,056	2,273
Other receivables	20	5,410	6,589
Prepaid expenses and accrued income	17	5,152	3,825
Liquid funds	20	226,114	39,973
Total current assets		**270,650**	**53,124**
Total assets		**276,298**	**54,447**

SEK thousand	Note	2016	2015
SHAREHOLDERS' EQUITY	18		
Share capital		24,376	13,033
Other allocated capital		1,585,601	1,333,432
Reserves		1	1
Accumulated loss		-1,379,541	-1,317,012
Total shareholders' equity		**230,437**	**29,454**
Shareholder's equity pertaining to the Parent company's shareholders		230,437	29,454
LIABILITIES			
Accounts payables	20	10,291	9,647
Other liabilities	20	11,437	1,148
Accrued expenses and deferred income	19,20	24,133	14,198
Total short term liabilities		**45,861**	**24,993**
Total shareholders' equity and liabilities		**276,298**	**54,447**
Pledged assets		-	-
Contingent liabilities		-	-

Consolidated statement of cash flows for the Group

SEK thousand	2016	2015
Current operations		
Operating profit/loss	-62,859	-94,973
Depreciation	996	1,650
Adjustments for other non-cash items	58	116
Interest received	34	92
Interest paid	0	-1
Tax	-	4,347
Cash flow from current operations before changes in working capital	**-61,771**	**-88,769**
Changes in working capital		
Changes in inventories	-1,454	-403
Changes in current receivables	-29,931	13,432
Changes in short term liabilities	21,107	3,164
	-10,278	**16,196**
Cash flow from current operations	**-72,049**	**-72,573**
Investment activities		
Acquisition of tangible fixed assets	-5,322	-672
Cash flow from investment activities	**-5,322**	**-672**
Cash flow from current operations and investment activities	**-77,371**	**-73,245**
Financing activities		
Transfer of subscription warrants	587	
Rights issue		67,591
Rights issue and directed new share issue	209,541	
Directed new share issue	53,384	
Cash flow from financing activities	**263,512**	**67,591**
Change in liquid funds	**186,141**	**-5,654**
Opening liquid funds	39,973	45,627
Liquid funds at year-end	**226,114**	**39,973**
Liquid funds, specification:		
Cash and bank	226,114	39,973
	226,114	**39,973**

Statement of changes in equity for the Group

SEK thousand	Share-capital	Other allocated capital	Reserves	Accumulated loss	Total
Shareholders' equity 31 December 2014	**9,023**	**1,269,851**	**1**	**-1,226,447**	**52,428**
Comprehensive income for the year					
Profit/loss for the year				-90,681	-90,681
Comprehensive other income for the year			-		-
Total comprehensive income for the year			-	**-90,681**	**-90,681**
Total, excluding transactions with equity holders of the Company	**9,023**	**1,269,851**	**1**	**-1,317,128**	**-38,253**
Transactions with equity holders of the Company					
Effect of employee incentive programme				116	116
Rights issue	4,010	63,581			67,591
Shareholders' equity 31 December 2015	**13,033**	**1,333,432**	**1**	**-1,317,012**	**29,454**
Comprehensive income for the year					
Profit/loss for the year				-62,587	-62,587
Comprehensive other income for the year			-		-
Total comprehensive income for the year			**-**	**-62,587**	**-62,587**
Total, excluding transactions with equity holders of the Company	**13,033**	**1,333,432**	**1**	**-1,379,599**	**-33,133**
Transactions with equity holders of the Company					
Effect of employee incentive programme				58	58
Transfer of subscription warrants		587			587
Rights issue and directed new share issue	9,585	199,956			209,541
Directed new share issue	1,758	51,626			53,384
Shareholders' equity 31 December 2016	**24,376**	**1,585,601**	**1**	**-1,379,541**	**230,437**

The share capital as of 31 December 2016 consists of 304,695,213 shares and the share's ratio value is 0.08. The rights issue and the directed new share issue carried out in April 2016 raised SEK 209,541 thousands after issue expenses of SEK 24,074 thousands. The directed new share issue carried out in December 2016 raised SEK 53,384 thousands after issue expenses of SEK 2,868 thousands. The rights issue carried out in May 2015 raised SEK 67,591 thousands after issue expenses of SEK 10,108 thousands.

Consolidated income statement for the Parent Company

SEK thousand	Note	2016	2015
Net sales	2-8	71,284	15,925
Operating costs			
Research and development costs		-99,477	-80,502
Sales and administrative costs		-35,715	-31,647
Other operating revenues	9	1,250	1,257
Other operating costs	9	-201	-6
		-134,143	-110,898
Operating profit/loss		**-62,859**	**-94,973**
Interest income and similar items	10	290	152
Interest costs and similar items	11	- 18	- 207
Profit/loss after financial items		**-62,587**	**-95,028**
Tax	12	-	4,347
Profit/loss for the year		**-62,587**	**-90,681**
Other comprehensive income			
Changes in actual value current investments		-	-
Comprehensive income for the year		**-62,587**	**-90,681**

Consolidated balance sheet for the Parent Company

SEK thousand	Note	2016	2015
ASSETS			
Fixed assets			
Intangible fixed assets			
Acquired intangible fixed assets	14	0	0
Tangible fixed assets			
Equipment	15	2,020	1,277
Investments in rented premises	15	3,628	46
		5,648	1,323
Financial fixed assets			
Shares in subsidiaries	16	687	100
Other long-term receivables		-	-
		687	100
Total fixed assets		**6,335**	**1,423**
Current assets			
Inventories		1,918	464
Current receivables			
Accounts receivables		32,056	2,273
Other receivables		5,410	6,589
Prepaid expenses and accrued income	17	5,152	3,825
		42,618	12,687
Liquid funds			
Current investments		-	-
Cash and bank		226,114	39,973
		226,114	39,973
Total current assets		**270,650**	**53,124**
Total assets		**276,985**	**54,547**

SEK thousand	Note	2016	2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		24,376	13,033
Statutory reserve		27,693	27,693
		52,069	40,726
Non-restricted equity			
Share premium reserve		240,935	79,331
Retained earnings		58	116
Profit/loss for the year		-62,587	-90,681
		178,406	-11,234
Total shareholders' equity		**230,475**	**29,492**
Short term liabilities			
Accounts payables		10,291	9,647
Liabilities to subsidiaries		580	101
Other liabilities		11,506	1,109
Accrued expenses and deferred income	19	24,133	14,198
Total short term liabilities		**46,510**	**25,055**
Total shareholders' equity and liabilities		**276,985**	**54,547**
Pledged assets		-	-
Contingvent liabilities		-	-

Consolidated statement of cash flows for the Parent Company

SEK thousand	2016	2015
Current operations		
Operating profit/loss	-62,859	-94,973
Depreciation	996	1,650
Adjustments for other non-cash items	58	116
Interest received	34	92
Interest paid	0	-1
Tax	-	4 347
Cash flow from current operations before changes in working capital	**-61,771**	**-88,769**
Changes in working capital		
Changes in inventories	-1,454	-403
Changes in current receivables	-29,931	13,432
Changes in short term liabilities	21,107	3,167
	-10,278	**16,196**
Cash flow from current operations	**-72,049**	**-75,573**
Investment activities		
Acquisition of tangible fixed assets	-5,322	-672
Cash flow from investment activities	**-5,322**	**-672**
Cash flow from current operations and investment activities	**-77,371**	**-73,245**
Financing activities		
Transfer of subscription warrants	587	
Rights issue		67,591
Rights issue and directed new share issue	209,541	
Directed new share issue	53,384	
Cash flow from financing activities	**263,512**	**67,591**
Change in liquid funds	**186,141**	**-5,654**
Opening liquid funds	39,973	45,627
Liquid funds at year-end	**226,114**	**39,973**
Liquid funds, specification:		
Cash and bank	226,114	39,973
	226,114	**39,973**

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 2014	**9,023**	**27,693**	**69,643**	**-53,893**	**52,466**
Appropriation of profit/loss			-53,893	53,893	0
Comprehensive income for the year					
Profit/loss for the year				-90,681	-90,681
Comprehensive other income for the year				-	-
Total, comprehensive income for the year				**-90,681**	**-90,681**
Total, excluding transactions with equity holders of the Company	**9,023**	**27,693**	**15,750**	**-90,681**	**-38,215**
Transactions with equity holders of the Company					
Effect of employee incentive programme				116	116
Rights issue	4,010		63,581		67,591
Shareholders' equity 31 December 2015	**13,033**	**27,693**	**79,331**	**-90,565**	**29,492**
Appropriation of profit/loss			-90,565	90,565	0
Comprehensive income for the year					
Profit/loss for the year				-62,587	-62,587
Comprehensive other income for the year				-	-
Total, comprehensive income for the year				**-62,587**	**-62,587**
Total, excluding transactions with equity holders of the Company	**13,033**	**27,693**	**-11,234**	**-62,587**	**-33,095**
Transactions with equity holders of the Company					
Effect of employee incentive programme				58	58
Transfer of subscription warrants			587		587
Rights issue and directed new share issue	9,585		199,956		209,541
Directed new share issue	1,758		51,626		53,384
Shareholders' equity 31 December 2016	**24,376**	**27,693**	**240,935**	**-62,529**	**230,475**

The share capital as of 31 December 2016 consists of 304,695,213 shares and the share's ratio value is 0.08. The rights issue and the directed new share issue carried out in April 2016 raised SEK 209,541 thousands after issue expenses of SEK 24,074 thousands. The directed new share issue carried out in December 2016 raised SEK 53,384 thousands after issue expenses of SEK 2,868 thousands. The rights issue carried out in May 2015 raised SEK 67,591 thousands after issue expenses of SEK 10,108 thousands.

Accounting principles and information notes

Note 1 Accounting principles

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

Parent Company's accounting principles
The Parent Company's annual accounts have been prepared in compliance with the Annual Accounts Act and applying the Swedish Financial Reporting Board's recommendation RFR 2, Reporting for Legal Entities. The Parent Company's accounting principles are consistent with the Group's accounting principles. The Parent Company's accounting principles for 2016 are unchanged from the previous year.

Accounting principles
The accounting principles are unchanged from the previous year. Amendments to standards and interpretations that went into force in 2016 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 or revised IFRSs will not become effective until future financial years and were not applied in advance in the preparation of these financial statements. New items or revisions that become effective in the years ahead are not planned to be applied in advance.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments. IFRS 9 applies to financial years starting 1 January 2018 and earlier application is permitted. IFRS 9 was adopted by the EU in November 2016. Its entry into force is not expected to have any material impact on the Company's financial statements given the current level and direction of the business.

IFRS 15 is the new revenue standard that will replace the currently applicable revenue recognition standards. IFRS 15 will apply to financial years starting 1 January 2018 and earlier application is permitted. IFRS 15 was adopted by the EU in September 2016. The company has begun to evaluate the effects of the introduction of IFRS 15 on the revenue recognition principles currently applied. This work is ongoing, but given the Company's current operations it cannot be ruled out that the introduction of IFRS 15 may have an impact on the Company's revenue recognition, especially regarding the timing of revenue recognition. However, whether this will have a material impact on the financial statements cannot be assessed at this time.

IFRS 16 is the new standard on accounting for leases that will replace IAS 17. IFRS 16 will apply to financial years starting 1 January 2019 and earlier application is permitted, provided that the EU adopts the standard. The EU is expected to approve the standard during the second half of 2017. IFRS 16 was adopted by the EU in September 2016. The Company has not yet begun to assess the impact of IFRS 16, but given the current level of leasing it can be concluded that the Company's assets and liabilities can be expected to increase. However, the Company does not believe that this should have a material impact on its financial statements, assuming that the level of leasing activity does not significantly change.

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

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

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

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

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

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

Net revenues, fixed assets and investment activities

Net revenues	**2016**	**2015**
Sweden	2.1	1.5
Europe	-	-
Other countries	69.2*	14.4**
	71.3*	**15.9****
Fixed assets		
Sweden	5.6	1.3
Investment activities		
Sweden	5.3	0.7

Revenues in 2016 come mainly from five customers and revenues in 2015 come mainly from four customers.

*Whereof SEK 48.7 million in initial license fees and milestone payments. Other revenues relate to external development projects.

**Whereof SEK 4.1 million in milestone payments. Other revenues relate to external development projects.

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 recognized based on the economic substance of the agreements.

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

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

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

Interest income is recognised in the period to which it relates based on the effective interest method. Effective interest is the interest that results in the present value of all future payments during the fixed interest term being equivalent to the carrying amount of the asset. Interest income is reported as financial income, see note 9.

Research and development costs

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

Remuneration to employees

Short-term remuneration

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

Compensation after end of employment

For employees in Sweden the ITP 2 plan's defined benefit pension commitment for retirement and family pension is insured through Alecta. According to a statement issued by the Swedish Financial Reporting Board, "UFR 3 Classification of ITP plans financed by insurance in Alecta," this is a defined benefit plan that covers several employers. For the 2016 financial year, the Company did not have access to the information necessary to report this proportional portion of the plan's commitments, plan assets and costs, and as a result it was not possible to report this as a defined benefit plan. The ITP 2 pension plan secured by an Alecta insurance is therefore reported as a defined contribution plan. The premiums for defined benefit retirement and family pension plans is individually calculated and depends, among other things, on salary, pension earned previously and the anticipated remaining term of service. The anticipated premiums for the next reporting period for the ITP 2 pension plans covered by Alecta amount to SEK 2.1 million (2016: 1.8). The Group has determined that this portion of the total premiums for the plan and the Group's portion of the total number of active members in the plan are insignificant.

The collective consolidation level consists of the market value of Alecta's assets expressed as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which do not correspond with IAS 19. The collective consolidation level should normally be permitted to vary between 125 and 155 percent. If Alecta's collective consolidation level is less than 125 percent or exceeds 155 percent, steps are to be taken to create the necessary conditions for the consolidation level to return to the normal interval. In the case of low consolidation, one possible measure would be to raise the agreed price for taking out a new policy and increasing existing benefits. In the case of high consolidation, one possible measure would be to introduce premium deductions. At the end of 2014 Alecta's surplus in the form of the collective consolidation level was 149 percent (153).

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 2013 resolved to adopt Employee Incentive Programme 2013/2017 and the Annual General Meeting in 2016 resolved to adopt Subscription Warrants Programme 2016/2019. See also note 2.

Disclosure of related party transactions

For information about benefits to senior executives, see note 2. The Company has, in accordance with the decision of the Annual General Meeting 2015 decided to implement a retention bonus programme which for a three year period may amount to a maximum of 100 per cent of the fixed salary for a year. Otherwise there are no transactions with related parties, in accordance with IAS 24, to report.

Leasing

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

Taxes

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

Intangible fixed assets

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

Tangible fixed assets

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

Depreciation/amortisation according to plan is as follows:

Equipment	5 years
Investments in rented premises	5–10 years

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

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

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

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

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

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

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

Reversal of impairment losses
An impairment loss is reversed if there is an indication that the need for impairment no longer exists and there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is only reversed if the asset's reported value after reversal does not exceed the reported value that the asset would have had if the impairment loss had not been made.

Impairment losses of loan receivables and accounts receivables that are reported at amortised cost are reversed if a later increase in the recoverable amount can objectively be attributed to an event that occurred after the impairment loss was made.

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

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

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

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

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

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

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

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

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

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either

designated in this category or not classified in any of the three aforementioned categories. An example of assets that are classified in this category is interestbearing securities. Assets in this category are continuously valued at fair value and are included in other comprehensive income.

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

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

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

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

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

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

In 2016 69 percent (43) of revenues were invoiced in foreign currencies, mainly USD and EUR. Around 30 percent (27) of costs in 2016 were invoiced in foreign currencies, mainly in GBP and EUR. Realised forward contracts for flows in 2016 had an effect on the operating income in the amount of SEK 0.0 (0.2) million. A sensitivity analysis shows that the Company's operating profit/loss in 2016 before hedging transactions would have been affected in the amount of SEK -0.2 million if the Swedish krona had weakened by 1 percent compared with GBP and in the amount of SEK 0.1 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 2016 was 0.0 percent (0.1). A change in the interest rate of 1 percent in 2016 would have affected the net interest income by SEK 1.5 million.

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

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

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

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

Note 2 Judgements and estimates in the financial statements

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

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

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

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

Note 3 Salaries, other remuneration and social security etc

	2016		2015	
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	36,618	14,779 (5,574)	28,100	10,441 (3,538)
Subsidiaries	-	-	-	-
Group total	**36,618**	**14,779 (5,574)**	**28,100**	**10,441 (3,538)**

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

	2016		2015	
SEK thousand	Board and CEO*	Other employees	Board and CEO*	Other employees
Parent company	4,685 (987)	31,933	3,902 (489)	24,198
Subsidiaries	-	-	-	-
Group total	**4,685**	**31,933**	**3,902**	**24,198**

*Whereof variable remuneration incl. retention bonus.

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

	2016		2015	
SEK thousand	Board and CEO	Other employees	Board and CEO	Other employees
Parent company	574	5,000	533	3,005
Subsidiaries	-	-	-	-
Group total	**574**	**5,000**	**533**	**3,005**

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 2016 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 program for variable remuneration for the CEO and other senior executives is performance-related and can amount to 0-30 percent of the fixed annual cash salary. The performance related components in the current programme, for the period 1 January – 31 December 2017, are based primarily on high expectations for technical and commercial milestones in proprietary drug projects. The Board of Directors resolved in January 2017 to pay SEK 325 thousand to CEO Michael Oredsson and SEK 785 thousand to other senior executives for the period 1 January – 31 December 2016. Variable remuneration is pensionable income.

The Company provides a retention bonus for the period 1 July 2015 to 30 June 2018. During the three-year period the maximum bonus can amount to 100 percent of the fixed salary for one year, which will be paid out after the bonus period has ended. Participation in the program requires acquisition of BioInvent shares to be held during the three-year period. The cost for the CEO Michael Oredsson was SEK 662 thousand for 2016 and the cost for other senior executives was SEK 915 thousand.

In addition, the CEO and other senior executives are covered by an employee stock option incentive programme, described on pages 42-43.

Remuneration and other benefits in 2016

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

Remuneration and other benefits in 2015

	Fixed salary/ fees	Board and committee fees	Variable remuneration incl. retention bonus	Other benefits	Salary exchange	Pension costs	Total
Board and CEO							
Björn O. Nilsson, Chairman		400					400
Dharminder Chahal, member		200					200
Lars Ingelmark, member		210					210
Jonas Jendi, member		160					160
Elisabeth Lindner, member		200					200
Birgitta Stymne Göransson, member		160					160
Michael Oredsson, CEO	1,986		489	98		533	3,106
	1,986	**1,330**	**489**	**98**		**533**	**4,436**
Other senior executives (3 individuals)	3,169		669	267	97	745	**4,947**
Total	**5,155**	**1,330**	**1,158**	**365**	**97**	**1,278**	**9,383**

Benefits for the Board and CEO

The Board's fees were set by the 2016 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.

Michael Oredsson, CEO and President, has received a fixed gross cash salary of SEK 2,068 thousand and SEK 987 thousand in variable remuneration including retention bonus, as well as SEK 100 thousand in other benefits. The total cost for Michael Oredsson's pension benefits amounted in 2016 to SEK 574 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.

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 2016 of SEK 6,487 thousand (whereof SEK 1,489 thousand post-employment). SEK 920 thousand has been exchanged from gross cash salary to pension costs. SEK 1,700 thousand was received in variable remuneration (including retention bonus), as well as SEK 228 thousand in other benefits. The total pension costs relating to other senior executives in 2016 amounted to SEK 1,679 thousand (whereof SEK 1,489 thousand post-employment).

Average number of employees

	2016		2015	
	Number of employees	Of which women	Number of employees	Of which women
Parent company	46	65 %	40	67 %
Subsidiaries	-	-	-	-
Group total	46	65 %	40	67 %

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

	2016		2015	
	Number*	Of which women	Number*	Of which women
Board and CEO	10	40 %	9	44 %
Other senior executives	5	20 %	3	33 %

*Number on 31 December

Employee Incentive Programme 2013/2017

The 2013 Annual General Meeting voted in favour of establishing a new, long-term employee incentive programme involving the allotment of a maximum of 900,000 employee options free of charge to all Group employees.

Each employee option will entitle the holder to acquire 1.207 new share in BioInvent for a subscription price of SEK 2.92 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 100,747 employee options took place in February 2014, 74,516 employee options took place in February 2015 and 50,250 employee options in February 2016.

The employees will receive options based on their performance in the 2013, 2014 or 2015 financial years and allotment will take place in connection with the publication of the year-end financial statement for the subsequent year. 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.

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 2013/2017 are exercised for subscription of new shares, the Company's share capital will increase by SEK 28,617 equivalent to about 0.1 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. 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 2013/2017	**2016**	**2015**	**2014**
Allotted options	50,250	74,516	100,747
Fair value per option (SEK)	0.51	0.48	1.00
Share price for underlying shares (SEK)	2.69	2.58	3.30
Subscription price (SEK)	3.04	3.31	3.48
Estimated life of the option	1.79 year	2.79 year	3.78 year
Risk-free interest rate during the life of the option	-0.51%	-0.15 %	1.10 %
Assumed volatility	40 %	40 %	40 %
Expected dividends	-	-	-
Wage costs in 2016 for employee stock option programme (SEK thousand)	24	12	22
Wage costs in 2015 for employee stock option programme (SEK thousand)		71	34
Wage costs in 2014 for employee stock option programme (SEK thousand)			45

In 2016 wage costs for Employee Incentive Programme 2013/2017 had a negative impact on operating profit of SEK 58 thousand. In 2015 wage costs for Employee Incentive Programme 2011/2015 had a negative impact on operating profit of SEK 116 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.

Subscription Warrants Programme 2016/2019

The 2016 Annual General Meeting resolved to adopt an incentive programme for the company's employees in the form of a subscription warrants programme. Under the programme 957,571 subscription warrants have been transferred with a maximum dilution effect of approximately 0.3 percent. Subscription Warrants Programme 2016/2019 does not constitute an IFRS 2 programme.

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

Note 4 Information about auditors' fees

	Group		**Parent company**	
SEK thousand	**2016**	**2015**	**2016**	**2015**
KPMG				
Audit	295	295	295	295
Other auditing activities besides the audit	4	35	4	35
Tax consultations		145		145
Other services	102	170	102	170
Total	**401**	**645**	**401**	**645**

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

Note 5 Depreciation and impairment losses according to plan of intangible and tangible fixed assets

	Group		**Parent company**	
SEK thousand	**2016**	**2015**	**2016**	**2015**
Research and development costs	940	1,472	940	1,472
Sales and administrative costs	56	178	56	178
Total	**996**	**1,650**	**996**	**1,650**

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

Note 6 Operational leasing

Leasing charges are for laboratory, production and office premises and is primarily included in research and development costs. Leasing costs in 2016 and 2015 amounted to SEK 6,686 thousand (6,827) 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 2017	7,858	7,858
Year 2018-2021	10,023	10,023
Year 2022 or later	-	-
Total	**17,881**	**17,881**

Note 7 Income statement classified according to type of cost

	Group		Parent company	
SEK thousand	**2016**	**2015**	**2016**	**2015**
External costs	82 273	71 646	82 273	71 646
Personnel costs	51 923	38 853	51 923	38 853
Depreciation	996	1 650	996	1 650
Total	**135 192**	**112 149**	**135 192**	**112 149**

Note 8 Exchange rate differences that affected profit/loss for the period

	Group		Parent company	
SEK thousand	**2016**	**2015**	**2016**	**2015**
Exchange rate differences that affected the operating profit/loss	-113	182	-113	182
Financial exchange rate differences	239	-117	239	-117
Total	**126**	**65**	**126**	**65**

Note 9 Other operating revenues and costs

	Group		Parent company	
SEK thousand	**2016**	**2015**	**2016**	**2015**
Other operating revenues				
Financial support from the EU's framework programme	671	612	671	612
Insurance compensation	500	459	500	459
Exchange rate gains	79	186	79	186
	1,250	**1,257**	**1,250**	**1,257**
Other operating costs				
Interest costs	-9	-1	-9	-1
Exchange rate losses	-192	-5	-192	-5
	-201	**-6**	**-201**	**-6**
Total	**1,049**	**1,251**	**1,049**	**1,251**

In 2015 and 2016 financial support from the EU's framework programme was reported for early research projects.

Note 10 Financial revenues

	Group		Parent company	
SEK thousand	**2016**	**2015**	**2016**	**2015**
Interest income	34	63	34	63
Exchange rate differences	256	89	256	89
Total	**290**	**152**	**290**	**152**

Note 11 Financial costs

	Group		Parent company	
SEK thousand	2016	2015	2016	2015
Interest costs	-0	-1	-0	-1
Exchange rate differences	-18	-206	-18	-206
Total	**-18**	**-207**	**-18**	**-207**

Note 12 Tax on profit for the year

Tax on profit for the year	Group		Parent company	
	2016	2015	2016	2015
Current tax on profit for the year Deferred taxes relating to temporary differences	0	4,347	0	4,347
Deferred taxes relating to temporary differences	0	0	0	0
Reported tax on profit for the year	**0**	**4,347**	**0**	**4,347**

Reconciliation of effective tax	Group		Parent company	
	2016	2015	2016	2015
Reported profit/loss before tax	-62,587	-95,028	-62,587	-95,028
Tax according to the applicable tax rate, 22.0%	13,769	20,906	13,769	20,906
Tax effect of costs that are not deductible	-123	-122	-123	-122
Utilization of previously unrecognized loss carryforwards		3,123		3,123
Tax effect of acquired profit		-19,560		-19,560
Tax effect of loss carry forward for which the deferred tax claim has not been/shall be considered	-13,646		-13,646	
Reported tax on profit/loss for the year	**0**	**4,347**	**0**	**4,347**

BioInvent Handelsbolag was acquired in November 2015. The acquisition was intended to help finance operations by offsetting parts of BioInvent International AB's accumulated loss carryforwards against the acquired partnership's profits. As a result of the acquisition, earnings after tax 2015 improved by SEK 4.3 million. BioInvent Handelsbolag was liquidated in 2016.

There are no substantial deferred taxes that relate to temporary differences as of 31 December 2016. Deferred tax assets relating to unutilised loss carry-forwards and deductible temporary differences are only reported if it is likely that they will be utilized against future taxable earnings. The Group's accumulated unutilized loss carryforwards amounted to SEK 1,306 million as of 31 December 2016. It is unclear when these loss carry-forwards will be utilized for deduction against taxable earnings. Deferred income tax recoverable relating to loss carry-forward is therefore not reported at any value.

Note 13 Earnings per share

Earnings per share before dilution	2016	2015
Profit/loss for the period	-62,587	-90,681
Average number of outstanding shares (thousand)	247,962	142,450
Earnings per share before dilution, SEK	-0.25	-0.64

Earnings per share after dilution	2016	2015
Profit/loss for the period	-62,587	-90,681
Average number of outstanding shares (thousand)	247,962	142,450
Earnings per share after dilution, SEK	**-0.25**	**-0.64**

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. Employee Incentive Programme 2013/2017 entitles the holder to acquire 1.207 new shares in BioInvent for a subscription price of SEK 2.92. Subscription Warrants Programme 2016/2019 entitles the holder to acquire one new share in BioInvent for a subscription price of SEK 2.81. An average share price of SEK 2.47 per share was used to determine whether a dilution effect exists for 2016.

Options issued under Employee Stock Option Plan 2013/2017 and Subscription Warrants Programme 2016/2019 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 14 Intangible fixed assets

Acquired intangible fixed assets	Group		Parent company	
SEK thousand	2016	2015	2016	2015
Opening acquisition value	47,885	47,885	47,885	47,885
Acquisitions	-	-	-	-
Disposals	-18,595	-	-18,595	-
Closing accumulated acquisition value	**29,291**	**47,885**	**29,291**	**47,885**
Opening depreciation	-47,885	-47,885	-47,885	-47,885
Disposals	18,595	-	18,595	-
Depreciation for the year	-	-	-	-
Closing accumulated depreciation and Impairment losses	**-29,291**	**-47,885**	**-29,291**	**-47,885**
Closing residual value according to plan	**0**	**0**	**0**	**0**

Note 15 Tangible fixed assets

Equipment	Group		Parent company	
SEK thousand	2016	2015	2016	2015
Opening acquisition value	56,132	58,182	56,132	58,182
Acquisitions	1 515	672	1 515	672
Disposals	-1,122	-2,722	-1,122	-2,722
Closing accumulated acquisition value	**56,525**	**56,132**	**56,525**	**56,132**
Opening depreciation	-54,856	-56,046	-54,856	-56,046
Disposals	1,122	2,722	1,122	2,722
Depreciation for the year	-771	-1,531	-771	-1,531
Closing accumulated depreciation	**-54,505**	**-54,855**	**-54,505**	**-54,855**
Closing residual value according to plan	**2,020**	**1,277**	**2,020**	**1,277**

Investments in rented premises	Group		Parent company	
SEK thousand	2016	2015	2016	2015
Opening acquisition value	11,771	11,771	11,771	11,771
Acquisitions	3,807	-	3,807	-
Closing accumulated acquisition value	**15,578**	**11,771**	**15,578**	**11,771**
Opening depreciation	-11,725	-11,606	-11,725	-11,606
Depreciation for the year	-225	-119	-225	-119
Closing accumulated depreciation	**-11,950**	**-11,725**	**-11,950**	**-11,725**
Closing residual value according to plan	**3,628**	**46**	**3,628**	**46**

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

Note 16 Shares in subsidiaries

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

BioInvent Finans AB administers warrants issued by BioInvent International AB. BioInvent Handelsbolag was liquidated in 2016.

	Parent company	
SEK thousand	2016	2015
Opening acquisition value	100	100
Shareholder contribution	587	
Closing acquisition value	**687**	**100**

Note 17 Prepaid expenses and accrued income

	Group		Parent company	
SEK thousand	2016	2015	2016	2015
Prepaid rent	1,734	1,630	1,734	1,630
Other items	3,418	2,195	3,418	2,195
Total	**5,152**	**3,825**	**5,152**	**3,825**

Note 18 Shareholders' equity

Share capital

	Ordinary shares	
Thousands of shares	2016	2015
Issued as of 1 January	162,919	112,790
Rights issue		50,129
Rights issue and directed new share issue	119,803	
Rights issue	21,973	
Issued as of 31 December	**304,695**	**162,919**

The share capital as of 31 December 2016 consists of 304,695,213 shares and the share's ratio value is 0.08. Shareholders holding ordinary shares are entitled to dividends. Each share carries one vote at the Annual General Meeting.

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

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

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

Proposed appropriation of profits
At the disposal of the Annual General Meeting: Share premium reserve of SEK 240,935,852, retained earnings of SEK 58,000 and loss for the year of SEK -62,586,668. The Board of Directors propose that profits at the disposal of SEK 178,407,184 is carried forward. Thus, it is proposed that no dividend be given for the financial year 2016.

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 19 Accrued expenses and deferred income

	Group		Parent company	
SEK thousand	2016	2015	2016	2015
Payroll liabilities	12,350	6,491	12,350	6,491
Social security fees	3,856	2,391	3,856	2,391
Other items	7,927	5,316	7,927	5,316
Total	**24,133**	**14,198**	**24,133**	**14,198**

Note 20 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	**2016**	**2015**	**2016**	**2015**
Financial assets				
Loan receivables and accounts receivables				
Accounts receivables	32,056	2,273	32,056	2,273
Other receivables	5,369	6,555	5,369	6,555
	37,425	8,828	37,425	8,828
Available-for-sale financial assets				
Current investments	-	-	-	-
Cash and bank	226,114	39,973	226,114	39,973
	226,114	39,973	226,114	39,973
Financial assets carried at fair value through profit or loss for the year				
Derivatives*	41	34	41	34
Total	**263,580**	**48,835**	**263,580**	**48,835**
Financial liabilities				
Other financial liabilities				
Accounts payables	-10,291	-9,647	-10,291	-9,647
Other liabilities	-11,435	-1,140	-11,435	-1,140
Accrued expenses	-24,133	-14,198	-24,133	-14,198
	-45,859	-24,985	-45,859	-24,985
Financial liabilities recognised at fair value through profit or loss for the year				
Derivatives*	-2	-8	-2	-8
Total	**-45,861**	**-24,993**	**-45,861**	**-24,993**

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

MATURITIES

Maturities for financial instruments are presented below

Remaining term, 31 Dec. 2016 SEK thousand	**On demand**	**< 3 months**	**3-12 months**	**Total**
Financial assets				
Loan receivables and accounts receivables				
Accounts receivables (where of past due but not recognised as impairment losses)		32,056 (-)		32,056 (-)
Other receivables		5,369		5,369
Available-for-sale financial assets				
Current investments		-		-
Cash and bank	226,114			226,114
Financial assets carried at fair value through profit or loss for the year				
Derivatives		41		41
Total	**226,114**	**37,466**	**-**	**263,580**
Financial liabilities				
Other financial liabilities				
Accounts payables		-10,291		-10,291
Other liabilities		-11,437		-11,437
Accrued expenses		-21,393		-21,393
Financial liabilities recognised at fair value through profit or loss for the year				
Derivatives		-2	-	-2
Total	**-**	**-43,123**	**-**	**-43,123**
Remaining term, 31 Dec. 2015				
Financial assets	**39,973**	**8,862**	**-**	**48,835**
Financial liabilities	**-**	**-24,987**	**-6**	**-24,993**

Note 21 Important events after the end of the reporting period

In January 2017, ThromboGenics, BioInvent's partner, announced the enrollment of the first patients in a phase II clinical trial with THR-317 for the treatment of diabetic macular edema.

Note 22 Information about the Parent Company

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

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

The annual report and the consolidated accounts were approved for publication by the Board and the CEO on 11 april, 2017.

Björn O. Nilsson Chairman of the Board	Vessela Alexieva Board member	An van Es Johansson Board member	Lars Ingelmark Board member
Elin Jaensson Gyllenbäck Board member	Leonard Kruimer Board member	Martin Nicklasson Board member	Vincent Ossipow Board member
Birgitta Stymne Göransson Board member	Michael Oredsson President and CEO		

Our audit report was submitted on 11 April 2017
KPMG AB

Eva Melzig
Authorised Public Accountant

Auditor's Report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of BioInvent AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 24-50 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Key Audit Matters

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

Financing

See disclosure 2 and section on risks, page 27, in the Directors' report in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

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

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

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

To obtain additional financing the Company completed a new share issue in April 2016 which raised SEK 210 million after issue costs. In December 2016 a rights issue which raised SEK 53 million after issue costs was completed.

Response in the audit

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

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

We have verified that the funds generated by the share issues have been received by the Company.

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

Accounting of revenue

See disclosure 2 and accounting principles on pages 37-38 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

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

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

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

Response in the audit

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

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

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

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

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

Significant revenue items have been verified against underlying agreements and supporting documents for payments verifying that the Company has received the revenue.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-23. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions

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

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

Malmö 11 April 2017
KPMG AB

Eva Melzig
Authorized Public Accountant

Corporate governance report

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

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

Annual General Meeting

The Annual General Meeting ("AGM"), or as applicable, the Extraordinary General Meeting, is the supreme decision making body of BioInvent in which all shareholders are entitled to participate. The Articles of Association contain no restrictions regarding the number of votes that may be cast by a shareholder at a General Meeting and no special provisions regarding amendments of the Articles of Association. The AGM addresses the Company's progress and resolves on a number of key issues, such as the adoption of the income statement and balance sheet, allocation of result, discharge from liability for the Board of Directors and the CEO, and the election of Board of Directors until the next AGM. Every second year, an auditor for the Company is elected for a term of two years and the AGM resolves on compensation for the auditor.

At the AGM 2016, the Board of Directors was authorised to resolve on the issue of not more than the number of new shares equivalent to 15 per cent of the registered share capital (as per the date of the resolution on the issue of new shares), on one or several occasions during the period up to the next AGM.

The AGM 2016 was held on 12 May and the minutes are available on the BioInvent website. The AGM 2017 will be held in Lund on Wednesday, 17 May at 4 p.m.

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

Nominating Committee and shareholders

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

The Nominating Committee for the AGM 2016 consisted of Mattias Cramby (Mexor i Skellefteå AB), Erik Esveld (van Herk Investments B.V.), Tony Sandell (B&E Participation AB) and the Chairman of the Board Björn O. Nilsson. The Nominating Committee formulated proposals regarding the Chairman of the General Meeting, the composition of the Board of Directors and remuneration of the Board of Directors. The Nominating Committee had one meeting and a number of telephone calls. No fees have been paid to the members of the Nomination Committee.

The composition of the Nominating Committee for the AGM 2017 was presented on BioInvent's website on 16 December 2016. According to the Code, the Company must post the names of the Nominating Committee's members on the Company's website six months prior to the AGM and, where applicable, information on which shareholder the Committee member represent. Due to the fact that it has taken longer than anticipated to appoint the Nominating Committee, BioInvent has deviated from the abovementioned requirement. The Nominating Committee for the AGM 2017 consists of Mattias Cramby (Mexor i Skellefteå AB), Erik Esveld (van Herk Investments B.V.), Vincent Ossipow (Omega Fund IV, LP) and the Chairman of the Board Björn O. Nilsson. No fees have been paid to the members of the Nomination Committee.

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

The Board of Directors and its work

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

The AGM 2016 discharged the Board members and the CEO from liability and re-elected the Board members Björn O. Nilsson, Lars Ingelmark and Birgitta Stymne Göransson, and elected An van Es Johansson, Leonard Kruimer, Martin Nicklasson and Vincent Ossipow as new Board members. Björn O. Nilsson was re-elected Chairman of the Board. The Board of Directors consists of seven directors elected by the General Meeting, as well as employee representatives Vessela Alexieva and Elin Jaensson Gyllenbäck. Ulrika T. Mattson resigned on 28 February 2017 and was replaced by Elin Jaensson Gyllenbäck through election.

The Board of Directors is presented on page 22. The Board of Directors elected by the General Meeting are independent in relation to the company and its management. All directors are independent in relation to the Company, senior executives and major shareholders.

The AGM 2016 resolved that the Board's fees shall remain unchanged at SEK 400 thousand to the Chairman of the Board and SEK 160 thousand to each of the other Board members, who are not employed by the company. In addition hereto, the AGM resolved on fees for committee work in the amounts of SEK 50 thousand to the Chairman of the Audit Committee, SEK 40 thousand to each of the other members of the Audit Committee and, if any, SEK 20 thousand to each of the members in the Remuneration Committee. Fee for committee work shall not be paid to the Chairman of the Board.

The work of the Board is governed by rules of procedure

that are revised and re-adopted by the Board at least once a year. The rules of procedure primarily consist of directions for the Board's work, instructions for the division of duties between the Board and the CEO and instructions for the financial reporting.

In 2016 the Board of Directors held seven regular meetings and nine extraordinary meetings. The Board of Directors met with the Company's auditor on two occasions, including one occasion without the presence of the CEO or other persons from the senior management. Attorney Madeleine Rydberger, Mannheimer Swartling Advokatbyrå, has served as the secretary of the Board during the year. Regular items on the agenda at the meetings included monitoring of the operation in relation to the Company's budget and strategic plan. In addition, the Board has considered and resolved on issues pertaining to research and development, financing, intellectual property, strategic focus and planning, the budget, essential agreements, audit, financial reporting and compensation related issues.

Board member	Attendance
Björn O. Nilsson (Chairman)	15 (16)
Vessela Alexieva	13 (16)
Dharminder Chahal[1)]	5 (6)
An van Es Johansson[2)]	10 (10)
Lars Ingelmark	12 (16)
Jonas Jendi[1)]	6 (6)
Leonard Kruimer[2)]	9 (10)
Elisabeth Lindner[1)]	3 (6)
Martin Nicklasson[2)]	10 (10)
Vincent Ossipow[2)]	9 (10)
Birgitta Stymne Göransson	11 (16)
Ulrika T. Mattson	15 (16)

[1)] Resigned on 12 May 2016 in conjunction with the AGM.
[2)] Elected on 12 May 2016 in conjunction with the AGM.

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

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee consisting of Björn O. Nilsson (Chairman), Leonard Kruimer and Birgitta Stymne Göransson. All directors are independent in relation to the Company and the senior executives. The work is regulated in the instructions that comprise part of the rules of procedure for the Board of Directors and include to consider and to resolve on issues pertaining to remuneration and benefits to senior executives. The work includes preparation of other remuneration issues of greater importance, such as incentive 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. The Remuneration Committee reports to the Board of Directors. The committee held six meetings in 2016.

Member of the Remuneration Committee	Attendance
Björn O. Nilsson (Chairman)[1)]	6 (6)
Leonard Kruimer[1)]	5 (6)
Birgitta Stymne Göransson[1)]	6 (6)

[1)] Elected on 12 May 2016 in conjunction with the AGM.

Audit Committee

The Board of Directors has appointed an Audit Committee consisting of Lars Ingelmark (Chairman), Martin Nicklasson, Björn O. Nilsson and Vincent Ossipow (for the period following the AGM in 2016; before that Lars Ingelmark (Chairman), Dharminder Chahal, Björn O. Nilsson and Elisabeth Lindner). The Audit Committee's members have the requisite accounting expertise.

The Audit Committee, whose work is regulated in the instructions that serve as part of the rules of procedure for the Board of Directors, is tasked with preparing issues on behalf of the Board of Directors regarding procurement of audit services and remuneration, monitoring the auditors' work and the Company's internal control systems, monitoring the current risk scenario, monitoring external audits and the Company's financial information, adopting the interim reports for quarters 1 and 3, preparing the interim report for quarters 2 and 4, as well as the Company's Annual Report, monitoring issues pertaining to financing, and preparing the adoption and revision of financial policy and other issues that the Board of Directors entrusts to the Committee to prepare. The Audit Committee reports to the Board of Directors. The committee held three meetings in 2016.

Member of the Audit Committee	Attendance
Lars Ingelmark (Chairman)	3 (3)
Dharminder Chahal[1)]	1 (2)
Elisabeth Lindner[1)]	2 (2)
Martin Nicklasson[2)]	1 (1)
Björn O. Nilsson	3 (3)
Vincent Ossipow[2)]	1 (1)

[1)] Resigned on 12 May 2016 in conjunction with the AGM.
[2)] Elected on 12 May 2016 in conjunction with the AGM

Auditors

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

Group Management

According to its guidelines and instructions, the Board of Directors has delegated the day-to-day business to the CEO. The CEO and under his leadership, other members of the management group, are responsible for collective business operations and day-to-day business. The CEO regularly reports to the Board of Directors on the Company's business operations, financial performance and other issues relevant to the company. At one

Board meeting a year the Board evaluates the work of the CEO. No member of the senior management is present at this meeting. The CEO and the senior management are presented on page 23.

Remuneration to senior executives

The AGM 2016 adopted guidelines for remuneration to senior executives. According to the guidelines, salaries and other terms of employment for senior management are set at market rates. In addition to a fixed base salary senior executives can also receive a variable salary, which will be limited and based mainly on technical and commercial milestones within proprietary drug projects. In addition to such fixed and variable compensation, the company may grant retention bonuses which for a three year period may amount to a maximum of 100 per cent of the fixed salary for a year. Senior executives may also receive remuneration in the form of options or other share-related incentive programmes, as decided by the Annual General Meeting of shareholders. The complete guidelines can be seen in the Board of Directors' Report on pages 27-28.

The Company's systems for internal control and risk management with respect to financial reporting for the 2016 financial year

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

Control Environment

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

Control activities

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

Information and communications

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

Follow-up

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

Internal audit

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

Lund, 11 April 2017
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 2016 on pages 54-56. It is the Board of Directors who is responsible for the corporate governance statement and that it has been prepared in accordance with the Annual Accounts Act. Our responsibility is to express an opinion on the corporate governance statement based on our audit.

Focus and scope of the audit

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

Opinion

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

Malmö, 11 April 2017
KPMG AB

Eva Melzig
Authorised Public Accountant

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

Annual General Meeting

The Annual General Meeting will be held on Wednesday 17 May 2017 at 4 p.m., Elite Hotel Ideon, Scheelevägen 27, Lund. Notice to attend will be announced in the Swedish press in Post- och Inrikes Tidningar and on the Company's website.

Shareholders wishing to attend the AGM must be registered in the shareholders' register kept by the Swedish Securities Register Centre (Euroclear) Thursday 11 May 2017 and must inform BioInvent of their intention to attend no later than 4 p.m. on Thursday 11 May 2017 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 nominee-registered shares must request that their shares be temporarily owner-registered in the Euroclear shareholders' register. Such registration must be completed no later than Thursday 11 May 2017 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 17 May, 26 July, 26 October 2017.

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.

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