Annual Report 2018

Creating novel antibody therapeutics

Inspired by nature
Led by science

symphogen

Approved at Symphogen's Annual General Meeting on May 29, 2019

Chairman:

Thomas Holst Laursen

Symphogen A/S CVR no. 10 01 32 67

Symphogen in brief

Inspired by nature, led by science and driven by people, we passionately strive to make discoveries that may benefit the lives of patients, their families, and their caregivers.

Symphogen is a privately-owned biotech company focused on oncology and immuno-oncology. We have a highly efficient antibody discovery and research platform supported by comprehensive early development capabilities. Our antibody platform delivers antibodies with unique functionalities providing best or first in class potential as combination or mono therapy. Our approach and capabilities are well suited for combination therapies at the core of future cancer treatment.

Symphogen's integrated R&D approach delivers productive end-to-end drug development that has generated five INDs in the last three years. Our platform is validated by partners in the immuno-oncology and infectious disease fields and we continue to seek additional partners to advance our novel antibody strategies to patients.

Contents

Company update from the Board of Directors and Executive Management

Our outlook for 2018 was based on the potential initiation of a Phase 3 clinical trial of Sym004 (targeting EGFR) in metastatic colorectal cancer patients, continued clinical trials of Sym013 (targeting Pan-HER) and Sym015 (targeting MET), advancement of the development programs under our significant partnership with Servier, as well as advancement of our discovery and preclinical activities. A prerequisite for the outlook was additional funding to deliver on our development strategy.

Thus, throughout 2018, we were in dialogue with potential investors to secure funding of our ambitious pipeline including Sym004, which would require substantial financing to advance the planned Phase 3 clinical trial to a major value inflection point. During this process, it became clear that although Symphogen's scientific approach, R&D competencies, and management are highly regarded, the development risk profile and development timeline of Sym004 were incompatible with the challenging funding environment of late 2018.

Acknowledging this, management performed a thorough review of the company's research and development activities and pipeline and has concluded that the future strategic direction of the company should build on our unique capabilities and key competencies within discovery, preclinical and early clinical development. Consequently, we have decided that Sym004 will only be further advanced with a partner.

In addition, new Phase 1 clinical trial data indicate that the safety and tolerability profile of Sym013 does not warrant further development. As a result, all activities related to Sym013 are being discontinued. This is the first time in the company's history that a clinical project has been discontinued for safety reasons. Importantly, the remaining clinical and research pipeline, including Sym015 and all partnered programs remain unaffected by this.

Strategic direction
Going forward, Symphogen's strategy will focus on fully utilizing the strengths of our technology platform and productive research engine, that have already successfully delivered high quality antibodies with unique functional properties and efficiently brought them to the clinic. Our heritage of identifying and developing combination therapies positions us at the core of future cancer treatments.

We will advance our strong immuno-oncology pipeline of best or first in class antibodies, including antibodies directed at FLT3, AXL and CD40, to major value inflection points. The productivity of our antibody discovery process is evidenced by the size and diversity of the repertoires of high-quality antibodies from multiple species generated for our partners and our internal research pipeline. Our discovery platform includes the ability to generate antibodies derived from chickens yielding extremely high affinity antibodies. In 2018, we were the first company to enter a chicken-derived antibody into human clinical trials. Our platform may also be used for indications outside of cancer, and we are actively pursuing partnerships in oncology and in other disease areas to fully utilize our unique and effective integrated R&D platform capable of end-to-end drug development.

We continue to invest in our position as a leading antibody discovery company employing state-of-the-art technologies. We remain confident that we will continue to generate exciting new product candidates addressing significant diseases.

Our strategic immuno-oncology collaboration with Servier is a major focus and continues to show promising results. Today, Sym021 (targeting PD-1) is being investigated in Phase 1 trials in combination with Sym022 (targeting LAG3) and Sym023 (targeting TIM3), respectively. In addition, three Phase 1 trials with each of the antibodies are also in progress.

In conclusion, with the support from the company's major shareholders, management has decided to center Symphogen's strategic priorities around commercialization of our powerful research, preclinical and early development platform with the aim of establishing Symphogen as a preferred partner for the discovery and development of highly differentiated antibody therapeutics, either as combination or stand-alone therapies.

Strategic priorities in short:

- Advance our early pipeline of best or first in class antibodies to value inflection points, such as INDs
- Actively seek partners for advancement of new targets
- Further optimize our antibody discovery platform
- Advance the strong immuno-oncology portfolio of discovery, preclinical and clinical projects under the agreement with Servier

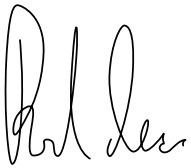
Clinical development projects
With our focus on discovery and early development, we have decided to only continue the clinical development of Sym004 with a partner.

Sym013 demonstrated very strong efficacy in pre-clinical models, but regretfully the safety profile observed in the recent Phase 1 trial did not warrant further development. We believe the safety signals in the Pan-HER program were due to the inhibition of multiple targets of the HER family, a characteristic unique to the Pan-HER program. This outcome does not affect our ability to pursue the discovery and development of synergistic antibodies for use in combination therapies.

The ongoing Sym015 Phase 2a trial in MET-amplified and METexon14-deleted lung cancer patients will be completed and partnering opportunities pursued. Sym015 has a strong scientific rationale and constitutes an attractive niche indication opportunity with a possible orphan drug development path. Sym015 is well tolerated with an excellent safety profile and we remain encouraged by the clinical results to date.

Funding
By end-2018, our cash and cash equivalents including marketable securities amounted to EUR 50m (DKK 373m). At the annual general meeting 2019, Symphogen's Board of Directors will propose to raise new capital through a pre-emptive issue of new preferred shares and warrants to existing shareholders. The Board is continuing to explore other strategic options, including spinoffs or a potential sale of the company.

Due to the refocusing of the company, we unfortunately had to part with employees in Denmark and close down our US office in the beginning of 2019. Management would like to thank all employees for their engagement and invaluable contributions to the advancement of our research and clinical activities.



Bernhard Ehmer
Chairman of the Board

Martin Olin
Chief Executive Officer

Our key strengths

- A productive research engine with five INDs in the last three years
- Proven capability to initiate and drive early-stage clinical trials
- In-house CMC capability supporting aggressive R&D timelines
- High-end facilities and equipment
- Platform validated by partners in immuno-oncology and infectious disease
- Unique approach to combination of mAbs
- Well established collaborations with strategic partners within e.g. data management, statistics, trial conduct, and safety.

Clinical development projects

By end-2018, we had 8 clinical development projects, including Sym009, which is being developed by Genentech. Status end-2018 and future plans are outlined below.

Sym004 In September 2017, we reported data from our randomized Phase 2b trial of Sym004 in patients with late-stage mCRC that have acquired resistance to anti-EGFR antibody therapies. Although the primary endpoint of the trial was not met, the trial confirmed published data on the negative predictive value of RAS and BRAF mutations associated with anti-EGFR antibody treatment (double negative). Further, we discovered a third negative predictive factor being mutations in the extracellular domain of the EGFR (EGFR-ECD). Based on these findings, we identified two subpopulations who may benefit from treatment with Sym004, double and triple negative patients, respectively, and decided on that background to seek financing for a Phase 3 clinical trial. Due to the financial requirements associated with a Phase 3 trial, management has decided to advance Sym004 through partnering only. Consequently, the investigator-sponsored Sym004 trial in glioblastoma patients has also been discontinued.

Sym013 During 2017, we advanced the Sym013 program into clinical development. Sym013 is a novel drug candidate with six antibodies that address three important drivers of tumor growth (EGFR, HER2 and HER3) in a single drug product with the aim of overcoming resistance and escape mechanisms of tumor cells. Unfortunately, the appealing scientific rationale and significant commercial opportunities are outweighed by an unfavorable safety- and tolerability profile. Consequently, the program is being discontinued.

Proprietary assets

Oncology projects	TARGET	STATUS
Sym004	EGFR Late-stage metastatic colorectal cancer, double/triple negative	Phase 3 ready Further development subject to partnering
Sym004	EGFR Recurrent glioblastoma	Phase 2 All activities discontinued
Sym013	EGFR, HER2, HER3 (Pan-HER) Epithelial cancers	Phase 1 All activities discontinued
Sym015	MET-amplified and METex14del Late-stage lung cancer	Phase 2a ongoing Partnering activities on-going

Sym015 Symphogen plans to complete the ongoing Phase 2a trial for Sym015 and seeks a partner for subsequent clinical development and commercialization. Sym015 has the potential to treat patients with solid tumors showing alterations and/or amplification of the MET proto-oncogene including certain lung cancers. METexon14 alterations are detected in approximately 3–4% of lung adenocarcinomas. The prevalence of MET-amplification in NSCLC ranges from 1% to 5%[1]. Although MET-amplification occurs in a relatively small percentage of patients, it is present in several highly prevalent cancers including NSCLC, gastric cancer, mCRC and renal cell carcinoma. Based on an administrative interim analysis of safety and efficacy, we have decided to focus on lung cancer patients.

Mechanism of action
Sym015 is a novel antibody mixture containing two humanized mAbs with the ability to effectively down-modulate the MET receptor on tumor cells. MET is a member of the receptor tyrosine kinase family, believed to regulate multiple cellular processes that stimulate cell proliferation, invasion, and angiogenesis. The two mAbs of Sym015 bind to non-overlapping epitopes on the SEMA-a domain of MET. This allows the antibodies to bind simultaneously to the receptor and effectively induce receptor internalization and degradation. Through this mechanism, Sym015 inhibits tumor cell growth and proliferation in vitro and tumor growth in vivo, in models where MET is constitutively activated. Sym015 blocks binding of the ligand HGF to the receptor and thereby inhibits ligand-induced MET activation.

Scientific publication
Poulsen et al, Sym015: A Highly Efficacious Antibody Mixture against MET-Amplified Tumors, Clin Cancer Res. 2017 Oct 1;23(19):5923-5935.

Grandal et al. Simultaneous Targeting of Two Distinct Epitopes on MET Effectively Inhibits MET- and HGF-Driven Tumor Growth by Multiple Mechanisms. Mol Can Ther. 2017 Dec;16(12):2780-2791.

[1] Drilon et al, Targeting MET in Lung Cancer: Will Expectations Finally Be Met;, J Thorac Oncol. 2017 Jan;12(1):15-26

Partnered assets

Immuno-oncology projects

	TARGET	STATUS
Sym021 (SERVIER)	PD-1 Solid tumors or lymphomas	Phase 1 monotherapy and in combination with Sym022 or Sym023 ongoing
Sym022 (SERVIER)	LAG-3 Solid tumors or lymphomas	Phase 1 ongoing
Sym023 (SERVIER)	TIM-3 Solid tumors or lymphomas	Phase 1 ongoing

Infectious disease projects

Sym009 (Genentech)	Staphylococcus aureus MRSA / MSSA	Phase 1b ongoing

Our scientific approach is at the core of future cancer therapies

Research and preclinical development

Currently, the majority of our research activities are in immuno-oncology and focused on identifying antibodies against novel targets to mobilize the immune system to fight tumors.

For the immune system to mobilize an effective anti-tumor immune response it must complete a series of steps, as explained in the illustration to the right.

Failure in just one of these critical steps will often prevent the immune system from mounting an anti-tumor immune response and lead to uncontrolled tumor growth. The first generation of immune-therapies such as anti-PD1/PDL1 and/or anti-CTLA-4 antibodies have addressed failures in some of these steps (3 and 7) and have provided significant and long-term clinical benefit to patient groups across multiple cancer indications. However, the majority of patients fail to respond or develop resistance to these immuno-oncology therapies.

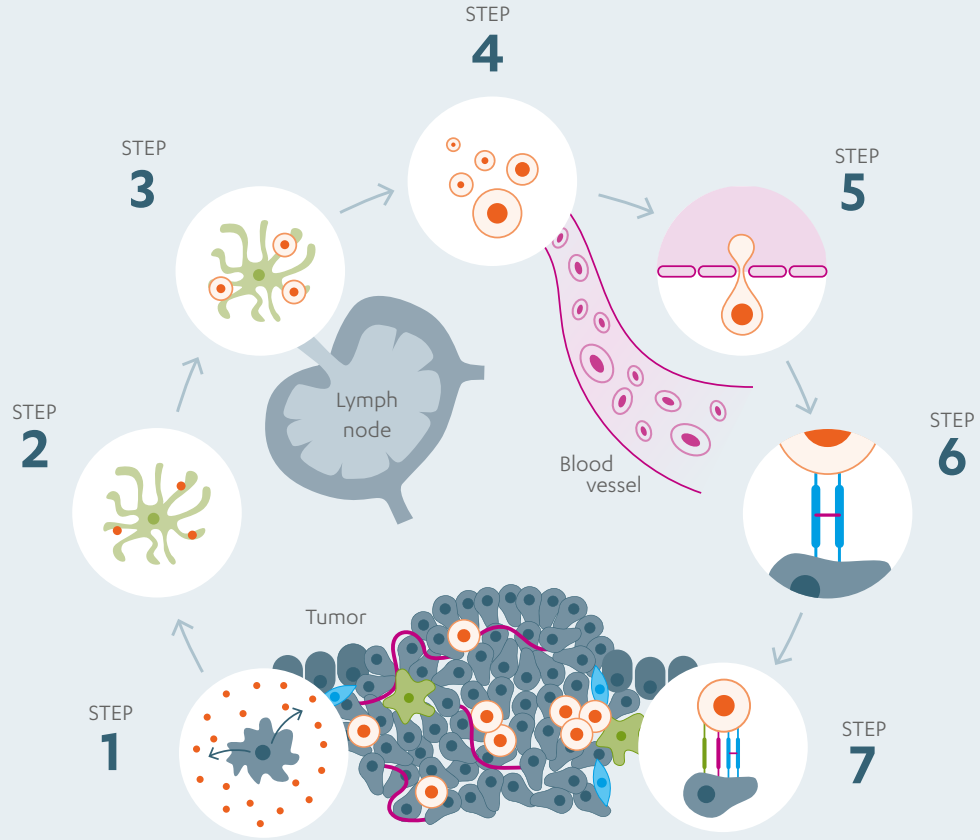
The goal of our research programs is to identify best or first in class drug candidates that can provide therapeutic options for patients whose tumors fail to respond or become resistant to first generation immuno-oncology drugs.

Our research strategy is divided into two differentiated programs:

- Enhance antigen presentation through mobilization of dendritic cells
- Unleash potential of innate 'killer' cells

The first program focuses on the majority of tumors that have no or very low existing cancer immunity due to a disruption in steps 1-3 of the cancer immunity cycle. Such tumors can hide from the immune system and are able to grow and develop without the immune system ever recognizing it. Dendritic cells are "experts" in taking up tumor antigens and presenting them to the T-cells and hence a key but under-researched cell type for mounting an anti-tumor

The cancer immunity cycle describes the steps to induce an anti-tumor immune response



Step 1 and 2

Tumorigenesis leads to the release of tumor specific antigens. Dendritic cells take up the tumor specific antigens and present them at their surface.

Step 3

The dendritic cells travel to the lymph nodes to present the antigens to T cells. In this way the T cells are primed and activated to attack cancer cells.

Step 4 and 5

The activated T cells leaves the lymph nodes and travel to sites of tumor growth.

Step 6 and 7

The activated T cells recognize tumor cells with tumor specific antigen on their surface and kill them. Killing of tumor cells result in release of more tumor specific antigens and the cancer immunity cycle can be repeated in a self-sustainable manner.

immune response. We are developing antibody-based approaches for mobilizing and enhancing the activity of the dendritic cells. Currently, we are advancing projects against FLT3, AXL and CD40 with non-overlapping and differentiated mechanisms, which we believe have great potential for use in combination regimens.

The second program focuses on tumors developing resistance to first generation immuno-oncology therapies by downregulating a group of cell surface proteins known as major histocompatibility complex class I or MHC I. These proteins are required for the T-cells to recognize tumor cells and kill them (Step 6 and 7 of the cancer immunity cycle). In the absence of MHC I and T-cell killing, the second arm of the immune system, the innate immune system, becomes important. Cells of the innate immune system, such as macrophages, natural killer cells and neutrophils, do not have the same restriction for tumor cell killing as T-cells. We are developing antibody-based approaches for enhancing the activity of the innate killer cells and are pursuing two undisclosed first in class targets.

In addition to the two immuno-oncology programs, we have a research program that aims at targeting tumor metabolic dependencies. Tumor cells require nutrients to survive and grow and therefore develop dependencies on several key nutrients, the access to which can be exploited therapeutically. We have a discovery program against a promising undisclosed metabolic target that help sustain growth and survival of certain tumor types.

With these three research programs, we maintain a strong early pipeline of proprietary antibodies targeting treatment of cancer.

State-of-the-art antibody discovery platform

Over the years, we have continuously improved our antibody discovery platform so that it today stands out as state-of-the-art and highly competitive. The platform is based on natural immune responses, which we believe have an unparalleled capacity for antibody diversification and at the same time employ natural tolerance mechanisms to optimize affinity while conserving specificity. We use transgenic rats to provide us with very large fully human antibody repertoires and chickens to provide humanized antibodies against highly conserved targets.

The heart of our antibody discovery platform is Symplex®, which is our proprietary PCR method for cloning all antigen specific antibodies from single sorted B cells purified from animals. Optimized procedures then allow us to express the entire repertoire of full-length antibodies and perform multiparameter screening, which include binding, epitope bin, affinity, function, immunogenicity and quality. Coupled with next generation sequencing this provides us with a six-dimensional property space for each of thousands of antigen specific antibodies from which we can select leads with optimal set of properties.

The productivity of our antibody discovery process is evidenced by the size and diversity of the repertoires of high-quality antibodies from multiple species that we have generated for our partners and internal.

The technology platform may also be used for indications outside of cancer, as demonstrated in our infectious disease partnership with Genentech. We are actively pursuing partnerships in other disease areas to fully utilize our unique and effective integrated R&D platform capable of end-to-end drug development.

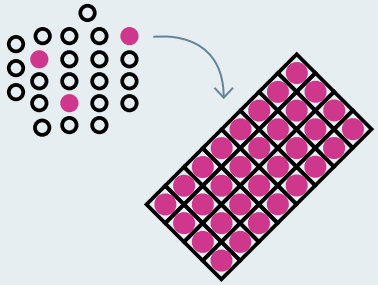
Outline of the key steps of our Symplex® antibody discovery platform

STEP 1

Harvesting of tissues Blood, Spleen, Lymph nodes, BM Preparation of millions of B cells.

STEP 2

Single cell sorting of rare isotype switched affinity matured antibody producing B cells (0.02%).

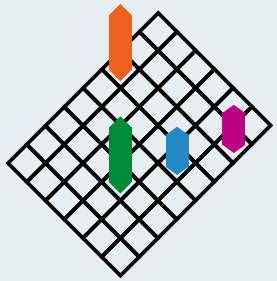


STEP 3

Proprietary PCR performed on each individual B cell. Cognate parring of VL and VH maintained. Variable regions grafted onto selected human isotype(s).

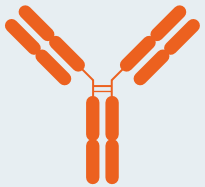
STEP 4

Entire repertoire expressed in micro-scale. Parallel screening for binding (Hu, Mo, Cy) and function.



STEP 5

Expression and purification of all antigen specific mAbs. Functional validation and early quality ensurance. Early affinity determination and epitope binning.



Competitive timelines to IND by an integrated approach to drug development

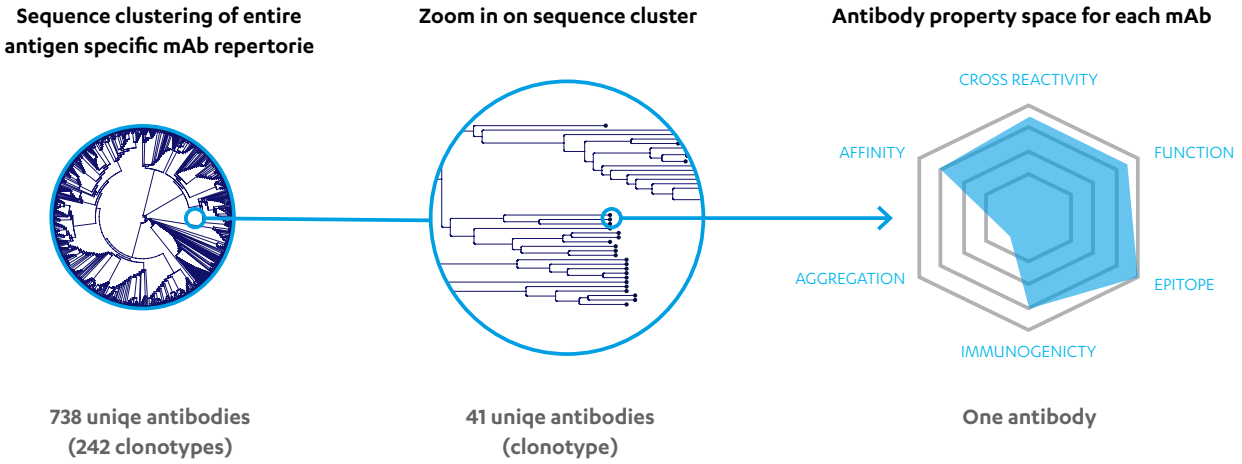
Symphogen has proven its ability to deliver unique antibodies on aggressive timelines as exemplified with our filing of three INDs in six months - Sym021, Sym022 and Sym023. Such an exceptional achievement is made possible by the unique way we run projects. Developability assessment is an integrated part of the lead selection process, which means that potential critical features of the lead candidates are taken into consideration very early in the development path.

Once the lead is selected, pre-clinical development is based on a solid, standardized platform where only minor adaption to the lead is typically needed, a balanced out-sourcing strategy and a cross-functionally aligned development plan, where critical path activities are staggered to minimize the overall timeline.

Intellectual property

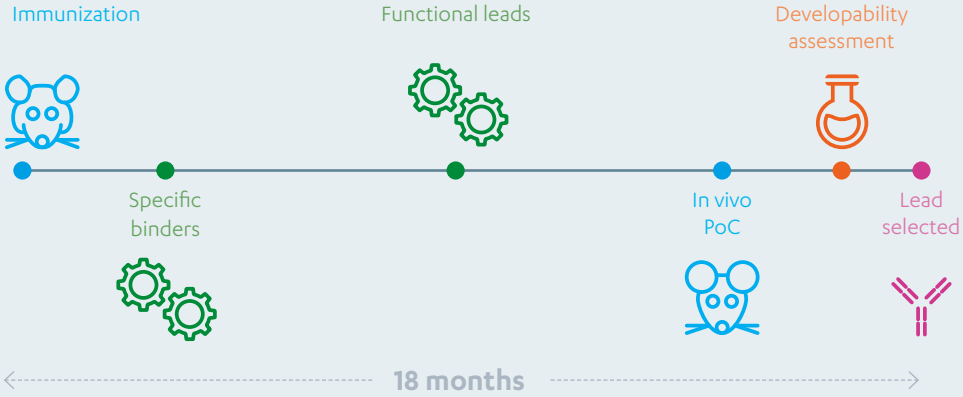
We actively seek to protect the intellectual property and proprietary information and technology that we believe is important to our business, which includes seeking and maintaining patents covering our proprietary technology, product candidates, proprietary processes and any other inventions that are commercially and/or strategically important to our business development.

High Dimensional Analysis of Antibody Repertoires

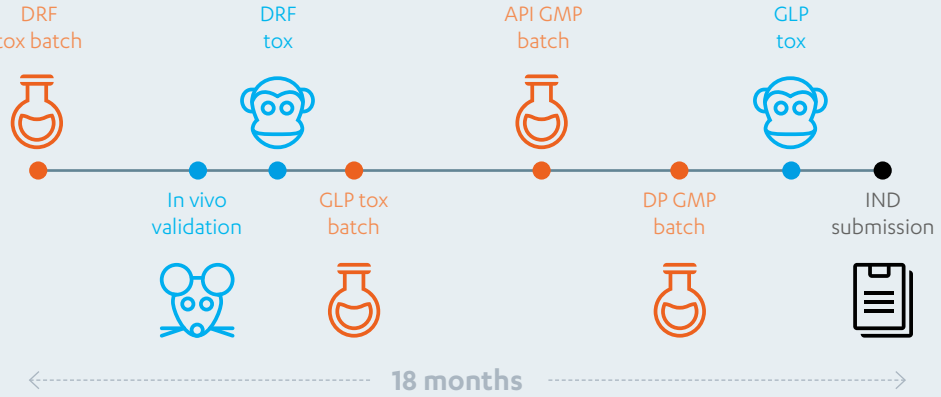


Symplex® delivers very large antigen specific antibody repertoires as demonstrated by the sequence cluster diagram to the left of 738 unique antibodies against a challenging target. Using high throughput screening methods, each antibody is annotated in a six-dimensional space enabling rapid identification of optimal lead candidates.

Immunization to lead



Lead to IND



Partnerships

The partnerships with Servier and Genentech

Sym021 Sym021 targets PD-1. It is the first chicken-derived mouse-cross-reactive antibody to enter clinical development.

Sym022 Sym022 targets LAG-3. It is a fully human antibody generated in transgenic rats.

Sym023 Sym023 targets TIM-3. It is a unique, fully human antibody, generated in transgenic rats.

Symphogen has six immuno-oncology product candidates under development with Servier, of which three are currently in Phase 1 trials (Sym021, Sym022 and Sym023). Under the agreement, we have granted Servier an option to obtain, upon the achievement of certain development milestones, an exclusive, worldwide license under our technology to develop, make, and commercialize antibody therapies directed at certain agreed oncology targets and pharmaceutical products containing those antibodies. Under the agreement, we received an upfront payment of DKK 1.2 billion in 2016. The aggregated potential deal value of the collaboration is estimated at DKK 10 billion plus royalties on worldwide sales.

The Phase 1 trials are the first studies to test Sym021, Sym022 and Sym023 in humans. The primary purpose of these trials is to determine if Sym021, Sym022 and Sym023 are safe and tolerable for patients with locally advanced/unresectable or metastatic solid tumor malignancies or lymphomas that are refractory to available therapy or for which no standard therapy is available.

Preclinical models have shown that combinations of Sym021, Sym022 and Sym023 provide better anti-tumor effects compared to each product candidate administered on its own. We intend to use these product candidates in a variety of doublet or triplet combinations and currently, two studies are ongoing to investigate the combinations Sym021-Sym022 as well and Sym021- Sym023.

Development projects in cooperation with Servier

Project	TARGET	STATUS
Sym021	PD-1 Solid tumors or lymphomas	Phase 1 monotherapy and in combination with Sym022 or Sym023 ongoing
Sym022	LAG-3 Solid tumors or lymphomas	Phase 1 ongoing
Sym023	TIM-3 Solid tumors or lymphomas	Phase 1 ongoing
Sym024	Not disclosed n.a.	Preclinical, IND enabling studies
Sym025	Not disclosed n.a.	Discovery
Sym026	Not disclosed n.a.	Discovery

Collaboration and license agreement with Genentech

Infectious diseases and other applications of our technology

Our technology for generating and identifying functional human antibodies may also be applied to disease areas outside of cancer. Examples include, but are not limited to, autoimmune and infectious disease.

As a validation of our ability to apply the antibody technology to disease areas outside of cancer, in 2008 we entered into a collaboration and license agreement with Genentech Inc., a member of the Roche Group, for the identification of antibody therapeutics against undisclosed infectious disease targets. Under the terms of the agreement, Genentech made an upfront payment to us as well as an equity investment in Symphogen. We are eligible for milestone payments exceeding DKK 700 million (USD >100 million) upon the successful achievement of certain research and development milestones, as well as single-digit royalties on worldwide sales.

Infectious disease agents are particularly attractive for our antibody discovery platform as it allows us to tap into an ongoing or a memory immune response in human patients. Isolation of B-cells from individuals exposed to an infectious disease enables us to identify those antibodies that are responsible for neutralizing the disease agent and hence are aiding in patient recovery. We have extensive experience in this area and have identified large repertoires of antibodies against various viruses and bacteria.

Sym009 in Phase 1b trial

Under the terms of the Genentech collaboration, Genentech is sponsoring the development of Sym009. Sym009 is currently in a Phase 1b clinical trial. The trial evaluates DSTA4637S, an investigational medicine containing Sym009 conjugated to an antibiotic agent, for the potential treatment of serious infections caused by Staphylococcus aureus (S.aureus) infections. This trial was initiated in July 2017 and is currently ongoing. Sym009 was originally discovered by isolating antibodies from individuals exposed to S.aureus using our patented Symplex® technology.


We aim to
challenge status
quo in the pursuit
of excellence

Consolidated key figures and ratios

DKK'000	2018	2017	2016	2015	2014
Income statement					
Revenue	170.763	290,709	214,235	48,526	98,742
Research and development expenses	(461.020)	(369,162)	(507,636)	(337,177)	(189,232)
General and administrative expenses	(87.929)	(70,627)	(140,894)	(67,673)	(42,122)
Operating result	(378.186)	(149,081)	(434,295)	(356,324)	(132,612)
Net financial items	(74.981)	(1,780)	14,823	(9,638)	4,640
Net loss	(447.721)	(145,481)	(414,940)	(360,147)	(122,564)
– of which share-based expenses account for	(14.851)	(10,499)	(90,547)	(20,742)	(5,870)
Statement of financial position					
Total non-current assets	209.223	83,908	172,543	53,605	56,952
Cash and cash equivalents	132.020	496,144	695,065	64,271	28,015
Marketable securities	241.567	290,638	238,278	217,527	174,553
Total assets	623.831	995,844	1,124,036	362,719	279,990
Total shareholders' equity	(657.508)	(225,991)	(90,430)	232,094	221,894
Cash flow statement					
Cash flow from operating activities	(391.743)	(488,935)	666,920	(259,197)	(99,633)
Cash flow from investing activities	34.496	(59,741)	(38,397)	(52,496)	86,128
Hereof investment in property, plant and equipment	(13.515)	(8,454)	(19,272)	(8,511)	(24,376)
Cash flow from financing activities	(10.087)	372,516	1,244	347,505	(1,657)
Net cash flow for the year	(367.333)	(176,161)	629,767	35,811	(15,162)
Financial ratios					
Equity ratio (%)	(105%)	(23%)	(8%)	64%	79%
Average number of employees	129	112	111	99	104

Definition of financial ratios: Equity ratio: Shareholders' equity / Total assets x 100
Key figures and financial ratios have been calculated in accordance with "Recommendations & Financial Ratios" issued by CFA Society Denmark

2018 financial review

The financial review is based on the consolidated financial information for the year ended December 31, 2018, with comparative figures for the same period last year followed by management's comments to the development. We reported a net loss after tax of DKK 447.7 million in 2018, compared to a net loss of DKK 145.5 million in 2017. The development is explained below.

DKK'000	2018	2017	Net Change	% Change	Management's comments
Statement of profit or loss					
Revenue	170.763	290.709	(119.946)	-41%	In 2018, revenue solely comprised revenue from services rendered under the collaboration agreement with Servier. Revenue in 2017 comprised revenue from services rendered under the Servier collaboration of DKK 258.1 million and income from milestone payment received under the agreement with Genentech of DKK 32.6 million.
Research and development expenses	(461.020)	(369.162)	(91.858)	25%	Of the DKK 91.9 million increase in research and development expenses, an impact of DKK 138.7 million relates to increased clinical trial expenses, including the discontinued clinical trials accruals for Sym004 and Sym013. In 2017, clinical trial expenses were lower as Symphogen reversed discontinued clinical trials accruals for Sym004 of DKK 49.6 million (compared to an accrual of DKK 60.4 million in 2016). Further, research and development expenses increased due to higher employee benefit expenses of DKK 15.9 million. This was partly offset by a decrease in manufacturing costs of DKK 46.0 million and a decrease in non-clinical costs of DKK 32.4 million.
General and administrative expenses	(87.929)	(70.627)	(17.302)	24%	Of the DKK 17.3 million increase in general and administrative expenses, an impact of DKK 12.8 million relates to increased audit and legal services and an impact of DKK 3.9 million relates to increased consultancy services of DKK 3.9 million - both mainly due to the preparation of an initial public offering in 2018. Overall, general and administrative expenses accounted for 16.0% of our total operating expenses in 2018, compared to 16.1% in 2017.
Total operating expenses	(548.949)	(439.789)	(109.160)	25%	
– of which share-based expenses account for	(14.851)	(10.499)	(4.352)	41%	The share-based payment expense in 2018 consisted of 5.7 million, or 38.1% for individuals employed with research and development and 9.2 million, or 61.9% for Executive Management, Board of Directors and individuals employed in administrative functions.
Net financial items	(74.981)	(1.780)	(73.201)	4112%	The decrease in net financial items was caused by an increase in interest expenses on the convertible debt instrument of DKK 103.3 million and interest expenses on leasing assets (due to the adoption of IFRS 16) of DKK 5.3 million. This was partly offset by an increase in the effect from change in fair value of conversion option of DKK 18.3 million. Furthermore, net financial items included a net loss from changes in foreign exchange rates of DKK 0.8 million, primarily on Symphogen's USD cash position, mitigating currency exposures related to USD denominated expenses, compared with a net loss of DKK 14.4 million in 2017.
Income tax	5.446	5.379	67	1%	There has been no material change in income tax compared with last year. Tax for the year includes a tax credit for research and development at the applicable tax rate under the Danish Corporate Income Tax Act amounting to DKK 5.5 million in both 2018 and 2017.
Net result	(447.721)	(145.481)	(302.240)	208%	

DKK'000	2018	2017	Net Change	% Change	Management's comments
Balance Sheet					
Total non-current assets	209.223	83.908	125.315	149%	The increase of DKK 125.3 million was mainly due to adoption of IFRS 16 Leases. Upon implementation on January 1, 2018, Symphogen has recognized a liability to make lease payments (i.e. the lease liability) of DKK 140.2 million and an asset representing the right to use the underlying asset during the lease term (i.e. the right to use asset) of initially DKK 140.2 million. Symphogen has early adopted the new standard applying the modified retrospective approach. Therefore, the cumulative effect of initially applying the Standard has been recognised at the date of initial application – January 1, 2018 and comparatives have not been restated. Refer to note 1.3 in the consolidated financial statements for further information about the adoption of IFRS 16 Leases.
Cash	132.020	496.144	(364.124)	-73%	The net decrease in cash and cash equivalents of DKK 364.1 million, or 73% compared to last year, is a result of Symphogen's operating activities combined with investments in property, plant and equipment of DKK 13.5 million and repayment of leasing liabilities of DKK 11.2 million, partly offset by net proceeds from sale of marketable securities DKK 48.0 million. Furthermore, Symphogen's cash and cash equivalents increased by DKK 3.2 million as a result of development in the USD currency exchange rate on Symphogen's USD cash position.
Marketable securities	241.567	290.638	(49.071)	-17%	In 2018, Symphogen reduced the portfolio of low-risk marketable securities as part of Symphogen's treasury management.
Total assets	623.831	995.844	(372.013)	-37%	
Shareholders' equity at year end	(657.508)	(225.991)	(431.517)	191%	The decrease was due to the negative net result for the year of DKK 447.7 million, partly offset by grant of share-based payments awards of DKK 14.9 million. Refer to note 4.2 in the consolidated financial statements for further information about the management's proposed appropriate measures to re-establish Symphogen's share capital.
Cash flow statement					
Cash flow from operating activities	(391.743)	(488.935)	97.192	-20%	The decrease in negative cash flow from operating activities were mainly driven by the extraordinary tax payment of DKK 93.2 million that was collected in 2018. Reference is made to note 6.1 in the consolidated financial statements.
Cash flow from investing activities	34.496	(59.741)	94.237	-158%	The increase of DKK 94.2 million reflects a net cash outflow from sale and purchase of marketable securities of DKK 51.3 million in 2017, whereas Symphogen in 2018 reduced the portfolio of marketable securities in resulting in a positive net cash flow from sale and purchase of marketable securities of DKK 48.0 million.
Cash flows from financing activities	(10.087)	372.516	(382.603)	-103%	The decrease relates to utilization of convertible debt instrument in 2017 of DKK 372 million combined with repayment of leasing liabilities of DKK 11.2 million classified as financing activities driven by the adoption of IFRS 16 in 2018.
Net cash flow for the year	(367.333)	(176.161)	(191.172)	109%	

Corporate governance

Shareholders
The shareholders of Symphogen have final authority over the company and exercise their right to make decisions at general meetings in person, by proxy or by correspondence. At the Annual General Meeting, shareholders approve the annual report and elect board members and the independent auditor.

At December 31, 2018, our share capital was divided into eleven different share classes with different rights regarding proceeds, distributions, and qualifications for major decisions regarding our strategy. At an ordinary general meeting on May 29, 2019 the share capital was restructured and consists of three share classes with different rights regarding proceeds and distributions. For information on the share capital, see note 4.2 of the consolidated financial statement.

The shareholder distribution as at December 31, 2018 is summarized below.

Management structure
Symphogen has a two-tier management structure consisting of the Board of Directors and Executive Management. The two bodies are separate. We maintain a clear division of responsibilities and tasks between the Board of Directors and Executive Management, which is laid down in the rules of procedures.

The Board of Directors supervises and outlines the overall strategies and objectives for the development of our business activities as well as overseeing the Executive Management.

The Executive Management is responsible for the day-to-day management and the execution of the strategy. The Executive Management is appointed by the Board of Directors.

Board committees
The purpose of our Board committees is to prepare decisions and recommendations for consideration and approval by the entire Board of Directors. The committees are not authorised to make independent decisions: instead they report and make recommendations to the entire Board of Directors. The Board of Directors has established an Audit Committee and a Remuneration Committee. All members of the committees are elected by the Board of Directors among its members.

Audit Committee
The Audit Committee monitors our accounting and internal controls and establishes conditions and a framework for the work of the external auditors. Its primary tasks are to:

- Monitor the financial reporting process and compliance with existing legislation, standards and other regulations related to presentation and publication of financial reporting.
- Review and commenting on Symphogen's external interim and year end reporting.
- Monitor whether Symphogen's internal control and risk management systems function effectively.
- Monitor the statutory audit of the annual financial statements, including assessing the performance and qualifications of the independent auditor and related fees.
- Monitor the independence of auditors, including the supply of non-audit services.
- Make recommendations to the Board of Directors concerning the election of auditors.

Remuneration Committee
The role of the Remuneration Committee is to advise the Board of Directors on the adoption of policies that govern Symphogen's compensation programs, including incentive and benefit plans. Its primary key tasks are to:

Symphogen's shareholder distribution – 2017

26%	EW Healthcare Partners	7%	Sunstone Capital
23%	Novo Holdings A/S	4%	Gilde Healthcare
17%	PKA	2%	Danica Pension
11%	Lønmodtagernes Dyrtidsfond	10%	Others

- Supporting the Board of Directors in setting goals and objectives for the Executive Management
- Evaluating management performance and deciding on the annual compensation
- Monitoring of management compensation program trends
- Monitoring of any extraordinary severance terms associated with members of management or staff leaving Symphogen.

We strive to make unique discoveries

Risk management

We are exposed to various risks, which may have a significant impact on our business if not properly mitigated. We frequently perform risk assessments with external partners including insurance, financial and legal advisors to maintain an up-to-date, balanced view of business-related risks. We perform an evaluation of the scientific, commercial, financial and ESG risks on a periodic basis. Below is a summary of some of our key risks and how such risks are addressed. Please refer to note 4.4 in the financial statements for financial risks.

Scientific risks
Symphogen distinguishes between two kinds of scientific risks: technology risks and development risks. Technology risks include the risks that our technology platforms as such do not deliver therapeutically relevant, technologically feasible or commercially viable products. Development risks include the risks that the selected therapeutic targets for the antibodies, the scientific rationale and animal models or human trials are not producing expedient results.

Technology risks
The technology risks associated with the development of antibodies are primarily related to manufacturing, characterization and regulatory approval of these products. We have developed a unique manufacturing platform for consistent batch-to-batch production of antibodies. Further, we have an ongoing dialogue with the regulatory agencies in the US and Europe and key opinion leaders and scientific experts to define the data requirements in support of our product candidates.

Development risks
The creation and development of therapeutic products within the biotechnology and pharmaceutical industry is subject to considerable risks. Since everything is rarely known about the nature of diseases or the way new potential therapeutic products can affect the disease process, a significant number of products do not successfully reach the marketplace. We are developing antibody therapeutics which, as a therapeutic class, has enjoyed not only significant sales in recent years but also a higher approval success rate than other therapeutic classes. In addition to this, we seek to lower the risk by developing a diverse portfolio of products, including several products against validated targets, thus increasing the chances of success and diversifying the development risk.

Before initiating significant investments in a pre-clinical development project, we perform extensive research in order to identify the risk and deliverables, including an assessment of the risk related to: the scientific rationale, the intellectual property position, the availability and quality of starting material, the in-house knowledge and the strength of experimental models, the ability to attract and retain employees who possess the relevant knowledge and experience, advantages and limitations of our technologies in relation to the specific project, the complexity of clinical development and the speed at which proof-of-concept can be established, and the potential stop-go decisions, including recognition of adverse effects in pre-clinical and clinical development.

Commercial risks
Symphogen is subject to commercial risks of a diverse nature, including competition for Symphogen's targets in development, the ability to attract the interest of potential partners, development time and cost of development projects, and patent protection. We pursue a partnering strategy, which contributes to reducing the commercial risks. Symphogen actively seeks partnerships with biotech and pharmaceutical companies through several types of collaborations including, among others, research and development agreements. In such agreements, we license development and marketing rights to a product identified by Symphogen under research sponsored by the partner, and product licensing agreements where Symphogen licenses development and marketing rights to a product, which has been identified and developed by us, in return for research funding, upfront and milestone payments, and royalties on product sales. The selected structure depends on, among other things, the market structure and the estimated risk, and time and costs for developing the product.

Financial risks
Symphogen is exposed to certain financial risk factors, including risks associated with its cash management, the short-term liquidity profile of development programs, liquidity from partnerships, and the ability to attract interest and capital from existing and new financial investors. Please refer to note 4.3 of the consolidated financial statements for a more detailed description of financial risks.

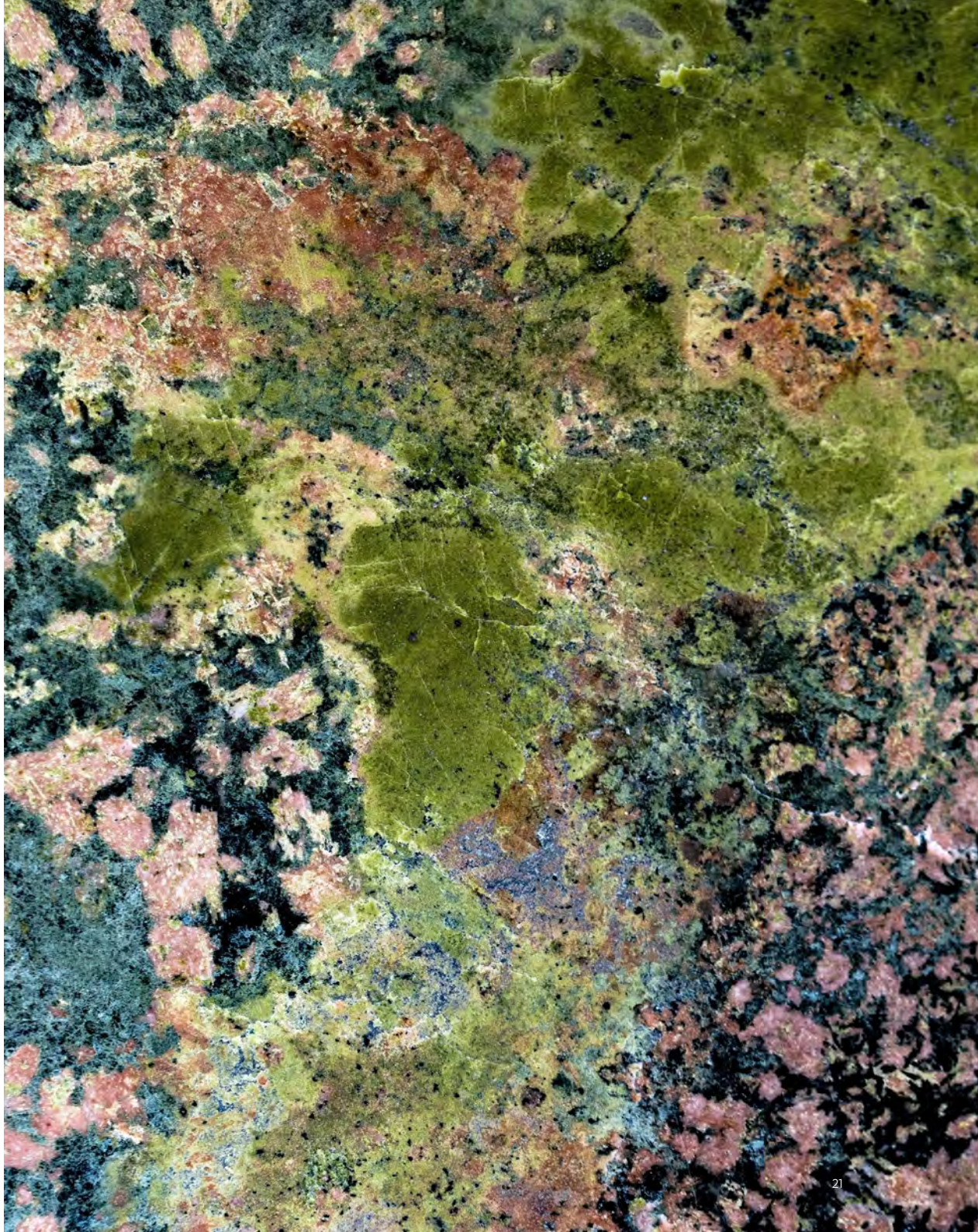
The Board of Directors has adopted a treasury policy for the management of Symphogen's cash and cash equivalents, including marketable securities. This treasury policy describes, among other elements, which marketable securities investments can be made and that the investments must be handled and managed by professional investment departments.

Furthermore, the treasury policy provides guidelines on the use of financial instruments. The Board of Directors reviews the document at least once a year to ensure that the guidelines are sound and in line with the company's operations.

Human resource risks
In the conduct of our business and the related uncertainties, we are exposed to the risk of not being able to retain and attract talent. We have implemented a reasonable compensation package including long-term incentives to retain and attract talent. Further, to avoid the risk of losing proprietary knowledge and know-how, we have implemented a policy for securing that such knowledge and know-how is retained.

Information technology risks
Symphogen is depending on its current and future information technology infrastructure and integrity. We evaluate the information technology infrastructure and integrity on an on-going basis and at least bi-annually performs a risk assessment. This includes testing and mitigating risks associated with the security and safety of data pertaining outside malign firewall breaches.

Securing the company's operations and assets
Symphogen has taken out insurance to cover any operating losses, losses due to claims relating to clinical studies and loss of assets through fire, theft or the like. All insurance policies are handled by an external insurance broker whom reports at least once a year as to whether the company's insurance cover is sufficient and reasonable.




We advance
superior mAb
therapeutics
to improve
the lives of
cancer patients

Employees and CSR

Acting responsibly towards our stakeholders has always been an essential part of our values. We have high ethical standards for our mode of operation and as a business we recognize our responsibility to act sensibly, taking our social and environmental responsibilities into consideration.

The primary focus for our CSR efforts is our employees. We have no formal corporate CSR policy but specific guidelines for e.g. employee health and safety and conduct towards health care professionals. We have implemented policies for the handling of waste materials from our laboratory facilities in accordance with regulatory requirements. Thus, discharges into the air, soil and water are limited.

The objective of our working environment activities is to improve the safety, health, and satisfaction of our employees, and we have established a Health & Safety organization with representatives from employees and managers. We maintain a good working environment and we meet regulatory requirements regarding the way the workplace is designed. This also includes the psychological and physical work environment.

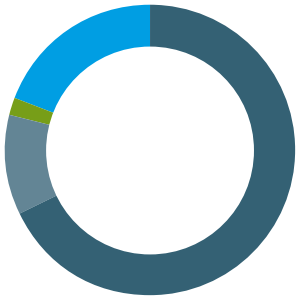
Symphogen is organized as a combined project and line organization with various research, pre-clinical, CMC, clinical and regulatory departments. The line organization provides skills and services within particular areas of research and pre-clinical and clinical development, whereas the project organization coordinates the activities and draws on the resources of the line organization in accordance with the particular requirements of each project, as it moves from early discovery through pre-clinical and clinical development.

Further, the line organization is supported by specialists and service functions such as business development, quality assurance, human resources, information technology, finance, and administration. As of December 31, 2018, we had 125 employees.

Key HR indicators	2018	2017	2016
Full-time employees at the end of the year, no.	125	111	124
Employees holding a scientific, advanced degree, Ph.D., or Master, %	54	55	52
Employees in Research and Development, %	80	79	80
Lost-time injuries (LTIs), no.	0	0	4
Average age of workforce, years	47	46.5	45.8
Male/female gender split (M/F), %	46/54	46/54	42/58
Managerial level and above (M/F), %	48/52	58/42	53/47
Seniority, years	4.7	4.5	3.9

Educational background

37% Ph. D.
26% Master's degree
22% Laboratory techician
15% Bachelor & other degrees



Breakdown by function

69% Preclinical R&D
11% Clinical R&D
2% Commercial
18% Administration

Senior management

Martin Olin
Chief Executive Officer

Martin Olin, EMBA, M.Sc., is a Danish national, born in 1969. He served on the Board of Symphogen in 2001-2008. Martin Olin joined the company in 2012 as Chief Financial Officer and was appointed Chief Executive Officer in 2016.

Before joining Symphogen, Martin Olin was a senior partner with SLS Invest, a Scandinavian based healthcare focused private equity fund and he has held managerial positions in Novo Nordisk, including Finance Director, EMEA.

Karin Garre
Chief Operating Officer

Karin Garre, MD, is a Danish-national, born in 1957. She joined Symphogen in 2018 as Senior Vice President to take the lead for strategic portfolio management.

Before joining Symphogen, Karin Garre has held managerial and executive leadership positions in the Danish health care sector and international pharmaceutical pharma and biotech industries such as Novo Nordisk, Nycomed, Genmab, T-cellic and NeuroSearch.

Lisbet Løschenkohl
SVP, HR

Lisbet Løschenkohl is a Danish national, born in 1967. She joined Symphogen in 2008 as Head of HR.

Before joining Symphogen, Lisbet Løschenkohl headed the HR and Facility function in Rheosciene and Center for Clinical and Basic Research.

Rikke Bolding Jensen
SVP, CMC

Rikke Bolding Jensen, M.Sc, Ph.d, is a Danish national, born in 1969. She joined Symphogen in 2014.

Before joining Symphogen, Rikke Bolding Jensen served development and CMC project management positions in Nycomed/ Takeda and Maxygen.

Mikkel Wandahl Pedersen
SVP and Acting Chief Scientific Officer

Mikkel Wandahl Pedersen, PhD, is a Danish national, born in 1973. He joined Symphogen in 2006 as scientist, was appointed Director of Cancer Biology and Immunology in 2012 and Vice President of Antibody Discovery and Research in 2018.

Prior to joining Symphogen, Mikkel W. Pedersen was leader of the receptor tyrosine kinase group at Department of Radiation Biology at Copenhagen University Hospital. Mikkel W. Pedersen has authored over 40 peer-reviewed publications.

Board of Directors

Bernhard Ehmer, Chairman of the Board
Bernhard Ehmer is CEO of Biotest AG. Prior to this, he worked for the Imclone Group, a wholly owned subsidiary of Eli Lilly, as president of Imclone Systems Corporation in the United States and as managing director in Germany.

Between 2007 and 2008, Bernhard Ehmer was CEO of Fresenius Biotech, Germany. He previously headed the Business Area Oncology of Merck KgaA in Darmstadt and before that he was head of "Global Clinical Operations" at Merck. Between 1986 and 1998, he held various functions at Boehringer Mannheim in Germany, Italy and Singapore.

Bernhard Ehmer holds a degree in medicine and worked in Internal Medicine at the Academic Teaching Hospital of the University of Heidelberg with focus on Cardiology/Intensive Care until he joined the pharmaceutical industry in 1986.

Mads Krogsgaard Thomsen
Mads Krogsgaard Thomsen is Executive Vice President and Chief Science Officer in Novo Nordisk. In this role, he is responsible for global drug and device research, CMC and global development, medical affairs, regulatory and safety within Novo Nordisk.

Mads Krogsgaard Thomsen also serves as chairman of the board of the University of Copenhagen, Denmark and he is a member of the editorial boards of international, peer-reviewed journals.

Mads Krogsgaard Thomsen has a DVM, PhD and DSc from the Faculty of Health and Medical Sciences of the University of Copenhagen, Denmark, where he also serves as adjunct professor of pharmacology.

Søren Lemonius
Søren Lemonius is Managing General Partner in the Sunstone Life Science group and one of the three co-founders. Søren currently also serves on the boards of Nuevolution AB, Eurodiagnostica AB and Galecto Biotech AB.

Søren Lemonius has 18 years' experience from corporate management in R&D-intensive companies. Prior to joining Sunstone, Søren Lemonius served as Chief Technology Officer at Danionics.

He holds a Master's degree in Experimental Cell Biology from the University of Odense.

Ron Eastman
Ron Eastman is Managing Director of EW Healthcare Partners. He currently also serves on the boards of directors of Elusys, EyePoint Pharmaceuticals and Suneva.

Prior to joining EW Healthcare Partners, Ron Eastman was the CEO of Rinat Neuroscience until it was acquired by Pfizer in 2006.

Mr. Eastman has a Bachelor of Arts degree from Williams College and a Master of Business Administration degree from Columbia University.

Peter Haahr
Peter Haahr is CFO in Novo A/S and member of the Management Board with responsibility for Finance, Legal, Valuation and IT. He currently also serves as chairman of the board of directors of House Denmark A/S.

Prior to joining Novo A/S, Peter has been employed for 16 years with Novo Nordisk in various leadership position in Denmark and internationally and before this 5 years as equity analyst in various financial institutions.

Peter Haahr holds an MSc in Finance and Accounting from Aarhus Business School, Denmark as well as an EMBA from IMD, Switzerland.

Name	First elected	Term	Nationality	Born	Independence
Bernhard Ehmer	2018	2019	German	1955	Independent
Mads Krogsgaard	2018	2019	Danish	1960	Independent
Søren Lemonius	2018	2019	Danish	1965	Not independent
Ron Eastman	2015	2019	American	1952	Not independent
Peter Haahr	2018	2019	Danish	1968	Not independent

Consolidated financial statements

Contents

Primary statements

Sections in the consolidated financial statements

PL Consolidated statement of profit or loss

For the years ended December 31

Note	DKK'000	2018	2017
2.1 / 2.2	**Revenue**	**170,763**	**290,709**
2.3 / 2.5	Research and development expenses	(461,020)	(369,162)
2.4 / 2.5	General and administrative expenses	(87,929)	(70,627)
	Operating expenses	(548,949)	(439,789)
	Operating loss	**(378,186)**	**(149,081)**
4.7	Financial income	50,426	27,024
4.7	Financial expenses	(125,408)	(28,804)
	Net loss before tax	**(453,167)**	**(150,860)**
6.1	Income tax benefit	5,446	5,379
	Net loss	**(447,721)**	**(145,481)**
	Attributable to:		
	Shareholders of Symphogen A/S	(447,721)	(145,481)

OCI Consolidated statement of other comprehensive income

For the years ended December 31

Note	DKK'000	2018	2017
PL	**Net loss**	**(447,721)**	**(145,481)**
	Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
	Exchange differences on translation of foreign operations, net of tax of DKK 0	268	(929)
	Total comprehensive income	**(447,453)**	**(146,411)**
	Attributable to:		
	Shareholders of Symphogen A/S	(447,453)	(146,411)

BS

Consolidated balance sheet

As at December 31

Note	DKK'000	2018	2017
	ASSETS		
3.1	Property, plant and equipment	173,383	45,738
	Leasehold deposits	6,824	6,769
3.2	Receivables	29,016	31,402
2.2	**Total non-current assets**	**209,223**	**83,908**
3.2	Receivables	41,020	125,153
4.6	Marketable securities	241,567	290,638
	Cash and cash equivalents	132,020	496,144
	Total current assets	**414,607**	**911,936**
	Total assets	**623,831**	**995,844**
	EQUITY AND LIABILITIES		
4.2	Share capital	15,404	15,224
	Other reserves	1,851,666	1,850,494
	Accumulated deficit	(2,524,578)	(2,091,708)
EQ	**Total equity**	**(657,508)**	**(225,991)**
4.3 / 4.8	Convertible debt facility	-	321,688
2.1	Contract liabilities	387,472	529,088
1.3 / 4.8	Lease liabilities	118,411	-
	Total non-current liabilities	**505,883**	**850,776**
4.3 / 4.8	Convertible debt facility	426,978	-
2.1	Contract liabilities	167,113	196,260
1.3 / 4.8	Lease liabilities	11,599	-
4.4	Trade payables	41,135	29,983
3.3	Other payables	128,630	144,816
	Total current liabilities	**775,456**	**371,059**
	Total liabilities	**1,281,339**	**1,221,835**
	Total equity and liabilities	**623,831**	**995,844**

CF

Consolidated cash flow statement

For the years ended December 31

Note	DKK'000	2018	2017
PL	**Net loss for the year**	**(447,721)**	**(145,481)**
3.5	Adjustments for non-cash items	115,439	27,775
3.4	Changes in net working capital	(156,819)	(372,080)
	Changes in non-current receivables	2,386	(4,408)
	Changes in non-current financial assets – leasehold deposits	(55)	(66)
	Cash flows from operating activities before financial items and tax	(486,771)	(494,260)
	Interest received	7,931	6,697
	Interest paid	(6,078)	(1,045)
	Income taxes paid/received, net	93,176	(328)
	Cash flows from operating activities	**(391,743)**	**(488,935)**
3.1	Investments in property, plant and equipment	(13,515)	(8,454)
	Proceeds from disposal of property, plant and equipment	-	9
	Purchase of marketable securities	(87,958)	(131,521)
	Proceeds from sale of marketable securities	135,969	80,224
	Cash flows from investing activities	**34,496**	**(59,741)**
	Proceeds from issuance of shares in connection with exercise of warrants	1,084	351
4.3 / 4.8	Proceeds from utilization of convertible debt facility	-	372,165
4.8	Repayment of leasing liability	(11,171)	-
	Cash flows from financing activities	**(10,087)**	**372,516**
	Changes in cash and cash equivalents	**(367,333)**	**(176,161)**
	Cash and cash equivalents, beginning of year	496,144	695,065
	Exchange rate adjustments on cash and cash equivalents	3,209	(22,760)
BS	**Cash and cash equivalents, year-end**	**132,020**	**496,144**

EQ

Consolidated statement of changes in equity

For the years ended December 31

Note	DKK'000	Share capital	Other reserves: Share premium	Other reserves: Foreign currency translation reserve	Accumulated deficit	Total
	Equity at January 1, 2017	**15,200**	**1,849,816**	**1,280**	**(1,956,726)**	**(90,430)**
PL	Net loss for the year	-	-	-	(145,481)	(145,481)
OCI	Other comprehensive income	-	-	(929)	-	(929)
	Transaction with owners:					
	Exercise of warrants for cash	23	327	-	-	351
2.5 / 2.6	Share-based compensation expenses	-	-	-	10,499	10,499
	Equity at December 31, 2017	**15,224**	**1,850,143**	**350**	**(2,091,708)**	**(225,991)**
PL	Net loss for the year	-	-	-	(447,721)	(447,721)
OCI	Other comprehensive income	-	-	268	-	268
	Transaction with owners:					
	Exercise of warrants for cash	180	904	-	-	1,084
2.5 / 2.6	Share-based compensation expenses	-	-	-	14,851	14,851
	Equity at December 31, 2018	**15,404**	**1,851,047**	**619**	**(2,524,578)**	**(657,508)**

Section 1
Basis of preparation

This section summarizes Symphogen's accounting policies and key accounting judgments and estimates. Additionally, this section provides information about the overall basis of preparation that Symphogen considers useful and relevant for understanding the financial statements, including changes in accounting policies and disclosures during the year and standards that have been issued, which Symphogen has not yet adopted.

Furthermore, this section includes disclosures regarding significant events after the reporting period closing date.

Note 1.1 Accounting policies

Symphogen is a privately owned biotech company focused on oncology and immuno-oncology.

Symphogen A/S is a limited liability company incorporated and domiciled in Denmark.

The address of Symphogen A/S' registered office is Pederstrupvej 93, 2750 Ballerup, Denmark.

Significant accounting policies related to specific financial statement line items are included in the notes related to these items.

The consolidated financial statements for the year ended December 31, 2018 were authorized for approval at the Annual General Meeting to be held on May 29, 2019, with a resolution of the Board of Directors on May 9, 2019.

Applying materiality
When preparing the annual report, management seeks to improve the value of the information in the report by focusing on information that will help the understanding of Symphogen's performance in the reporting period and the financial position at year-end. The focus is on presenting information that is considered of material importance for our stakeholders, rather than generic descriptions.

Disclosures that are required by IFRS are included in the annual report, unless the information is considered of immaterial importance to users of the annual report. Materiality is not applied for items where disclosures are required for control purposes.

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting standards (IFRS) as endorsed by the EU and additional disclosure requirements in the Danish Financial Statements Act.

The consolidated financial statements are presented in DKK (presentation currency). All values are rounded to the nearest thousand DKK where indicated.

The consolidated financial statements have been prepared on a going concern basis using a historical cost basis, except for marketable securities and derivative financial instruments that have been measured at fair value on the reporting date.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the group and its subsidiaries. Subsidiaries are those entities which are controlled by Symphogen. Symphogen controls an investment when Symphogen is exposed, or has rights, to variable returns from its involvement with the investment and has the ability to affect those returns through its power over the investment.

The financial statements of the subsidiaries are consolidated from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same accounting period as Symphogen using consistent accounting policies.

On consolidation, intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated.

Foreign currency
Translation of foreign currency
Items included in the financial statements of each of Symphogen's legal entities are measured using the currency of the primary economic environment in which the legal entities operate (functional currency). The functional currency of the parent company is Danish Kroner (DKK) and the functional currency of the US subsidiary is US Dollar (USD).

Transactions denominated in foreign currencies are translated into the functional currency at the monthly average exchange rates, unless the exchange rates fluctuate significantly in which case the exchange rate at the date of transaction is applied. Monetary items denominated in foreign currencies are translated into the functional currency at closing rates ruling at the reporting date.

All foreign currency gains and losses are recognized in the statement of profit or loss under "Financial income" and "Financial expenses".

Non-monetary items in foreign currency which are measured at cost at the balance sheet date are translated using the rates of exchanges at the date of the transaction.

Group companies
The assets and liabilities of foreign operations are translated into the presentation currency at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated

Note 1.1 Accounting policies (continued)

at the monthly average exchange rates, unless the exchange rates fluctuate significantly in which case the exchange rate at the date of transaction is applied. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that foreign operation is recognized in the statement of profit or loss.

Cash flow statement
The cash flow statement is presented using the indirect method with basis in the net result for the year and shows Symphogen's net cash flows for the year, presented as cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and Symphogen's cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities
Cash flows from operating activities comprise the profit or loss for the year, adjusted for non-cash items such as depreciation, provisions and changes in the working capital and leasehold deposits, financial expenses paid and financial interest received and amounts paid and received regarding income taxes.

Cash flows from investing activities
Cash flows from investing activities comprise payments related to additions and disposals of property, plant and equipment and sold and purchased marketable securities.

Cash flows from financing activities
Cash flows from financing activities comprise cash flows from proceeds from capital increases including exercise of warrants and proceeds from issuance of convertible debt instruments.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and bank deposit accounts.

Notes including item specific accounting policies

Section 2 – Revenue and expenses
2.1 Revenue
2.3 Research and development expenses
2.4 General and administrative expenses
2.5 Employee benefit expenses
2.6 Share-based compensation

Section 3 – Operating assets and liabilities
3.1 Property, plant and equipment
3.2 Receivables
3.3 Other payables

Section 4 – Capital structure and financial matters
4.2 Share capital
4.3 Convertible debt facility
4.6 Marketable securities
4.7 Financial income and expenses

Section 6 – Other disclosures
6.1 Taxation

Note 1.2 Key accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures.

Uncertainty about these judgments and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

In the process of applying the group's accounting policies, management has made various judgments and estimates. Those which management has assessed to have the most significant effect on the amounts recognized in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

Symphogen based its judgments and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of Symphogen. Such changes are reflected in the assumptions when they occur.

Please refer to the table below to see in which section and note the accounting estimates and judgments are presented.

Notes including management's estimates and judgments

	Estimates	Judgments	Extent of accounting estimates and judgements
Section 1 – Basis of preparation			
1.4 Going concern assumptions	Y	Y	●●●○
Section 2 – Revenue and expenses			
2.1 Revenue	Y	Y	●●○○
2.3 Research and development expenses	Y	Y	●●●○
2.6 Share-based compensation	Y	-	●●○○
Section 3 – Operating assets and liabilities			
3.3 Other payables	Y	-	●●●○
Section 6 – Other disclosures			
6.1 Taxation	-	Y	●●○○

Extent of accounting estimates and judgments relates to objectivity and business practice.

●○○○ Very objective/market-conforming
●●○○ Objective/partially conforming
●●●○ Partially subjective/partially distinctive
●●●● Subjective/Distinctive for Symphogen

Note 1.3 Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted in the preparation of the annual consolidated financial statements are consistent with those followed in the preparation of Symphogen's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018 and the early adoption of IFRS 16 Leases. Thus, Symphogen applies, for the first time, IFRS 15 Revenue from Contracts with Customers, IFRS 16 Leases and IFRS 9 Financial Instruments. The effect of these changes is disclosed below. Symphogen has not early adopted any other standards, interpretations or amendments that have been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of Symphogen.

Adoption of new standards impacting reporting on revenue and expenses and presentation of contract liabilities

IFRS 15 Revenue from contracts with customers

Under the standard, companies will apply a five-step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. Symphogen has adopted the new standard as at January 1, 2018 using the full retrospective method.

Under IFRS 15, Symphogen recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that Symphogen determines are within the scope of IFRS 15, Symphogen performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Symphogen only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of IFRS 15, Symphogen assesses the goods or services promised within each contract and identify, as a performance obligation, and assesses whether each promised good or service is distinct. Symphogen then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Evaluating the criteria for revenue recognition under license and collaboration agreements requires management's judgment to assess and determine the following:

- Whether the license and collaboration agreements meet the definition of a contract with a customer.
- The nature of performance obligations and whether they are distinct or should be combined with other performance obligations to determine whether the performance obligations are satisfied over time or at a point in time.
- An assessment of whether the achievement of milestone payments is highly probable.
- The stand-alone selling price of each performance obligation identified in the contract using key assumptions which may include forecasted revenues, development timelines, reimbursement rates for personnel costs, discount rates and probabilities of technical and regulatory success.

Symphogen has performed a detailed contract-by-contract assessment of the implementation of IFRS 15. Symphogen generates its revenue solely through two collaboration arrangements – the Servier (formerly Shire and Baxalta) collaboration and the Genentech collaboration. Both arrangements are considered contracts with customers as defined in IFRS 15.

The Servier arrangement contains separate performance obligations for the provision of research and development services and options for out-licensing. The latter has been assessed by the Company at the inception of the arrangement and is not considered a material right and therefore not a performance obligation. The Genentech arrangement contains a single performance obligation for the out-licensing of patents to Genentech. Genentech is solely responsible for the development and commercialization of the licensed products directed against such collaboration target, including additional pre-clinical, clinical and regulatory activities, whilst Symphogen has no further performance obligations.

A typical collaboration arrangement includes multiple forms of consideration including up-front payments. Development, regulatory and commercial milestones, royalties, and cost reimbursement are evaluated for allocation to performance obligations. Due to uncertainties inherent in drug development, milestone based forms of variable consideration will only be included in the estimated total contract consideration, when the receipt of the variable consideration is highly probable.

The subsequent allocation of arrangement consideration to individual performance obligations is based on their relative stand-alone selling prices.

Symphogen has concluded that IFRS 15 does not change the Company's recognition of revenue. In respect of the Servier arrangement, Symphogen concluded that the research and development services are satisfied over time given that Servier simultaneously receives and consumes the benefits provided by Symphogen. Symphogen has concluded that the agreement with Servier does not contain a significant financing component as a substantial amount of the

Note 1.3 Changes in accounting policies and disclosures (continued)

consideration promised by Servier under the agreement is variable and the amount or timing of that consideration varies on the basis of the occurrence or non-occurrence of a future event that is not substantially within the control of Symphogen. Consequently, under IFRS 15 Symphogen will continue to recognize revenue for this collaboration arrangement over time rather than at a point of time.

In respect of the Genentech arrangement, Symphogen has concluded that the out-licensing of patents from Symphogen to Genentech is satisfied at a point in time. However, the variable considerations related to out-licensing on both arrangements, such as milestones are recognized when the receipt of revenue is highly probable.

From time to time, Symphogen may receive long-term advances from customers, e.g. on January 6, 2016, Symphogen received DKK 1,198 million upfront payment under the research, option and license collaboration agreement with Servier. Symphogen presents such advances as deferred revenue partly under the non-current liabilities heading in the balance sheet and partly under the current liabilities heading in the balance sheet. With the adoption of IFRS 15, such advances are presented as contract liabilities.

While the adoption of IFRS 15 has not impacted the revenue, net results for the period, earnings per share, total assets, total shareholder's equity nor total assets, the adoption of IFRS 15 has caused Symphogen to extend disclosures of significant judgments made and have disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Adoption of IFRS 16 Leases
The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Symphogen has early adopted the new standard applying the modified retrospective approach. Therefore, the cumulative effect of initially applying the Standard has been recognised at the date of initial application – January 1, 2018 and comparatives have not been restated.

As a result of the change in lease accounting, Symphogen has capitalized Symphogen's right of use assets. Upon implementation on January 1, 2018, Symphogen has recognized a liability to make lease payments (i.e. the lease liability) of DKK 140 million and an asset representing the right to use the underlying asset during the lease term (i.e. the right to use asset) of DKK 140 million.

As part of the change in lease accounting, Symphogen has reversed a deferred lease incentive of DKK 1 million previously booked under other current liabilities and deducted the amount in the initial value of the right to use asset.

The accumulated effect on equity at January 1, 2018 is zero and the accumulated effect on total assets is DKK 139 million. Further, Symphogen has after the adoption of IFRS 16 separately recognized the interest expense on the lease liability and the depreciation on the right to use the asset.

Under IFRS 16 Symphogen recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Symphogen's incremental borrowing rate. Generally, Symphogen uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that Symphogen is reasonably certain to exercise, lease payments in an optional renewal period if Symphogen is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Symphogen is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Symphogen's estimate of the amount expected to be payable under a residual value guarantee, or if Symphogen changes its assessment of whether it will exercise a purchase, extension or termination option.

Note 1.3 Changes in accounting policies and disclosures (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Symphogen presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets
Symphogen has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. Symphogen recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17, in the comparative period, Symphogen did not classify any leases as finance leases.

Assets held under other leases were classified as operating leases and were not recognized in Symphogen's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Adoption of IFRS 9 Financial Instruments
The standard replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Symphogen has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018. The adoption of IFRS 9 resulted in changes in accounting policies (included below) but did not result in material adjustments to amounts recognized in the consolidated financial statements for the comparative period beginning January 1, 2017.

Classification and measurement
Under IFRS 9, Symphogen initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequently, Symphogen measures its financial assets held based on the following measurement categories:

- Those to be measured at fair value through profit or loss,
- Those to be measured at amortized cost, and
- Those to be measured at fair value through other comprehensive income.

The classification is based on Symphogen's business model for managing the assets and the contractual terms of the cash flows.

The new classification and measurement of Symphogen's debt financial assets are, as follows:

Marketable securities
Marketable securities consist of investments in securities with a maturity greater than three months at the time of acquisition. Measurement of marketable securities depends on the business model for managing the asset and the cash flow characteristics of the asset. Under IFRS 9, there are three measurement categories into which the group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- Fair value through profit and loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit and loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit and loss is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Symphogen's portfolio of marketable securities is managed and evaluated on a fair value basis in accordance with its treasury policy

Note 1.3 Changes in accounting policies and disclosures (continued)

and the information provided internally to management. This business model does not meet the criteria for amortized cost or fair value through other comprehensive income and as a result marketable securities are measured at fair value through profit and loss. This classification is consistent with the prior period's classification.

Receivables
Receivables from collaboration partners and other receivables are designated as receivables and are initially measured at fair value or transaction price and subsequently measured in the balance sheet at amortized cost, which generally corresponds to nominal value less expected credit loss provision. This is consistent with prior periods classification.

Impairment
The adoption of IFRS 9 has fundamentally changed Symphogen's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach.

IFRS 9 requires Symphogen to record an allowance for expected credit losses for all loans and other debt financial assets not held at fair value through profit and loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Symphogen expects to receive.

For receivables with collaboration partners and other receivables, Symphogen has applied the standard's simplified approach and has calculated expected credit losses based on lifetime expected credit losses.

The provision for expected credit losses was not significant given that Symphogen has no history of credit losses and the nature of Symphogen's collaboration partners.

Payables
Payables are initially recognized at fair value and subsequently measured at amortized cost. This is consistent with the accounting treatment for prior periods.

Convertible debt
The convertible debt was initially separated into a debt component and a conversion option. The debt component is measured at amortized cost and the conversion option is measured at fair value through profit or loss. This is consistent with the accounting treatment for prior periods.

Symphogen's balance sheet as at January 1, 2018 has been impacted as follows:

DKK'000	January 1, 2018	Effect of IFRS 15	Effect of IFRS 16	Restated January 1, 2018
Property, plant and equipment	45.738	-	140.155	185.893
Leasehold deposits	6.769	-	-	6.769
Receivables	31.402	-	-	31.402
Total non-current assets	**83.909**	**-**	**140.155**	**224.064**
Total current assets	**911.936**	**-**	**-**	**911.936**
Total assets	**995.844**	**-**	**140.155**	**1.135.999**
Shareholders' equity and liabilities				
Shareholders' equity	(225.991)	-	-	(225.991)
Non-current liabilities				
Lease Liabilities	-	-	130.013	130.013
Deferred revenue	719.845	(719.845)	-	-
Contract liabilities	-	719.845	-	719.845
Other non-current liabilities	130.931	-	-	130.931
Total non-current liabilities	**850.776**	**-**	**130.013**	**980.789**
Current Liabilities				
Lease liabilities	-	-	11.171	11.171
Deferred revenue	263.629	(263.629)	-	-
Contract liabilities	-	263.629	-	263.629
Other current liabilities	107.430	-	(1.029)	106.401
Total current liabilities	**371.059**	**-**	**10.142**	**381.201**
Total shareholders' equity and liabilities	**995.844**	**-**	**140.155**	**1.135.999**

Note 1.4 Going concern assumptions

As at December 31, 2018, Symphogen's current liabilities and current assets amounted to DKK 775 million and DKK 415 million, respectively. Thus, Symphogen's current ratio was less than 1. After the balance sheet date, Symphogen initiated measures to secure that adequate funding is available for the Group to settle its obligations as they fall due twelve months from the end of the reporting period. Reference is made to note 1.5 containing disclosures related to subsequent events.

After the balance sheet date, the majority of the investors in the convertible debt facility discussed in note 4.3 have agreed that the existing convertible debt facility shall be extended until December 31, 2023 and all interest accruing on the convertible debt facility after December 30, 2019 shall not be paid until the remaining part of the convertible loan is repaid. After December 31, 2019, the convertible debt facility changes to a normal loan without conversion rights. Furthermore, certain of the investors in the convertible debt facility have accepted to convert DKK 182 million of the convertible debt facility (including accrued interest) into J shares.

Lastly, the significant shareholders of the Group have agreed to provide the company with DKK 390 million of new capital. The new capital will be provided in three tranches of: DKK 195 million, DKK 130 million and DKK 65 million. The first tranche will be provided before September 2019, whereas the remaining tranches will be provided after September 2019. The last tranche is subject to conditions, but is committed by the significant shareholders to support the Group to settle its obligations as they fall due at least through December 31, 2019.

Based on these measures, management has concluded that there is no significant risk associated with going concern as of the date of these financial statements and that Symphogen's working capital as at December 31, 2018 in combination with the measures taken after the balance sheet date is sufficient to support the Group's operating cash flow needs for the 12 months following the date of these consolidated financial statements. On this basis, the Board of Directors and management continues to view the Group as a going concern.

Note 1.5 Subsequent events

After the balance sheet date, Symphogen, certain of the Company's shareholders and certain of the investors in the convertible debt facility has initiated the following measures:

- A new strategic direction has been set and the future strategy of the Group focuses on fully utilizing the strengths of its technology platform and productive research engine that have already delivered antibodies with unique functional properties and efficiently brought them to the clinic. As part of this, the Group has had to part with employees in Denmark and close down the US office in the beginning of 2019. Further, in 2019, a new and updated executive management team has been appointed to direct the new strategy of the Group.

- The share capital of the Company will be re-organized and reduced to zero to cover losses. As a consequence of this reduction, all shares issued as at December 31, 2018 by the Company will be cancelled, and all warrants issued by the Company will lapse and become void. As the warrants are cancelled during the vesting period, Symphogen will in 2019 account for the cancellation as an acceleration of vesting of the warrants, and will therefore recognise in 2019 the amount that otherwise would have been recognised for services received over the remainder of the vesting period. Symphogen' s income statement for 2019 is expected to be impacted as follows: operating loss will increase by approximately DKK 45-55 million and net loss before tax and net loss for the year will increase by approximately DKK 45-55 million. The balance sheet and the equity of the company in 2019 will not be impacted.

- The company will launch a pre-emptive issue of new class J shares by way of cash payment, or at the election of the subscribing shareholders, conversion of debt at a subscription price of DKK 109.6 per share of nominally 1 DKK. Certain of the investors in the convertible debt facility have accepted to convert DKK 182 million of the convertible debt facility into J shares in this pre-emptive issuance. The convertible debt facility (including accrued interest) will therefore in 2019 be reduced by DKK 182 million and the equity of the Company will increase by DKK 182 million.

- The majority of the investors in the convertible debt facility discussed in note 4.3 have agreed that the existing convertible debt facility shall be extended until December 31, 2023 and all interest accruing on the convertible debt facility after December 30, 2019 shall not be paid until the remaining part of the convertible loan is repaid. After December 31, 2019, the convertible debt facility changes to a normal loan without conversion rights. As the existing convertible debt facility thereby is replaced by another from substantially the same lenders on terms that are substantially modified, such a modification is in 2019 treated as the derecognition of the convertible debt facility and its embedded conversion option (derivative financial instrument) and the recognition of a new convertible debt facility and a new embedded conversion option. The difference in the respective carrying amounts is recognised in the statement of profit or loss in 2019. Symphogen' s statement of profit or loss for 2019 is expected to be significantly impacted by this. However, the financial implications have not been determined yet.

- The company will, free of charge, issue new class L warrants ("Staple warrants") to all shareholders who subscribe for new class J shares in the pre-emptive issue, and the Staple warrants allow the holder to subscribe for new shares at a price of DKK 109.6 per class L share. The issuance of these Staple warrants does not merit recognition and does neither impact the income statement nor the balance sheet.

- The company will issue new class D warrants ("Exit warrants") to all shareholders who are shareholders prior to the before mentioned event where the equity is reduced to zero free of charge and the Exit warrants allow the holder to subscribe for new shares at a price of DKK 1 per class D share. Exercise of the warrants is conditioned of the occurrence of an "exit event". The issuance of these Exit warrants does not merit recognition and does neither impact the income statement nor the balance sheet.

- Finally, a retention bonus program has been implemented.

No other events that could significantly affect the consolidated financial statements have occurred after the reporting period closing date.

Accounting policies

If Symphogen obtains information after the balance sheet date, but prior to the date of the Board of Director's approval of the financial statements, about conditions that existed at the balance sheet date, Symphogen assesses if the information affects the amounts that it recognizes in the financial statements.

Symphogen will adjust the amounts recognized in its financial statements to reflect any adjusting events after the balance sheet date and update the disclosures that relate to those conditions in the light of the new information.

For non-adjusting events after the balance sheet date, Symphogen will not change the amounts recognized in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Section 2
Revenue and expenses

Section 2 provides insight and specifications related to Symphogen's operating activities, including details of the revenue components, information about geographical areas, research and development expenses, general and administrative expenses, employee benefit expenses as well as share-based compensation expenses.

Note 2.1 Revenue

Note	DKK'000	2018	2017
	Revenue by type		
	Recognition of upfront payment	170,763	258,126
	Milestone revenue	-	32,583
PL	**Total revenue**	**170,763**	**290,709**
	Revenue by collaboration partner		
	Servier	170,763	258,126
	Genentech	-	32,583
PL	**Total revenue**	**170,763**	**290,709**
	Revenue by timing of recognition		
	Research and development services transferred over time	170,763	258,126
	Revenue from out-licensing of patents at a point in time	-	32,583
BS	**Total revenue**	**170,763**	**290,709**
	Contract liabilities recognized on the balance sheet		
	Contract liabilities by collaboration partner		
	Servier	554,585	725,348
BS	**Total contract liabilities at December 31**	**554,585**	**725,348**
	At January 1	725,348	983,474
	Recognized in the statement of profit and loss	(170,763)	(258,126)
BS	**Total contract liabilities at December 31**	**554,585**	**725,348**
	Current	167,113	196,260
	Non-current	387,472	529,088
BS	**Total contract liabilities at December 31**	**554,585**	**725,348**

Note 2.1 Revenue (continued)

Management's commentary

Revenue consists of revenue from collaboration agreements, comprising recognition of revenue from upfront payments and milestone revenue. Symphogen has entered strategic collaboration agreements under which future revenue may also comprise option fees, licenses, royalty and compensation for research and development services rendered to the collaboration partners. In 2018, revenue consisted only of recognition of upfront payment and decreased with DKK 120 million compared to 2017.

Contract liabilities represent the aggregated amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period. Contract liabilities presented as current relates to performance obligations, Symphogen expects to satisfy during the coming 12 months, whereas the non-current portion of contract obligations represent performance obligations, Symphogen expects to satisfy after the coming 12 months. The split between current and non-current contract obligations is based on Symphogen's underlying development plans under the collaboration agreements, i.e. when the performance obligations are expected to be satisfied.

Below, the amounts of the transaction price allocated to unsatisfied performance obligations under the Servier collaboration agreement that has not yet been recognised as revenue (contract liabilities) are disclosed in a table with quantitative time bands that illustrates when Symphogen expects to recognise the amount of revenue.

The below stated is based on Symphogen's current development plans under the Servier collaboration agreement and do not contain any variable considerations as the uncertainties associated with the variable consideration remain unresolved.

Accounting policies

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Symphogen has concluded that revenue from collaborations agreements with multiple components that cannot be separated is considered rendering of services, which is recognized using an output method to measure Symphogen's progress towards complete satisfaction of performance obligations. Symphogen measures progress by reference to research and development plans for each collaboration agreement.

Overall accounting for the Servier collaboration agreement

In December 2015, Symphogen and Servier entered a strategic collaboration within Immuno-oncology with effect from 2016.

In January 2016, Symphogen received DKK 1,198 million (USD 175 million) upfront payment under the research, option and license collaboration agreement and will potentially receive milestone payments, option fees, licenses, royalty and compensation for research and development services rendered to Servier. The collaboration agreement with Servier is considered a contract with a customer as defined in IFRS 15. Thus, Symphogen recognizes as revenue from research and development services under the collaboration agreement the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The Servier upfront payment is deemed attributable to subsequent research and development services and is initially recognized in the balance sheet as contract liabilities and recognized and allocated as revenue over the planned research and development period based on output method to measure the Company's progress towards complete satisfaction of performance obligations. Contract liabilities recognized on the balance sheet reflects the part of the upfront payment that has not been recognized as revenue based on the output method to measure the Company's progress towards complete satisfaction of performance obligations. Contract liabilities are measured at nominal value. The contract liabilities do not represent cash owed to Symphogen's collaboration partners.

DKK'000	Less than 1 year	1-5 years	>5 years	Total
Future revenue from the Servier contract expected to be recognised within	167,113	387,472	-	554,585
Total contract liabilities as at December 31, 2018	**167,113**	**387,472**	**-**	**554,585**

Note 2.1 Revenue (continued)

Summary of key performance obligations related to Servier collaboration agreement

Below the key performance obligations in the Servier collaboration agreements are summarized.

Collaboration agreement	Servier - Strategic collaboration with the purpose of advancing novel therapeutics against six targets within Immuno-oncology
Performance obligations	Provision of research and development services
When performance obligations are met	The research and development services are satisfied over time given that Servier simultaneously receives and consumes the benefits provided by Symphogen.
Significant payment terms	In January 2016, Symphogen received DKK 1,198 million (USD 175 million) upfront payment under the research, option and license collaboration agreement and will potentially receive milestone payments, option fees, licenses, royalty and compensation for research and development services rendered to Servier. The agreement with Servier does not contain a significant financing component as a substantial amount of the consideration promised by Servier under the agreement is variable and the amount or timing of that consideration varies on the basis of the occurrence or non-occurrence of a future event that is not substantially within the control of Symphogen.
Nature of goods and services promised	Symphogen shall discover, identify, research, develop and attempt to reach Phase IIA Ready Status(es) for the Subject Antibody directed to each Target selected by Servier.

Overall accounting for the Genentech collaboration agreement

In June 2008, Symphogen entered into a strategic collaboration with Genentech for the development of antibody therapeutics against undisclosed infectious disease targets. Under the terms of the agreement, Genentech made an upfront payment to Symphogen as well as an equity investment in Symphogen. Symphogen is eligible for milestone payments upon successful achievement of certain research and development milestones, as well as royalties on worldwide sales. In the third quarter of 2017, Symphogen received a development milestone payment of DKK 32.6 million triggered by the initiation of a Phase 1b trial in infectious disease containing a Symphogen-generated antibody. This milestone payment was recognized as revenue in the third quarter of 2017.

Milestone payments that are attributable to specific milestone events as a result of previous research and/or development activities, e.g. completion of specific development objectives, are recognized as revenue at a point in time when it is highly probable that the milestone has been met and the receipt of revenue is highly probable.

Summary of key performance obligations related to Genentech collaboration agreement

Below the key performance obligations in the Genentech collaboration agreements are summarized.

Collaboration agreement	Genentech - Strategic collaboration for the development of antibody therapeutics against undisclosed infectious disease targets
Performance obligations	Out-licensing of patents to Genentech
When performance obligations are met	Revenue associated with out-licensing from Symphogen to Genentech will be satisfied at a point in time at the time of transfer of intellectual property. Sales-based royalties will be recognized as revenue only when the underlying sales occur as the royalty is variable and the amount or timing of that consideration varies on the basis of the occurrence or non-occurrence of a future event that is not substantially within the control of Symphogen.
Significant payment terms	Variable considerations are due 30 days after Genentech's achievement of underlying milestones/conditions. Royalty payments are due after launch of products and are due 60 days following the end of each calendar quarter.
Nature of goods and services promised	Symphogen completed all performance obligations in June 2008. Symphogen has no further remaining performance obligations under the contract.

Note 2.1 Revenue (continued)

Management's judgments and estimates
Symphogen has entered various collaboration agreements in connection with Symphogen's research and development projects and the clinical testing of product candidates.

There is significant judgment involved in determining the accounting for collaboration agreements and significant estimates involved in determining the stage in the revenue earnings process.

Classification
When accounting for collaboration agreements, judgment is made concerning the classification of such agreements in regard to whether the respective agreement is considered a joint arrangement or a contract with a customer. Symphogen has concluded that the Servier collaboration agreement is a contract with a customer based on the terms and conditions in the contract.

As part of the adoption of IFRS 15, Symphogen also considered the interaction between the guidance in IFRS 15 Revenue from Contracts with Customers and in IFRS 11 Joint Arrangements and whether the agreement with Servier is a joint operation and has concluded that the agreement is a contract with a customer. The assessment has not impacted recognition and measurement.

Recognition of revenue
Evaluating the criteria for revenue recognition under license and collaboration agreements requires management's judgment to assess and determine the following:

- The nature of performance obligations and whether they are distinct or should be combined with other.
- Whether performance obligations are satisfied over time or at a point in time.
- An assessment of whether the achievement of milestone payments is highly probable.
- The stand-alone selling price of each performance obligation identified in the contract using key assumptions which may include forecasted revenues, development timelines, reimbursement rates for personnel costs, discount rates and probabilities of technical and regulatory success.

Note 2.1 Revenue (continued)

Significant judgments in determining

Performance obligations	The timing of satisfaction of performance obligations	The allocation of transaction price to performance obligations
Provision of research and development services	Upfront payments that are deemed attributable to subsequent research and development services are initially recognized as contract liabilities and recognized as revenue over the planned research and development period based on output method to measure the Company's progress towards complete satisfaction of performance obligations. Symphogen applies the output based method (time elapsed) when determining the timing of satisfaction of performance obligations as the development services are performed by an indeterminate number of acts over the development timeline and accordingly, time elapsed as an output measure is considered to be the unit which most appropriately depicts the transfer of control of services to Servier. Judgments and estimates in respect of output is made when entering the agreement and is based on research and development budgets and plans. The planned service periods (output) and cost to complete for the respective research and development projects are assessed on an ongoing basis. If the expected service period is changed significantly, this will require a reassessment. All Symphogen's revenue-generating transactions have been subject to such evaluation by management. During 2018, the planned research and development period under the Servier agreement has been extended. As a consequence hereof, the planned service period and satisfaction of performance obligations have been reassessed by management and revenue for the year ended December 31, 2018 has been adjusted accordingly.	The consideration transferred at contract inception is consideration payable to Symphogen for performance of development services until defined development status of certain product candidate is achieved.
Out-licensing of patents to Genentech	Variable considerations related to out-licensing of rights to Genentech, such as milestone payments linked to Genentech reaching a particular stage in their product development and/or commercialization of products based on the out-licensed patents, are recognized immediately if it is highly probable that the performance obligations relative to the variable consideration will be met. The milestone events must have real substance and they must represent achievement of specific defined goals.	In the transaction price, Symphogen only includes variable consideration estimated to be highly probable. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of receipt of each variable consideration under the collaboration agreements. Due to the high inherent risk related to drug development, the variable considerations linked to arrangements involving out-licensing of patents to Genentech will not be met until the underlying development/commercial activities are met.

Note 2.2 Information about geographical areas

Note	DKK'000	2018 Revenue	2018 Non-current assets	2017 Revenue	2017 Non-current assets
	Denmark	-	206,579	-	83,077
	USA	-	2,644	290,709	831
	France	170,763	-	-	-
PL BS	**Total**	**170,763**	**209,223**	**290,709**	**83,908**

Management's commentary

Symphogen is managed and operated as one business unit, which is reflected in the organizational structure and internal reporting. No separate lines of business or separate business entities have been identified with respect to any of the product candidates or geographical markets and no segment information is currently disclosed in the internal reporting.

During 2018, Servier (France) aquired Shire's oncology business and entered into the collaboration agreement with Symphogen.

Revenue is attributed based on the location of the collaboration partner.

Note 2.3 Research and development expenses

Note	DKK'000	2018	2017
2.5	Employee benefit expenses, excluding share-based compensation	108,452	92,504
2.5 / 2.6	Share-based compensation expenses	5,655	3,722
	External expenses	325,941	258,763
3.1	Depreciation	20,972	14,174
PL	**Total research and development expenses**	**461,020**	**369,162**

Management's commentary

Symphogen's research and development expenses consist mainly of employee benefits and external expenses related to clinical and pre-clinical research and development activities, manufacturing (CMC), consumables and laboratory equipment as well as expenses related to intellectual property rights.

Intellectual property

We actively seek to protect our intellectual property and proprietary information and technology that we believe is important to our business, which includes seeking and maintaining patents covering over proprietary technology, product candidates, proprietary processes and any other inventions that are commercially and/or strategically important to our business development.

Accounting policies

Research and development expenses

Research and development expenses include wages and salaries, share-based compensation, external research and development expenses, expenses relating to obtaining and maintaining patents and premises, other expenses, including IT and depreciation, relating to research and development and maintenance of Symphogen's technology platforms.

The research activities cover activities before filing an IND (investigational new drug) or equivalent clinical-enabling activities for such product candidates. All research expenses are expensed in the year in which they are incurred.

The development activities cover the activities following the filing of an IND or equivalent clinical-enabling activities for such product candidates, including but not limited to, research and clinical research activities.

Development expenses are capitalized if it is probable that the expected future earnings from the product can cover not only production, selling and administrative expenses, but also the development expenses themselves. Symphogen has assessed that the future economic benefits relating to product development cannot be estimated with sufficient certainty, until the development has been completed and the necessary regulatory approvals have been obtained. Therefore, the expenses are expensed as incurred.

External expenses

External research and development expenses for services related to clinical trials are incurred and expensed when such services are rendered. Clinical trial expenses are typically categorized into directly attributable expenses, start-up expenses, patient-treatment expenses and wrap-up expenses. If services received cannot be reliably estimated due to the diverse nature of services or lack of timely information related to such services, the expenses are rateably recognized over the estimated service period. External expenses include accrued expenses related to clinical trials as further discussed in note 3.3.

Government grants

Symphogen receives government grants from the Innovation Fund Denmark and from the Danish Ministry of Science for employment of Ph.D. students. These grants provide compensation for a part of certain project specific research and development expenses, including wages and salaries. Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants relating to expense items are recognized in the statement of profit or loss and set off against the related research and development expenses on a systematic basis over the periods that the related expenses for which it is intended to compensate, are expensed.

In 2018, Symphogen did not receive grants from the Danish Ministry of Science for employment of Ph.D. students (2017: DKK 0.4 million) and did not receive grants from the Innovation Fund Denmark (2017: DKK 0.2 million).

Management's judgments and estimates

Clinical trial development expenses

For a description of the judgments and estimates related to the incurred clinical trial development expenses, please refer to note 3.3 – Other payables.

Note 2.4 General and administrative expenses

Note	DKK'000	2018	2017
2.5	Employee benefit expenses, excluding share-based compensation	31,251	35,912
2.5 / 2.6	Share-based compensation expenses	9,196	6,777
	External expenses	42,600	26,549
3.1	Depreciation	4,882	1,390
PL	**Total general and administrative expenses**	**87,929**	**70,627**

Management's commentary

Symphogen's general and administrative expenses consist mainly of employee benefits and external expenses related to legal advisors, financial consultants, auditors and other administrative services.

The overall increase in external general and administrative expenses in 2018 of the DKK 16.1 million compared to 2017 was mainly related to the preparation for a potential initial public offering in 2018.

Overall, general and administrative expenses accounted for 16.0% of our total operating expenses in 2018 compared to 16.1% in 2017.

Accounting policies

General and administrative expenses include wages and salaries, share-based compensation, expenses relating to premises, other expenses, including IT and depreciation, relating to the management, corporate and business development, and administration of Symphogen.

Note 2.5 Employee benefit expenses

Management's commentary

Employee benefits are primarily made up of salaries, share-based compensations and other social security expenses. The cost of these benefits is recognized as an expense.

Accounting policies

Share-based compensation expenses

Symphogen has granted warrants to the Board of Directors, Executive Management, employees and certain other parties under various share-based incentive programs. The fair value of the warrants at grant date is recognized as an expense in the statement of profit or loss over the vesting period. Such compensation expenses represent calculated values of warrants granted and do not represent actual cash expenditures. A corresponding amount is recognized in shareholders' equity as the warrant programs are designated as equity-settled share-based compensation transactions. Reference is made to note 2.6 Share-based compensation.

Note	DKK'000	2018	2017
	Wages and salaries	130,003	117,452
2.6	Share-based compensation expenses	14,851	10,499
	Defined contribution plans	1,275	1,221
	Other social security expenses	1,707	1,443
	Other staff expenses	6,718	6,877
	Severance payments	-	1,422
	Total	**154,554**	**138,914**
2.3	Research and development expenses	114,107	96,225
2.4	General and administrative expenses	40,447	42,689
	Total	**154,554**	**138,914**
	Average number of full time employees	129	112
	Number of employees at end of period:		
	Denmark	113	103
	USA	12	8
	Total employees at end of period	**125**	**111**
	Number of employees at end of period split on function:		
	Research and development	101	88
	General and administrative	24	23
	Total employees at end of period	**125**	**111**

Refer to note 5.1 for remuneration of the Board of Directors and Executive Management. Reference is also made to note 1.5 in respect of reduction of number of employees in 2019.

Note 2.6 Share-based compensation

Management's commentary

Warrant program

Symphogen has established share-based incentive programs for members of the Board of Directors, members of the Executive Management, other executives and employees in the form of warrants. The most recent warrant programme was adopted by an extraordinary general meeting of shareholders held on December 30, 2015. Under this program, vested warrants may be exercised for a period of ten years from the grant date, provided that the exercise is carried out in a period of three weeks following the publication of Symphogen's financial statements in each of the respective years or the last 4 weeks prior to the expiration of the exercise period.

Warrants awarded to the Board of directors, the Executive Management and the employees are subject to various vesting terms and conditions. Certain warrants awarded to the Executive Management team are subject to milestones (performance vesting conditions) in relation to the research and development activities of Symphogen. Due to the uncertainty of obtaining milestones in relation to research and development activities, Symphogen considers such warrants subject to milestones to be vesting when the milestone has been met and this has been approved by the Remuneration committee. Warrants, which are not conditional upon achieving a milestone are subject to completion of a specified service period. Such warrants vest based on graded vesting profiles and typically subject to 2- or 4-year service periods.

Note 2.6 Share-based compensation (continued)

The Board of Directors is authorized to issue 4,064,575 class K warrants after October 21, 2015 of which it had granted 3,626,708 class K warrants at December 31, 2018. The outstanding authorization of 437,867 class K warrants is subject to the limitation that the total amount of outstanding warrants to members of the Board of Directors, Executive Management and employees may not exceed 15% of the calculated fully diluted shares outstanding.

The fair value at the grant date for all warrants awarded in 2018 was DKK 23.0 million (2017: DKK 26.5 million). Expenses related to warrants granted in 2018 totalled DKK 8.8 million (2017: DKK 7.6 million) and are recognized in the statement of profit or loss. The value of warrants granted is significantly impacted by the preference terms of the various underlying share classes (refer to note 4.2). The total expenses in 2018 was DKK 14.9 million compared to DKK 10.5 million in 2017.

Symphogen had a total of 5,221,168 exercisable warrants outstanding at December 31, 2018 equivalent to 15.0% of the outstanding shares on a calculated fully diluted basis of which 6.8% were outstanding to the Board of Directors, Executive Management and employees. Symphogen had a total of 4,971,680 exercisable warrants outstanding at December 31, 2017 equivalent to 13.9% of the outstanding shares on a calculated fully diluted basis of which 12.1% were outstanding to the Board of Directors, Executive Management and employees.

The following schedule specifies the outstanding warrants:

	Number of warrants held by Board of Directors	Number of warrants held by Executive Management	Number of warrants held by employees	Number of warrants held by other parties**	Total outstanding warrants	Weighted average exercise price DKK
Outstanding at January 1, 2017	**2,064,330**	**2,100,000**	**295,375**	**520,153**	**4,979,858**	**105**
Granted	62,501	300,000	77,000	8,000	447,501	82
Exercised	(180,000)	-	(13,000)	(10,386)	(203,386)	7
Transferred between categories*	-	(500,000)	464,350	35,650	-	105
Cancelled	-	-	-	(20,500)	(20,500)	124
Expired	(180,000)	-	-	(51,793)	(231,793)	67
Outstanding at December 31, 2017	**1,766,831**	**1,900,000**	**823,725**	**481,124**	**4,971,680**	**109**
Granted	150,043	150,000	79,500	31,264	410,807	82
Exercised	-	-	(1,300)	(9,619)	(10,919)	30
Transferred between categories*	(1,631,763)	(600,000)	(515,000)	2,746,763	-	109
Cancelled	-	-	-	(16,876)	(16,876)	85
Expired	-	-	(3,375)	(130,149)	(133,524)	19
Outstanding at December 31, 2018	**285,111**	**1,450,000**	**383,550**	**3,102,507**	**5,221,168**	**109**

* In 2017, Symphogen recorded a transfer of warrants between categories e.g. to reflect that the CBO retired and continued as employee. In 2018, Symphogen recorded a transfer of warrants between categories e.g. to reflect the retirement of members of the Board of Directors, Executive Management and employees.

** Other parties include former members of the Board of Directors, Executive Management and employees.

Share-based compensation expenses included in the statement of profit or loss

Note	DKK'000	2018	2017
2.3	Research and development expenses	5,655	3,722
2.4	General and administrative expenses	9,196	6,777
	Total share-based compensation expenses included in the statement of profit or loss	**14,851**	**10,499**

Note 2.6 Share-based compensation (continued)

The following schedule specifies the outstanding warrants as at December 31:

Outstanding program	Share class	Number of warrants outstanding	Average exercise price per warrant (DKK)	Remaining term to maturity (years)
2009	D	58,811	30	1
2009	B	176,900	85	1
2010	D	115,960	30	2
2010	B	8,100	120	2
2011	H	372,065	186	3
2012	H	493,700	186	4
2013	H	48,850	186	5
2014	H	6,250	186	4
2014	H	374,700	186	6
2015	K	21,180	82	3
2015	K	23,824	82	4
2015	K	31,443	82	5
2015	H	150,000	186	6
2015	K	39,042	82	6
2015	K	1,058,500	82	7
2016	K	60,000	82	2
2016	K	319,865	82	3
2016	K	450,000	82	4
2016	K	475,000	82	6
2016	K	67,740	82	7
2016	K	29,806	82	8
2017	K	358,397	82	8
2017	K	81,500	82	9
2018	K	2,052	82	8
2018	K	397,983	82	10
Outstanding at December 31, 2018		**5,221,168**	**109**	

Outstanding program	Share class	Number of warrants outstanding	Average exercise price per warrant (DKK)	Remaining term to maturity (years)
2008	D	144,443	19	1
2009	D	58,811	30	2
2009	B	176,900	85	2
2010	D	115,960	30	3
2010	B	8,100	120	3
2011	H	372,065	186	4
2012	H	493,700	186	5
2013	H	48,850	186	6
2014	H	6,250	186	5
2014	H	374,700	186	7
2015	K	21,180	82	4
2015	K	23,824	82	5
2015	K	31,443	82	6
2015	H	150,000	186	7
2015	K	39,042	82	7
2015	K	1,059,000	82	8
2016	K	60,000	82	3
2016	K	319,865	82	4
2016	K	450,000	82	5
2016	K	475,000	82	7
2016	K	67,740	82	8
2016	K	29,806	82	9
2017	K	362,501	82	9
2017	K	82,500	82	10
-	-	-	-	-
Outstanding at December 31, 2017		**4,971,680**	**109**	

Reference is made to note 1.5 in respect of cancellation in 2019 of all warrant programs discussed above.

Note 2.6 Share-based compensation (continued)

Accounting policies

Equity settled programs awarded to members of the Board of Directors, members of the Executive Management, other executives and employees are measured based on the fair value at the grant date of the warrants awarded.

The fair value of the share-based compensation is recognized as an employee benefit expenses over the period in which the warrants vest. The fair value of the warrants vested in the period recognized in the statement of profit or loss is reduced by receipts for purchased rights to warrants. The value of share-based compensation programs is offset against shareholders' equity.

Management's judgments and estimates

The calculated fair value and subsequent compensation expenses for Symphogen's share-based compensation are subject to significant assumptions and estimates.

The variables and the pricing model are described below.

The fair value of each warrant granted during the year is calculated using the Black-Scholes pricing model. This pricing model requires the input of subjective assumptions such as:

- The expected stock price volatility: As it is not possible to estimate the expected volatility of a non-public listed entity's share price, Symphogen has estimated the fair value of its warrants by using the volatility of an appropriate peer group of listed biotechnology companies.
- The risk-free interest rate, which is based on the Danish government bonds (bullet issues) having a yield with a maturity equal to the expected term of the option in effect at the time of grant.
- The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms in the current warrant program.
- Estimation of Symphogen's market share price. As Symphogen is not listed on a stock exchange the estimated fair value of the warrants at the date of grant, using the Black-Scholes model, has been established by assuming that the value of Symphogen's shares is the price per share determined at the latest financing round and considering additional relevant facts and circumstances.

Valuation assumptions for warrants granted in 2018 and 2017

The fair value at the grant date is measured using the average exercise price, the term of the warrants and the following significant assumptions:

	2018	2017
Expected future dividend per share	-	-
Volatility	62.72%	70.01%
Annual risk-free interest rate	0.52%	0.49%
Market share-price at grant year	DKK 82	DKK 82

Section 3
Operating assets and liabilities

This section provides information about the operating assets and related liabilities that form the basis for Symphogen's activities.

Furthermore, the section describes the changes in working capital and provides a specification of the non-cash items in the statement of cash flows. Consolidated financial statements January 1 – December 31, 2018.

Note 3.1 Property, plant and equipment

Note	DKK'000	Buildings	Leasehold improvements	Laboratory equipment	Other equipment	Total
	2018					
	Cost at January 1	-	22,810	101,119	18,891	142,820
	Adoption of IFRS 16 (note 1.3)	138,557	-	-	1,598	140,155
	Additions during the year	-	178	10,248	2,927	13,353
	Disposals during the year	-	-	(590)	(96)	(686)
	Exchange rate adjustment	-	-	-	68	68
	Cost at December 31	**138,557**	**22,988**	**110,777**	**23,388**	**295,711**
	Depreciation at January 1	-	(7,327)	(76,487)	(13,269)	(97,083)
	Depreciation for the year	(9,590)	(2,815)	(9,363)	(4,086)	(25,854)
	Depreciation reversed on disposals during the year	-	-	508	86	595
	Exchange rate adjustment	(32)	-	-	47	15
	Depreciation at December 31	**(9,622)**	**(10,142)**	**(85,341)**	**(17,221)**	**(122,327)**
BS	**Carrying amount at December 31**	**128,935**	**12,846**	**25,436**	**6,167**	**173,383**
	Carrying amount of right-of-use assets at December 31	**128,935**	**-**	**-**	**1,108**	**130,043**
	2017					
	Cost at January 1	-	21,977	96,371	22,187	140,535
	Additions during the year	-	833	4,811	2,810	8,454
	Disposals during the year	-	-	(63)	(5,940)	(6,003)
	Exchange rate adjustment	-	-	-	(165)	(165)
	Cost at December 31	**-**	**22,810**	**101,119**	**18,891**	**142,820**
	Depreciation at January 1	-	(4,536)	(67,227)	(15,801)	(87,564)
	Depreciation for the year	-	(2,791)	(9,323)	(3,449)	(15,564)
	Depreciation reversed on disposals during the year	-	-	63	5,921	5,984
	Exchange rate adjustment	-	-	-	61	61
	Depreciation at December 31	**-**	**(7,327)**	**(76,487)**	**(13,269)**	**(97,083)**
BS	**Carrying amount at December 31**	**-**	**15,484**	**24,632**	**5,622**	**45,738**

Note 3.1 Property, plant and equipment (continued)

Depreciation included in the statement of profit or loss

Note	DKK'000	2018	2017
2.3	Research and development expenses	20,972	14,174
2.4	General and administrative expenses	4,882	1,390
	Total depreciation included in the statement of profit or loss	**25,854**	**15,564**
	Total depreciation of right-of-use assets at December 31	**10,108**	**-**

Management's commentary

Symphogens property, plant and equipment are located in Denmark and the USA with the majority being located at the headquarter domicile in Ballerup, Denmark. All laboratory facilities are located in Denmark together with Symphogen's other scientific and corporate office functions while Symphogen's office location in New Jersey, USA is primarily responsible for clinical operations and related regulatory affairs. The total assets located in New Jersey, USA account for less than 1% of Symphogen's total property, plant and equipment.

Management's review of indicators of impairment did not identify any indicators of impairment at December 31, 2018 and 2017, respectively.

Accounting policies

Property, plant and equipment include leasehold improvements, laboratory equipment and other equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment. The cost includes the cost of acquisition and expenses directly related to the acquisition until such time when the asset is available for use.

Depreciation

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, which are as follows:

Assets	Useful life	Residual value
Buildings	The lifetime of the underlying lease contracts	Zero
Leasehold improvements	The lifetime of the underlying leasehold contracts and up to 10 years	Zero
Laboratory equipment	6 years	Zero
Other equipment	3-6 years	Zero

Impairment

If circumstances or changes in Symphogen's operations indicate that the carrying amount of non-current assets in a cash-generating unit may not be recoverable, management reviews the asset for impairment. The basis for the review is the recoverable amount of the assets, determined as the greater of the fair value less cost to sell or its value in use. Value in use is calculated as the net present value of future cash inflow generated from the asset. If the carrying amount of an asset is greater than the recoverable amount, the asset is written down to the recoverable amount. An impairment loss is recognized in the statement of profit or loss when the impairment is identified.

Note 3.2 Receivables

Note	DKK'000	2018	2017
	Prepayment to manufacturing partner	6,404	9,074
6.1	Tax receivables	22,895	17,383
6.1	Tax payment related to uncertain tax positions	-	89,390
	VAT receivables	6,136	3,556
	Other receivables	2,514	2,411
	Prepayments	3,071	3,340
BS	**Total current receivables at December 31**	**41,020**	**125,153**
	Prepayment to manufacturing partner	26,987	30,710
	Prepayment to Clinical Research Organisations	2,028	692
6.1	Tax payment related to uncertain tax positions	-	-
6.1	Tax receivables	-	-
BS	**Total non-current receivables at December 31**	**29,016**	**31,402**

Management's commentary

The substantial upfront payment from the Servier agreement is recognized as revenue as the services are rendered and associated costs are expensed (refer to note 2.1 for further information about the applied accounting policies regarding recognition of revenue). Symphogen has previously assessed that income arising from the agreement should be taxed likewise. In 2016, Symphogen paid the calculated tax of the upfront payment totalling DKK 80 million to avoid interest charge in the event that the Danish Tax Authorities would not concur with this judgment.

In 2017, the Danish Tax Authorities confirmed that the income from the Servier agreement should be taxed as services rendered. Consequently, the 2016 tax payment was classified as a current receivable in the 2017 financial statements and was collected in 2018.

Accounting policies

Other receivables are measured at amortized cost less impairment. Prepayments include expenditures related to future financial periods and are measured at nominal value.

Note 3.3 Other payables

Note	DKK'000	2018	2017
	Clinical trial payables	64,147	55,617
	Employee cost liabilities	30,583	30,092
	Derivative financial instruments	33,309	52,031
	Other liabilities	591	7,077
BS	**Total other payables and liabilities at December 31**	**128,630**	**144,816**

Development in clinical trial payables

DKK'000	Continued trials	Discontinued trials	Total
Carrying amount as at December 31, 2016	**25,086**	**130,085**	**155,172**
Additional accruals	16,116	19,611	35,727
Amounts used during the period	(18,277)	(67,376)	(85,653)
Adjustments, including unused amounts reversed during the year	-	(49,628)	(49,628)
Transfer due to discontinuance	(4,738)	4,738	-
Carrying amount as at December 31, 2017	**18,188**	**37,430**	**55,617**
Additional accruals	22,024	29,162	51,186
Amounts used during the period	(17,719)	(10,607)	(28,326)
Adjustments, including unused amounts reversed during the year	-	(14,330)	(14,330)
Transfer due to discontinuance	(17,339)	17,339	-
Carrying amount as at December 31, 2018	**5,154**	**58,993**	**64,147**

Management's commentary

Discontinued trials

In December 2016, Symphogen decided to discontinue two Sym004 related trials following the results of the Sym004 Phase 2b trial. The final work and invoicing for these are expected to be completed in 2019. In January 2017, Symphogen further decided to discontinue the Sym004 trial in Lung cancer. In 2018 it was decided not to advance Sym004 under Symphogen's ownership. Cost to close down ongoing CRO activities have been accrued end December 2018. Further, Symphogen has decided to close Sym013.

Accruals for discontinuing trials relates to close down of Sym013 and closing of ongoing activities on Sym004. The close down accruals from 2016 on discontinuing clinical trials have been evaluated. The reversal of accruals recognizing in 2017 and 2018 relating to discontinued trials under the Sym004 program, DKK 49.6 million and DKK 14.3 million respectively, is a result of renegotiated termination terms and conditions with CROs and also a result of updated insight into extend of termination activities.

As at December 31, 2018, the accruals related to discontinued trials includes pending invoices for finalization of the Sym004 trials DKK 41.6 million, and DKK 17.3 million related to Sym013 that still has patients under treatment end December 2018.

Continued trials

As at December 31, 2018, the accruals for continuing trials mainly relates to the I-O projects under the Servier collaboration agreement and Sym015. Accruals primarily relates to CRO cost, manufacturing and consultancy cost for the studies.

Derivative financial instrument

Reference is made to note 1.5 in respect of the derecognition of the convertible debt facility and its embedded conversion option (derivative financial instrument discussed above) in 2019 and the recognition of a new convertible debt facility and a new embedded conversion option.

Note 3.3 Other payables (continued)

Accounting policies

Other liabilities are initially measured at fair value adjusted for transaction costs. Subsequently, other liabilities are measured at amortized cost which generally corresponds to nominal value. Payables related to research and development clinical trials comprise professional fees, pass through costs and investigator fees related to the conduct of clinical trials. Employee cost liabilities comprise provision for holiday allowance, provision for salaries and other employee related provisions.

Derivatives are measured at fair value as at inception of the contract. Subsequently derivatives are measured at fair value. Reference is made to note 4.3 and note 4.5.

Management's judgments and estimates

Research and development clinical trial expenses and payables

Symphogen incurs substantial expenses associated with clinical trials. Accounting for clinical trials relating to activities performed by clinical research organizations (CROs) and other external vendors requires management to exercise significant estimates in regard to the timing and accounting for these expenses.

The diverse nature of services being provided under CRO and other arrangements, the different compensation arrangements that exist for each type of service and the lack of timely information related to certain clinical activities complicates the estimation of accruals for services rendered by CROs and other vendors in connection with clinical trials. In estimating the duration of a clinical study, Symphogen evaluates the start-up, treatment and wrap-up periods, compensation arrangements and services rendered attributable to each clinical trial and fluctuations are regularly tested against payment plans and trial completion assumptions. For discontinuing trials, the different compensation arrangements that exist in the event of discontinuation of the respective clinical trial, the amount of potential penalties due to suppliers as a result of the termination and the duration of the termination phase of the trials where patients are still enrolled complicates the estimation of accruals related to discontinuing trials.

Note 3.4 Changes in net working capital

Note	DKK'000	2018	2017
3.2	Change in prepayment to manufacturing partner (current)	2,671	(6,282)
3.2	Change in other receivables	(103)	1,355
3.2	Change in receivables from collaboration partner	-	-
3.2	Change in VAT receivables	(2,580)	667
3.2	Change in prepayments	268	(1,470)
BS	Change in trade payables	11,153	559
2.1	Change in contract liabilities	(170,763)	(258,126)
3.3	Change in clinical trials payables	8,530	(99,555)
3.3	Change in employee cost liabilities	491	9
3.3	Change in other liabilities	(6,486)	(9,237)
CF	**Change in net working capital**	**(156,819)**	**(372,080)**

Management's commentary

Working capital is defined as current assets less current liabilities and measures the net liquid assets Symphogen has available for the business. The changes in the working capital during the year are specified in the table above.

Note 3.5 Adjustments for non-cash items

Note	DKK'000	2018	2017
	Reversals of non-cash items in the statement of profit or loss		
6.1	Income tax benefit	(5,446)	(5,379)
3.1	Depreciation	25,854	15,564
	Net write-down of disposed/sold equipment	-	0
4.7	Interest income	(13,403)	(16,683)
4.7	Interest expenses	111,368	3,404
4.5	Change in fair value of conversion option	(18,722)	(450)
2.5	Share-based compensation expenses	14,851	10,499
	Unrealized capital gains/losses, marketable securities	1,275	(1,796)
	Unrealized exchange rate gains/losses, marketable securities	(215)	733
	Changes in non-cash balance sheet items		
	Non-cash accrued interest, net	1,834	(107)
	Other adjustments		
	Other adjustments, primarily exchange rate adjustments on cash and cash equivalents	(1,959)	21,992
CF	**Total adjustments for non-cash items**	**115,439**	**27,775**

Management's commentary

For the purpose of presenting the cash flow statement, non-cash items with effect on the statement of profit or loss or balance sheet must be reversed to identify the actual cash flow effect from the operating activities. The adjustments are specified in the table above.

Section 4
Capital structure and financial matters

This section provides insight into how Symphogen manages its capital, cash position, financial risks and related items.

Symphogen is primarily financed through equity, the convertible debt facility and income from partnership collaborations.

Note 4.1 Capital management

Symphogen's strategy focuses on fully utilizing the strengths of our technology platform and productive research engine that have already delivered antibodies with unique functional properties and efficiently brought them to the clinic. Symphogen will advance its strong immuno-oncology pipeline of first or best-in-class antibodies, including CD40, AXL and FLT3, to major value inflection points.

Symphogen is and has been supported by a group of financial investors.

Symphogen's management assesses on a regular basis the group's capital structure and whether the liquidity reserve is aligned with the achievement of the company's goals and strategy. As at December 31, 2018, Symphogen's current liabilities and current assets amounted to DKK 775 million and DKK 415 million, respectively. Thus, Symphogen's current ratio was less than 1. After the balance sheet date, Symphogen initiated measures to secure that adequate funding is available for the Group to settle its obligations as they fall due twelve months from the end of the reporting period. Reference is made to note 1.5 contain disclosures related to subsequent events.

Based on these measures, management has concluded that there is no significant risk associated with going concern as of the date of these financial statements and that Symphogen's working capital as at December 31, 2018 in combination with the measured taken after the balance sheet date are sufficient to support the Group's operating cash flow needs for the 12 months following the date of these consolidated financial statements. On this basis, the Board of Directors and management continues to view the Group as a going concern.

Note 4.2 Share capital

On December 31, 2018, the share capital of Symphogen comprised 15,403,759 shares (DKK 15,223,609 in 2017) with a nominal value of DKK 1 each. Each share entitles the holder to cast one vote at general meetings in Symphogen.

Loss of subscribed share capital
Symphogen has lost more than 50% of its subscribed share capital. On the ordinary general meeting of shareholders on May 29, 2019, the Board of Directors will give an account of the company's financial position and propose appropriate measures to re-establish the share capital. While the measures discussed in note 1.5 regarding post balance sheet events are not expected to re-establish the share capital in 2019, the overall measures taken are based on management's current strategic plans expected to secure re-establishment of the share capital in the coming years and no later than in 2023.

Note 4.2 Share capital (continued)

Accounting policies

Convertible preference shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. For the years presented, Symphogen has no preference shares for which the criteria for presenting a liability component are met.

The share capital is distributed between eleven share classes entitled to liquidation preferences in the following order:

Share class	Number of shares	Nominal value per share (DKK)	Share capital 2018 (DKK'000)	Share capital 2017 (DKK'000)	Change 2017-2018 (DKK'000)	Ref.	Liquidation preference order
Class A	1,559,382	1.00	1,559	1,559	-		6th
Class B	797,049	1.00	797	797	-		7th
Class C	2,500,000	1.00	2,500	2,500	-		5th
Class D	1,154,656	1.00	1,155	975	180	a)	9th
Class E	2,431,639	1.00	2,432	2,432	-		4th
Class F	1,313,675	1.00	1,314	1,314	-		3rd
Class G	2,680,523	1.00	2,681	2,681	-		2nd
Class H	550	1.00	1	1	-		8th
Class I	2,966,285	1.00	2,966	2,966	-		1st
Class J	-	-	-	-	-	b)	
Class K	-	-	-	-	-	c)	
Total	**15,403,759** d)		**15,404**	**15,224**	**180**		

(a) Exercise of warrants – refer to note 2.6.

(b) On December 12, 2017, Symphogen called the first two out of three tranches of the convertible debt facility agreed July 24, 2015 and executed October 21, 2015. The two tranches called totaled DKK 372 million (EUR 50.0 million). The bond holders have the right to exercise a subscription right before December 31, 2019 into preferred class J shares at DKK 82 (of nominally DKK 1) increased 8% p.a. from October 21, 2015 – the date of the execution of the transaction. If a change of control takes place, the subscription right applies to the loan principal adding an "Interest Make Whole Premium" equivalent to 15% compound interest over a three years period. The subscription rights additionally extends to an amount equivalent to the principal amount of the third tranche of EUR 17.5 million.

(c) In October 2015, Symphogen created a new preferred class K share to be allocated to the subscription for class K shares under a new incentive plan. The class K shareholders shall in respect of any dividend or proceeds distributed to the shareholders receive a pro-rata amount according to the respective class K shareholders' nominal shareholdings in Symphogen. The class K shares have no other preferred rights.

(d) Class D shares are common shares in Symphogen. All other share classes are convertible into common shares subject to certain conditions and at various terms and conditions.

Reference is made to note 1.5 in respect of the company's re-organization of its share capital subsequent to the balance sheet date and that the share capital at December 31, 2018 has been reduced to zero to cover losses. As a consequence of this reduction, all shares issued as at December 31, 2018 by Symphogen will be cancelled, and all warrants issued by Symphogen will lapse and become void.

Note 4.3 Convertible debt facility

Management's commentary

In December 2017, Symphogen utilised the first two tranches amounting to EUR 50 million of the convertible debt facility which was secured in October 21, 2015. The investors have an unconditional right to convert the outstanding loan, including accumulated interests, into preferred class J shares at DKK 82 per share as of October 2015 or the market price per share, if lower than the strike price. The conversion price increases by 8% per annum as of the issuance data of the instrument at October 31, 2015. The conversion price as at December 31, 2018 is DKK 103.0.

The loan has a fixed interest rate of 15% per annum for minimum three years and is repayable in full at December 31, 2019, if the investors have not exercised their conversion right. Symphogen has an option to repay the loan before December 31, 2019 by adding an "interest make whole premium" equivalent to 15% compound interest over three years period.

Reference is made to note 1.5 in respect of the derecognition of the convertible debt facility and its embedded conversion option (derivative financial instrument discussed above) in 2019 and the recognition of a new convertible debt facility and a new embedded conversion option.

Accounting policies

Convertible debt facility

The convertible debt facility is separated into liability and equity components based on the terms of the contract. On issuance of the convertible debt facility, the fair value of the liability component, including prepayment options, is determined using a market rate for an equivalent non-convertible instrument. As the convertible debt facility also provides Symphogen with a prepayment option which should be accounted for as derivative given that it provides the investors with an interest compensation equal to any remaining unearned interest, this amount should be allocated to prepayment option and the loan.

The prepayment option is accounted for as a derivative and measured at fair value through profit or loss with gains or losses being presented as part of financial items. The loan is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

The difference between the fair value of the liability component (including prepayment option) and the total proceeds is allocated to the conversion option. The conversion option is classified as a derivative liability, as it is not convertible into a fixed number of shares for a fixed amount of cash. Subsequent to initial recognition, the conversion option is accounted for as a derivative and thus, it is measured at fair value through profit or loss. Any gains or losses on the conversion option is recognized as part of financial items. The transaction costs are allocated to each component of the loan. Reference is made to note 4.5.

A convertible debt facility and its embedded conversion option is derecognised when the obligation under the liability is discharged or cancelled or expires. When the existing convertible debt facility and its embedded conversion option is replaced by another from the same lender on substantially different terms, or the terms of the existing convertible debt facility and its embedded conversion option are substantially modified, such an exchange or modification is treated as a derecognition of the original convertible debt facility and its embedded conversion option and the recognition of a new convertible debt facility and embedded conversion option. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Note 4.4 Financial risks

Symphogen is exposed to multiple financial risks due to its operations. The financial risks primarily include funding, interest and credit risks. The overall framework for managing financial risks is contained in Symphogen's Treasury Policy, which is approved by the Board of Directors. A risk with a potential financial implication of less than DKK 15.0 million is considered to have low potential impact.

Note 4.4 Financial risks (continued)

The financial risk exposures are described in further detail below:

Risk exposure	Impact	Comments	Risk Management
Funding risk	Low	The exposure to funding risk relates to the risk of failure to obtain necessary capital when needed on acceptable terms, or at all, which could force Symphogen to delay, limit, scale back or cease its product development or any other or all operations. Based on measures discussed in note 1.4 and 1.5, management has concluded that Symphogen's working capital as at December 31, 2018 in combination with the measured taken after the balance sheet date are sufficient to support the Group's operating cash flow needs for the 12 months following the date of these consolidated financial statements. On this basis, the Board of Directors and management continues to view the Group as a going concern.	The policy in Symphogen for managing funding risk is to monitor the future capital needs and requirements and to ensure new phase commitments are initiated with adequate funding commitments and liquidity.
Credit risk	Low	The exposure to credit risk arises from investments in marketable securities and cash placements with financial institutions.	Cash and cash equivalents should under Symphogen's Treasury policy be placed with financial institutions with a long-term credit rating of minimum Baa1 (Moody's). Marketable securities should be investment grade papers with a minimum investment grade of A.
Foreign currency risk	Low	The exposure to foreign currency changes is considered minor, as the majority of Symphogen's expenses are incurred in DKK. The most significant cash flows for Symphogen on a quantitative basis are, in descending order, DKK, EUR and USD. The group's currency exposure arises from revenue transactions, convertible debt facilities, collaboration agreements and supplier expenses denominated in USD, EUR and GBP. As of December 31, 2018 and 2017, the group had no hedging activities.	The policy in Symphogen for managing foreign currency risks is to analyze the exposure on an ongoing basis and enter currency options to hedge risk of losses in case of significant exposure. Liquidity is invested in currencies allocated to match the distribution of currencies of forecasted costs.
Interest rate risk	Low	The exposure to interest rate risk concern the interest-bearing assets of the group and primarily relates to investments in marketable securities. The interest-bearing financial assets consist primarily of cash in financial institutions and marketable securities. Note 4.5 provide further details on the marketable securities of the group. As at December 31, 2018, other things being equal, a 1% increase in the interest rate will have a positive effect of DKK 2.8 million on Symphogen's portfolio of marketable securities (2017: DKK 3.9 million). Similarly, a 1% decrease in the interest rate will have a negative effect of DKK 2.8 million on Symphogen's portfolio of marketable securities (2017: DKK 3.9 million).	Symphogen only allows investments in marketable securities with an average duration of less than three years.

Table continues at next page

Note 4.4 Financial risks (continued)

Risk exposure	Impact	Comments	Risk Management
Liquidity risk	Low	The exposure to liquidity risk primarily relates to the risk of failure to meet short-term debt obligations when needed, which could happen if liquid assets listed on Symphogen's financial statements are not enough to cover the amount of short-term liabilities.	The policy in Symphogen for managing liquidity risks is to have cash sufficient to act appropriately in case of unforeseen fluctuations in liquidity. Symphogen's cash requirements for the coming period are estimated monthly, and Symphogen's positions in cash and marketable securities are adjusted accordingly.

The maturity analysis of financial liabilities as at December 31

DKK'000	Less than 1 year	1-5 years	>5 years	Total
2018				
Financial liabilities:				
Convertible debt facility	426,978	-	-	426,978
Leasing liabilities	11,599	42,843	75,569	130,010
Trade payables	41,135	-	-	41,135
Other payables	128,630	-	-	128,630
Total financial liabilities	**181,365**	**42,843**	**75,569**	**726,754**
2017				
Financial liabilities:				
Convertible debt facility	-	321,688	-	321,688
Trade payables	29,983	-	-	29,983
Other payables	143,966	716	134	144,816
Total financial liabilities	**173,949**	**322,404**	**134**	**496,487**

The financial liabilities include estimated or contractual interest rate payments. As mentioned in note 1.5, the above mentioned convertible debt facility has been in 2019 extended until 31 December 2023 and all interest accruing on the convertible debt facility after 30 December 2019 shall not be paid until the remaining part of the convertible loan is repaid.

Note 4.5 Financial assets and liabilities

Fair value measurement
Symphogen measures marketable securities and derivatives at fair value as at each reporting date. When estimating the fair value of financial instruments, management applies the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Financial instruments measured on level 1
The fair value of market securities amounts to DKK 241.6 million as at December 31, 2018 (DKK 290.6 million at December 31, 2017). The fair value has been determined using quoted market data.

Financial instruments measured on level 2
Symphogen had no derivatives at December 31, 2018 and 2017 measured on level 2.

The fair value of financial instruments measured on level 3
Symphogen has issued a convertible debt facility with embedded conversion options and prepayment options. Management has estimated the fair value using valuation techniques in the form of valuation models. The prepayment option has a value of nil.

Valuation methods and assumptions
Management assessed that cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following key methods and assumptions were used to estimate the fair values of level 3 financial instruments:

The fair value of conversion options is estimated using a valuation model. This valuation method requires Management to make certain assumptions about the model inputs such as the underlying share price, and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value.

As at December 31, 2018, other things being equal, a 1% increase in the market interest rate will increase the fair value of the conversion option by DKK 4.2 million. Similarly, a 1% decrease in the interest rate will reduce the fair value of the conversion option by DKK 4.3 million.

Fair value of financial assets and liabilities at December 31, 2018

	Level 1	Level 2	Level 3	Total
Marketable securities	241,567	-	-	241,567
Financial assets	**241,567**	**-**	**-**	**241,567**
Derivative financial instruments	-	-	33,309	33,309
Financial liabilities	**-**	**-**	**33,309**	**33,309**

Fair value of financial assets and liabilities at December 31, 2017

	Level 1	Level 2	Level 3	Total
Marketable securities	290,638	-	-	290,638
Financial assets	**290,638**	**-**	**-**	**290,638**
Derivative financial instruments	-	-	52,031	52,031
Financial liabilities	**-**	**-**	**52,031**	**52,031**

Reconciliation of fair value measurement under Level 3 hierarchy

	Embedded Conversion options	Total
As at January 1, 2017	0	0
Issuance of conversion options in December 2017	52,031	52,031
Fair value adjustment through income statement	(450)	(450)
As at December 31, 2017	52,031	52,031
Fair value adjustment through income statement	(18,722)	(18,722)
As at December 31, 2018	**33,309**	**33,309**

Reference is made to note 1.5 in respect of the derecognition of the convertible debt facility and its embedded conversion option (derivative financial instrument discussed above) in 2019 and the recognition of a new convertible debt facility and a new embedded conversion option.

Note 4.5 Financial assets and liabilities (continued)

Categories of financial assets and liabilities

Note	DKK'000	2018	2017
	Financial assets by category		
	Financial assets measured at fair value		
4.6	Marketable securities	241,567	290,638
	Total financial assets measured at fair value	**241,567**	**290,638**
	Loans and receivables measured at amortized cost		
3.2	Current receivables, excluding prepayments	31,579	22,841
	Leasehold deposits	6,824	6,769
	Total loans and receivables	**38,403**	**29,610**
	Financial liabilities by category		
	Financial liabilities measured at fair value		
	Derivative financial instruments	33,309	52,031
	Total financial liabilities measured at fair value	**33,309**	**52,031**
	Financial liabilities measured at amortized cost		
4.8	Convertible debt facility	426,978	321,688
	Leasing liabilities	130,010	-
BS	Trade payables	41,135	29,983
3.3	Other payables, excluding derivative financial instruments	64,738	62,694
	Total financial liabilities measured at amortized cost	**662,862**	**414,364**

Note 4.6 Marketable securities

DKK'000	Market value 2018	Share %	Market value 2017	Share %
DKK denominated instruments				
Fixed-rate marketable securities	91,854	38	153,446	53
Floating-rate marketable securities	124,632	52	92,754	32
DKK portfolio	216,486	90	246,200	85
USD denominated instruments				
Fixed-rate marketable securities	3,320	1	5,294	2
Floating-rate marketable securities	-	-	-	-
USD portfolio	3,320	1	5,294	2
EUR denominated instruments				
Fixed-rate marketable securities	12,302	5	23,811	8
Floating-rate marketable securities	9,459	4	15,333	5
EUR portfolio	21,761	9	39,144	13
Total marketable securities	**241,567**	**100**	**290,638**	**100**
Adjusted portfolio duration (years)	1.16		1.35	

Management's commentary

Marketable securities should under Symphogen's Treasury policy be placed with financial institutions with a long-term credit rating of minimum Baa1 (Moody's). Marketable securities should be investment grade papers with a minimum investment grade of A.

Accounting policies

Marketable securities are measured at fair value based on quoted market data and are designated as held for trading using the fair value option, as management monitors the investments on a fair value basis according to Symphogen's investment policies. Interest income, realized and unrealized gains and losses are recognized in the statement of profit or loss under financial items.

Adjusted portfolio duration is measured as the weighted duration of the marketable securities in the portfolio at December 31.

Note 4.7 Financial income and expenses

Note	DKK'000	2018	2017
	Financial income		
	Interest income, bank	1,883	618
	Interest income, other	6,469	9,738
	Interest income, marketable securities	5,051	6,328
	Foreign exchange gains	17,839	6,936
4.3 / 4.5	Change in fair value of conversion option	18,722	450
	Gains on marketable securities at fair value	462	2,955
PL	**Total financial income**	**50,426**	**27,024**
	Financial expenses		
	Interest expenses	(755)	(1,400)
4.3	Interest expenses, convertible debt facility	(105,291)	(2,004)
	Foreign exchange losses	(5,322)	-
	Losses on marketable securities at fair value	(9,644)	(21,351)
	Losses on derivative financial instruments	(4,395)	(4,049)
PL	**Total financial expenses**	**(125,408)**	**(28,804)**
	Net financial items	**(74,981)**	**(1,780)**

Management's commentary

In 2018, the decrease in net financial items was caused by an increase in interest expenses on the convertible debt instrument of DKK 103.3 million and interest expenses on leasing assets (due to the adoption of IFRS 16) of DKK 5.3 million. This was partly offset by an increase in the effect from change in fair value of conversion option of DKK 18.3 million.

In 2017 net financial items included a net loss from changes in foreign exchange rates of DKK 14.4 million, primarily on Symphogen's USD cash position, mitigating currency exposures related to USD denominated expenses. Furthermore, Symphogen recorded in 2017 an interest income of DKK 9.7 million regarding the tax receivable related to uncertain tax position.

Accounting policies

Net financial items include interest income and expenses, realized and unrealized capital and exchange rate gains and losses on marketable securities and derivative financial instruments and foreign currency transactions and surcharges.

Note 4.8 Changes in liabilities arising from financing activities

			Non-cash changes			
	Dec 31, 2017	Cash flows	Impact from adoption of IFRS 16	Accumulated interest	Amortization	Dec 31, 2018
Leasing liabilities	-	(16,493)	141,181	5,322	-	130,010
Non-current convertible debt facility	321,688	-	-	105,291	-	426,978
Total liabilities from financing activities	**321,688**	**(16,493)**	**141,181**	**110,613**	**-**	**556,898**

Management's commentary

Convertible debt

Reference is made to note 1.5 in respect of the derecognition of the convertible debt facility and its embedded conversion option (derivative financial instrument discussed above) in 2019 and the recognition of a new convertible debt facility and a new embedded conversion option.

Leasing liabilities

Symphogen has entered operating lease contracts relating to its domicile, facility lease and other equipment.

As a result of the change in lease accounting due to adoption of IFRS 16, Symphogen has capitalized the majority of Symphogen's right of use assets. Upon implementation on January 1, 2018, Symphogen has recognized a liability to make lease payments (i.e. the lease liability) of DKK 140 million and an asset representing the right to use the underlying asset during the lease term (i.e. the right to use asset) of DKK 140 million.

The future commitments related to the lease liabilities are calculated based on nominal values in the lease agreements, and future minimum payables under non-cancellable operating leases as at December 31 are as follows:

DKK'000	2018	2017
Commitment under operating leases at December 31		
Within 1 year	16,478	15,053
From 1 to 5 years	57,881	55,617
After 5 years	90,896	16,467
Total commitment under operating leases at December 31	**165,255**	**87,136**

Section 5
Corporate governance

This section covers financial matters related to the system by which Symphogen is directed and controlled.

Note 5.1 Remuneration to the Board of Directors and Executive Management

DKK'000	2018	2017
Remuneration to the Executive Management		
Wages and salaries	21,427	18,150
Share-based compensation expenses	6,509	5,349
Defined contribution plans	525	521
Other social security expenses	170	211
Severance payments	-	1,422
Total remuneration to the Executive Management	**28,632**	**25,653**
Remuneration to the Board of Directors		
Wages and salaries	3,619	2,348
Share-based compensation expenses	1,835	1,852
Income from sale of warrants	-	-
Total remuneration to the Board of Directors	**5,454**	**4,200**

Management's commentary

The Executive Management comprised five members in 2016 and four members from April 2017. Throughout 2018 the Executive Management comprised four members. At 31 December 2018, the Executive Management comprised three members.

As mentioned in note 1.5, a new and updated executive management team has been appointed in 2019 to direct the new strategy of the Group.

Share-based compensation

In 2018, the total net share-based compensation expenses regarding remuneration to the Executive Management and Board of Directors amounted to DKK 6.5 million compared with DKK 7.2 million in 2017. For further comments on the development in share-based compensation expense, refer to note 2.6 Share-based compensation.

Note 5.2 Management's holding of Symphogen shares and share-based instruments

As of December 31, the Board of Directors and Executive Management held the following shareholdings in Symphogen:

Number of ordinary shares owned	December 31, 2018	December 31, 2017
Kirsten Drejer*	-	240,000
Board of Directors in total	**-**	**240,000**

* On January 4, 2018, Kirsten Drejer subscribed for additionally 180,000 class D shares.

As of December 31, the Board of Directors and Executive Management held the following warrants in Symphogen:

Number of warrants held	January 1, 2017	Granted	Expired	Exercised	Transferred	December 31, 2017	Granted	Expired	Exercised	Transferred	December 31, 2018
Bernhard Ehmer	-	-	-	-	-	-	81,073	-	-	-	81,073
Jeppe Christiansen	63,430	4,104	-	-	-	67,534	24,360	-	-	-	91,894
John B. Landis	63,430	4,104	-	-	-	67,534	4,110	-	-	-	71,644
Mads Krogsgaard Thomsen	-	-	-	-	-	-	40,500	-	-	-	40,500
Former board members											
Göran Ando	307,470	46,085	-	-	-	353,555	2,440	-	-	(355,995)	-
Anthony Tolcher	-	4,104	-	-	-	4,104	-	(2,052)	-	(2,052)	-
Jeffrey H. Buchalter	-	4,104	-	-	-	4,104	4,110	(6,162)	-	(2,052)	-
Kirsten Drejer	1,630,000	-	(180,000)	(180,000)	-	1,270,000	8,214	(6,162)	-	(1,272,052)	-
Board of Directors in total	**2,064,330**	**62,501**	**(180,000)**	**(180,000)**	**-**	**1,766,831**	**164,807**	**(14,376)**	**-**	**(1,632,151)**	**285,111**
Martin Olin	675,000	200,000	-	-	-	875,000	100,000	-	-	-	975,000
Jesper Bramming	-	100,000	-	-	-	100,000	50,000	-	-	-	150,000
Gayle Mills	500,000	-	-	-	(500,000)	-	-	-	-	-	-
Ivan D. Horak	600,000	-	-	-	-	600,000	-	-	-	(600,000)	-
Mads Laustsen	325,000	-	-	-	-	325,000	-	-	-	-	325,000
Executive Management in total	**2,100,000**	**300,000**	**-**	**-**	**(500,000)**	**1,900,000**	**150,000**	**-**	**-**	**(600,000)**	**1,450,000**

Note 5.3 Related party transactions

The group's transactions with other related parties

DKK'000	2018	2017
Transactions with related parties (expenses)		
Payments related to right-of-use assets - lease of domicile building from DEAS A/S, owned by the shareholder PKA	15,078	14,977
Cooperation with START where Dr. Anthony Tolcher is the President and co-founder of Clinical Research at START, Texas, USA (Anthony Tolcher was board member until March 1, 2018)	443	600
Consultant fee to Kirsten Drejer (Kirsten Drejer was board member until August 31, 2018)	-	1,176
Balances with related parties at year-end (asset)		
None	-	-
Balances with related parties at year-end (liabilities)		
Convertible debt facility	426,978	321,688
Conversion option	33,309	55,031
Leasing liability	130,010	-

Management's commentary

Symphogen's related parties comprise the subsidiary of the parent company, the significant shareholders of Symphogen and their subsidiaries, the Executive Management group, the Board of Directors and the close members of the family of these persons.

All intercompany transactions between the parent company and the subsidiaries have been eliminated in the consolidated financial statements of the Symphogen group.

The group's transactions with the Board of Directors and Executive Management Symphogen has not granted any loans, guarantees, or other commitments to or on behalf of any of the members in the Board of Directors or Executive Management. Other than the remuneration and other transactions relating to the Board of Directors and Executive Management described in note 5.1 and 5.2, no other significant transactions have taken place with the Board of Directors or the Executive Management during 2018 and 2017.

In 2013, Symphogen entered into a 10-year lease agreement for its new domicile in Ballerup, Denmark. The domicile is owned by PKA, which is a minority shareholder in Symphogen. The lease agreement is entered on market terms and contains no rights or terms related to the fact that PKA is a minority shareholder in Symphogen. As part of the early adoption of IFRS 16, the domicile and the corresponding leasing liability has been recognised as disclosed in note 1.3.

Symphogen has an option to acquire the domicile in the lease term based on the higher of a minimum fixed price and a base price plus the development in the Danish Net Price Index. Symphogen believes the value of the option is zero, as the buy option represents the fair market value.

Note 5.4 Fees to auditors appointed at the annual general meeting

DKK'000	2018	2017
Ernst & Young		
Audit services	800	730
Other assurance engagements	634	51
Tax and VAT services	215	35
Other non-audit services	4,079	2,204
Total	**5,728**	**3,020**

Management's commentary

As at December 31, 2018 and 2017, expenses related to audit services and other non-audit services were significantly affected by Symphogen's preparations for a potential initial public offering.

Section 6 Other disclosures

The notes presented in this section are relevant for the overall understanding of the financial statements, but are not relevant for the key themes in the financial statements.

Note 6.1 Taxation

Note	DKK'000	2018	2017
	Current tax benefit on net loss	99,680	33,122
	Adjustment to prior years	(5)	8
	Tax credit research and development expenses	5,500	5,500
	Changes in deferred tax	(94,640)	(31,945)
	Other non-deductible expenses, incl. share-based compensation	(5,090)	(1,306)
PL	**Total income tax benefit for the period**	**5,446**	**5,379**
	Reconciliation of effective tax rate to Danish statutory tax rate		
PL	Net loss before tax	(453,167)	(150,860)
	Corporate income tax rate in Denmark	22%	22%
	Computed income tax benefit	**99,697**	**33,189**
	Tax effect of:		
	Effect of (higher)/lower tax rates in foreign subsidiaries	(17)	(67)
	Adjustment to prior years	(5)	8
	Other non-deductible expenses, incl. share-based compensation	(5,090)	(1,306)
	Deferred tax asset not recognized	(89,140)	(26,445)
PL	**Total income tax benefit for the period**	**5,446**	**5,379**
	Deferred tax in the balance sheet		
	Tax deductible losses	498,717	439,987
	Other temporary differences	30,583	(328)
	Deferred tax asset not recognized	(529,300)	(439,659)
	Carrying amount included on balance sheet	**-**	**-**

Note 6.1 Taxation (continued)

Management's commentary

On December 31, 2018, Symphogen had net tax loss carry-forwards in Denmark of DKK 2,267 million (2017: DKK 2,000 million) for income tax purposes, all of which can be carried forward infinitely according to Danish Corporate Income Tax Act.

Income tax benefit for the year includes a tax credit for research and development expenditures at the applicable tax rate under the Danish Corporate Income Tax Act.

The substantial upfront payment from the Shire agreement is recognized as revenue as the services are rendered and associated costs are expensed (refer to note 2.1 for further information about the applied accounting policies regarding recognition of revenue). Symphogen has previously assessed that income arising from the agreement should be taxed likewise. In 2016, Symphogen paid the calculated tax of the upfront payment totalling DKK 80 million to avoid interest charge in the event that the Danish Tax Authorities would not concur with this judgment.

In 2017, the Danish Tax Authorities confirmed that the income from the Shire agreement should be taxed as services rendered. Consequently, the 2016 tax payment was classified as a current receivable in the 2017 financial statements and was collected in 2018.

Accounting policies

Income tax

The income tax for the period comprises current and deferred tax, including prior-year adjustments and changes in provisions for uncertain tax positions. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in equity or in other comprehensive income. Current tax payables and receivables are recognized in the balance sheet as a receivable in the event of prepayments and amounts due.

Deferred taxes

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where the tax value can be determined according to alternative tax rules, deferred tax is measured on the basis of the planned use of the asset or the settlement of the obligation.

Deferred tax assets are measured at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities. Deferred tax assets are set of within the same legal tax entity and jurisdiction.

Tax receivables

Current tax assets for the current and prior periods shall be measured at the amount expected to be recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Management's judgments

Symphogen is subject to income taxes in Denmark and the USA. Significant judgment is required in determining the accrual for income taxes, deferred income tax assets and liabilities, and provisions for uncertain tax positions.

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. Symphogen has established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities or similar exposures of the respective countries in which it operates. The amount of such provisions is based on various factors, such as interpretations of tax regulations by the taxable entity, etc. The actual obligation may deviate and be dependent on the outcome of litigations and settlements with the relevant tax authorities. As at December 31, 2018 and 2017, Symphogen has not recognized any provisions for uncertain tax positions.

Symphogen recognizes deferred income tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. Management has considered future taxable income in assessing whether deferred income tax assets should be recognized and has concluded that the deferred income tax assets do not meet the criteria for being recognized as assets in the balance sheet.

Note 6.2 Contingent liabilities and contractual obligations

License and Collaboration Agreements
As part of the license and collaboration agreements entered by Symphogen, once a product is developed and commercialized, Symphogen may be required to make royalty payments. Symphogen expects to generate income from such products which will exceed any royalty payments due. No minimum unconditional royalties have been committed to. Symphogen has no liabilities prior to the occurrence of a potential future sale. Accordingly, no such liabilities have been recognized.

Financial statements for Symphogen A/S

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Primary statements

Sections in the financial statements

PL Statement of profit or loss

For the years ended December 31

Note	DKK'000	2018	2017
2.1 / 2.2	**Revenue**	**173,176**	**292,403**
2.3 / 2.5	Research and development expenses	(463,277)	(372,163)
2.4 / 2.5	General and administrative expenses	(86,371)	(69,744)
	Operating expenses	(549,647)	(441,907)
	Operating loss	**(376,471)**	**(149,504)**
4.2	Financial income	50,425	27,086
4.2	Financial expenses	(125,421)	(29,002)
	Net loss before tax	**(451,467)**	**(151,420)**
6.1	Income tax benefit	5,495	5,508
	Net loss	**(445,972)**	**(145,912)**
	Attributable to:		
	Shareholders of Symphogen A/S	(445,972)	(145,912)

OCI Statement of other comprehensive income

For the years ended December 31

Note	DKK'000	2018	2017
PL	**Net loss**	**(445,972)**	**(145,912)**
	Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
	None	-	-
	Total comprehensive income	**(445,972)**	**(145,912)**
	Attributable to:		
	Shareholders of Symphogen A/S	(445,972)	(145,912)

BS

Balance sheet

As at December 31

Note	DKK'000	2018	2017
	Assets		
3.1	Property, plant and equipment	171,069	45,024
3.4	Investments in group companies	1,981	1,981
	Leasehold deposits	6,704	6,651
3.2	Receivables	29,016	31,402
2.2	**Total non-current assets**	**208,769**	**85,057**
3.2	Receivables	40,602	126,663
	Marketable securities	241,567	290,638
	Cash and cash equivalents	125,089	488,050
	Total current assets	**407,258**	**905,352**
	Total assets	**616,028**	**990,410**
	Equity and liabilities		
	Share capital	15,404	15,224
	Other reserves	1,851,048	1,850,143
	Accumulated deficit	(2,525,831)	(2,094,710)
EQ	**Total equity**	**(659,380)**	**(229,344)**
	Non-current liabilities		
4.3	Convertible debt facility	-	321,688
2.1	Contract liabilities	118,114	529,088
4.3	Lease liabilities	391,776	-
	Total non-current liabilities	**509,890**	**850,776**
4.3	Convertible debt facility	426,978	-
2.1	Contract liabilities	162,808	196,260
4.3	Lease liabilities	10,456	-
4.1	Trade payables	40,468	29,454
3.3	Other payables	124,806	143,264
	Total current liabilities	**765,517**	**368,977**
	Total liabilities	**1,275,407**	**1,219,753**
	Total equity and liabilities	**616,028**	**990,410**

CF

Cash flow statement

For the years ended December 31

Note	DKK'000	2018	2017
PL	**Net loss for the year**	**(445,972)**	**(145,912)**
3.6	Adjustments for non-cash items	114,057	27,417
3.5	Changes in net working capital	(157,313)	(373,858)
	Changes in non-current receivables	2,386	(4,408)
	Changes in non-current financial assets – leasehold deposits	(52)	(78)
	Cash flows from operating activities before financial items and tax	(486,894)	(496,839)
	Interest received	7,930	6,704
	Interest paid	(6,078)	(1,243)
	Income taxes paid/received, net	93,191	356
	Cash flows from operating activities	**(391,851)**	**(491,021)**
3.1	Investments in property, plant and equipment	(12,834)	(8,315)
	Proceeds from disposal of property, plant and equipment	-	9
	Purchase of marketable securities	(87,958)	(131,521)
	Proceeds from sale of marketable securities	135,969	80,224
	Cash flows from investing activities	**35,177**	**(59,602)**
	Proceeds from issuance of shares in connection with exercise of warrants	1,084	351
4.3	Proceeds from utilization of convertible debt facility	-	372,165
4.3	Repayment of leasing liability	(10,174)	-
	Cash flows from financing activities	**(9,089)**	**372,516**
	Changes in cash and cash equivalents	**(365,764)**	**(178,107)**
	Cash and cash equivalents, beginning of year	488,050	688,081
	Exchange rate adjustments on cash and cash equivalents	2,803	(21,923)
BS	**Cash and cash equivalents, year-end**	**125,089**	**488,050**

EQ

Statement of changes in equity

For the years ended December 31

Note	DKK'000	Share capital	Share premium	Accumulated deficit	Total
	Equity at January 1, 2017	**15,200**	**1,849,816**	**(1,959,296)**	**(94,281)**
PL	Net loss for the year	-	-	(145,912)	(145,912)
	Transaction with owners:				
	Exercise of warrants for cash	23	327	-	351
2.5	Share-based compensation expenses	-	-	10,499	10,499
	Equity at December 31, 2017	**15,224**	**1,850,143**	**(2,094,710)**	**(229,344)**
PL	Net loss for the year	-	-	(445,972)	(445,972)
	Transaction with owners:				
	Exercise of warrants for cash	180	904	-	1,084
2.5	Share-based compensation expenses	-	-	14,851	14,851
	Equity at December 31, 2018	**15,404**	**1,851,047**	**(2,525,831)**	**(659,380)**

Section 1
Basis of preparation

Note 1.1 Accounting policies

This section summarizes accounting policies applied by Symphogen A/S in the parent company financial statements. However, only accounting policies specific for the parent company is disclosed in this section. For adopted accounting policies on all other accounting areas as well as description of management's judgments and estimates and changes in accounting policies and disclosures, refer to the notes in the consolidated financial statements. Furthermore, refer to the consolidated financial statements for disclosures regarding significant events after the reporting period closing date.

Symphogen A/S is limited liability company incorporated and domiciled in Denmark. The address of Symphogen A/S' registered office is Pederstrupvej 93, DK-2750 Ballerup, Denmark.

The financial statements for the year ended December 31, 2018 were authorized for approval at the Annual General Meeting to be held on May 29, 2019, with a resolution of the Board of Directors on May 9, 2019.

Basis of preparation
The parent company financial statements have been prepared in accordance with International Financial Reporting standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

The parent company financial statements are presented in DKK (presentation currency). All values are rounded to the nearest thousand DKK where indicated.

Section 2
Revenue and expenses

Note 2.1 Revenue

Note	DKK'000	2018	2017
	Recognition of upfront payment	170,763	258,126
	Milestone revenue	-	32,583
	Revenue from group companies	2,413	1,695
PL	**Total revenue**	**173,176**	**292,403**
	External revenue split by collaboration partner		
	Servier	170,763	-
	Shire	-	258,126
	Genentech	-	32,583
	Total external revenue	**170,763**	**290,709**
	Contract liabilities recognized on the balance sheet		
	Contract liabilities by collaboration partner		
BS	Servier	554,585	725,348
	Total deferred revenue at December 31	**554,585**	**725,348**
	At January 1	725,348	983,474
	Upfront payment received during the year	-	-
BS	Recognized in the statement of profit and loss	(170,763)	(258,126)
	Total deferred revenue at December 31	**554,585**	**725,348**
	Current	162,808	196,260
BS	Non-current	391,776	529,088
	Total deferred revenue at December 31	**554,585**	**725,348**

Revenue from group companies consists of service and administration fee from the US subsidiary.

For information regarding judgments and estimates related to accounting for revenue, reference is made to note 2.1 in the consolidated financial statements.

Note 2.2 Information about geographical areas

Note		DKK'000	2018 Revenue	2018 Non-current assets	2017 Revenue	2017 Non-current assets
		Denmark	-	208,769	-	85,057
		USA	2,413	-	292,403	-
		France	170,763	-	-	-
PL	BS	**Total**	**173,176**	**208,769**	**292,403**	**85,057**

In 2017, revenue from the USA include both internal revenue from group companies and external revenue.

During 2018, Servier (France) aquired Shire's oncology business nd entered into the collaboration agreement with Symphogen.

Revenue is attributable based on the location of the collaboration partner.

Note 2.3 Research and development expenses

Note	DKK'000	2018	2017
2.5	Employee benefit expenses, excluding share-based compensation	86,004	77,608
2.5	Share-based compensation expenses	5,655	3,722
	External expenses	351,656	276,966
3.1	Depreciation	19,962	13,868
PL	**Total research and development expenses**	**463,277**	**372,163**

Note 2.4 General and administrative expenses

Note	DKK'000	2018	2017
2.5	Employee benefit expenses, excluding share-based compensation	30,373	32,687
2.5	Share-based compensation expenses	9,196	6,777
	External expenses	42,260	28,944
3.1	Depreciation	4,541	1,335
PL	**Total general and administrative expenses**	**86,371**	**69,744**

Note 2.5 Employee benefit expenses

Note	DKK'000	2018	2017
	Wages and salaries	108,854	102,247
	Share-based compensation expenses	14,851	10,499
	Defined contribution plans	866	856
	Other social security expenses	563	482
	Other staff expenses	6,094	6,710
	Total	**131,228**	**120,794**
2.3	Research and development expenses	91,659	81,330
2.4	General and administrative expenses	39,569	39,464
	Total	**131,228**	**120,794**
	Average number of full time employees	**116**	**102**
	Number of employees at end of period:		
	Denmark	113	103
	Total employees at end of period	**-**	**103**
	Number of employees at end of period split on function:		
	Research and development	90	82
	General and administrative	23	21
	Total employees at end of period	**113**	**103**

Refer to note 5.1 in the consolidated financial statements for remuneration of the Board of Directors and Executive Management.

Refer to note 2.6 in the consolidated financial statements for share-based compensation.

Section 3
Operating assets and liabilities

Note 3.1 Property, plant and equipment

Note	DKK'000	Buildings	Leasehold improvements	Laboratory equipment	Other equipment	Total
	2018					
	Cost at January 1	-	22,810	101,119	17,541	141,470
	Adoption of IFRS 16	136,117	-	-	1,598	137,715
	Additions during the year	-	178	10,248	2,407	12,833
	Disposals during the year	-	-	(590)	(96)	(686)
	Exchange rate adjustment	-	-	-	-	-
	Cost at December 31	**136,117**	**22,988**	**110,777**	**21,450**	**291,333**
	Depreciation at January 1	-	(7,327)	(76,487)	(12,632)	(96,446)
	Depreciation for the year	(8,597)	(2,815)	(9,363)	(3,728)	(24,503)
	Depreciation reversed on disposals during the year	-	-	508	86	595
	Exchange rate adjustment	-	-	-	91	91
BS	**Depreciation at December 31**	**(8,597)**	**(10,142)**	**(85,341)**	**(16,182)**	**(120,263)**
	Carrying amount at December 31	**127,520**	**12,846**	**25,436**	**5,268**	**171,069**
	Carrying amount of right-of-use assets at December 31	**127,520**	**-**	**-**	**1,108**	**128,628**
	2017					
	Cost at January 1	-	21,977	96,371	20,810	139,159
	Additions during the year	-	833	4,811	2,671	8,315
	Disposals during the year	-	-	(63)	(5,940)	(6,003)
	Exchange rate adjustment	-	-	-	-	-
	Cost at December 31	**-**	**22,810**	**101,119**	**17,541**	**141,471**
	Depreciation at January 1	-	(4,536)	(67,227)	(15,464)	(87,227)
	Depreciation for the year	-	(2,791)	(9,323)	(3,089)	(15,203)
	Depreciation reversed on disposals during the year	-	-	63	5,921	5,984
	Exchange rate adjustment	-	-	-	-	-
	Depreciation at December 31	**-**	**(7,327)**	**(76,487)**	**(12,632)**	**(96,446)**
BS	**Carrying amount at December 31**	**-**	**15,484**	**24,632**	**4,908**	**45,024**

Note 3.1 Property, plant and equipment (continued)

Depreciation included in the statement of profit or loss

Note	DKK'000	2018	2017
2.3	Research and development expenses	19,962	13,868
2.4	General and administrative expenses	4,541	1,335
	Total depreciation included in the statement of profit or loss	**24,503**	**15,203**

Note 3.2 Receivables

Note	DKK'000	2018	2017
	Prepayment to manufacturing partner	6,404	9,074
6.1	Tax payment related to uncertain tax position	-	89,390
6.1	Tax receivables	22,375	16,875
	VAT receivables	6,136	3,556
	Receivables from group companies	312	2,186
	Other receivables	2,514	2,411
	Prepayments	2,862	3,172
BS	**Total current receivables at December 31**	**40,602**	**126,663**
	Prepayment to manufacturing partner	26,987	30,710
	Prepayment to Clinical Research Organisations	2,028	692
BS	**Total non-current receivables at December 31**	**29,016**	**31,402**

Note 3.3 Other payables and liabilities

Note	DKK'000	2018	2017
	Clinical trial payables	64,147	55,617
	Employee cost liabilities	26,759	28,553
	Derivative financial instruments	33,309	52,031
	Other payables and liabilities	591	7,063
BS	**Total other payables and liabilities at December 31**	**124,806**	**143,264**

For information regarding judgments and estimates related to accounting for clinical trial payables and development in such accruals, reference is made to note 3.3 in the consolidated financial statements.

Note 3.4 Investments in group companies

Note	DKK'000	2018	2017
	Cost at January 1	1,981	1,981
BS	**Cost at December 31**	**1,981**	**1,981**

Subsidiaries	Registered office	Ownership interest (%)	Share capital (USD)	Equity (USD'000)	Net profit (USD'000)
Symphogen Inc.	Delaware, US	100	0.01	593	(266)

Accounting policies

Investments in subsidiaries are measured in the parent company financial statements at the lower of cost and recoverable amount. Distributed dividends are recognized in the income statement of the parent company.

Note 3.5 Changes in net working capital

Note	DKK'000	2018	2017
3.3	Change in prepayment to manufacturing partner (current)	(2,671)	(6,282)
3.3	Change in other receivables	(103)	1,355
3.3	Change in receivables from collaboration partner	-	-
3.3	Change in VAT receivables	(2,580)	667
3.3	Change in prepayments	310	(1,482)
3.3	Change in receivables from group companies	1,874	(2,186)
BS	Change in trade payables	11,015	258
2.1	Change in contract liabilities	(170,763)	(258,126)
3.4	Change in clinical trials payables	8,530	(99,555)
3.4	Change in employee cost liabilities	(1,794)	1,538
3.4	Change in other liabilities	(6,472)	(9,176)
	Change in payables to group companies	-	(869)
CF	**Change in net working capital**	**(157,313)**	**(373,858)**

Working capital is defined as current assets less current liabilities and measures the net liquid assets Symphogen has available for the business. The changes in the working capital during the year are specified in the table above.

Note 3.6 Adjustments for non-cash items

Note	DKK'000	2018	2017
	Reversals of non-cash items in the statement of profit or loss		
6.1	Income tax benefit	(5,495)	(5,508)
3.1	Depreciation	24,503	15,203
	Net write-down of disposed/sold equipment	-	0
4.2	Interest income	(13,402)	(16,690)
4.2	Interest expenses	111,382	3,602
4.5	Change in fair value of conversion option	(18,722)	(450)
2.5	Share-based compensation expenses	14,851	10,499
	Unrealized capital gains/losses, marketable securities	1,275	(1,796)
	Unrealized exchange rate gains/losses, marketable securities	(215)	733
	Changes in non-cash balance sheet items		
3.3 / 3.4	Derivative financial instruments	-	-
	Non-cash accrued interest, net	1,834	(107)
	Other adjustments		
	Other adjustments, primarily exchange rate adjustments on cash and cash equivalents	(1,955)	21,933
CF	**Total adjustments for non-cash items**	**114,057**	**27,417**

For the purpose of presenting the cash flow statement, non-cash items with effect on the statement of profit or loss or balance sheet must be reversed to identify the actual cash flow effect from the operating activities. The adjustments are specified in the table above.

Section 4
Capital structure and financial matters

This section provides insight into the financial assets and liabilities of Symphogen A/S. For information concerning how Symphogen manages its capital, cash position, financial risks and related items, refer to the consolidated financial statements.

For information regarding share capital and marketable securities, reference is made to note 4.2 and note 4.6 in the consolidated financial statements.

Note 4.1 Financial assets and liabilities

Fair value measurement

Symphogen measures marketable securities and derivatives at fair value as at each reporting date. When estimating the fair value of financial instruments, management applies the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Financial instruments measured on level 1

The fair value of market securities amounts to DKK 241.6 million as at December 31, 2018 (DKK 290.6 million at December 31, 2017). The fair value has been determined using quoted market data.

Financial instruments measured on level 2

Symphogen had no derivatives at December 31, 2018 and 2017 measured on level 2.

Fair value of financial assets and liabilities at December 31, 2018

	Level 1	Level 2	Level 3	Total
Marketable securities	241,567	-	-	241,567
Financial assets	**241,567**	**-**	**-**	**241,567**
Derivative financial instruments	-	-	33,309	33,309
Financial liabilities	**-**	**-**	**33,309**	**33,309**

Reconciliation of fair value measurement under Level 3 hierarchy

	Embedded Conversion options	Total
As at 1 January 2017	0	0
Issuance of conversion options in December 2017	52,031	52,031
Fair value adjustment through income statement	(450)	(450)
As at December 31, 2017	**52,031**	**52,031**
Fair value adjustment through income statement	18,722	18,722
As at December 31, 2018	**33,309**	**33,309**

Note 4.1 Financial assets and liabilities (continued)

The fair value of financial instruments measured on level 3
Symphogen has issued a convertible debt facility with embedded conversion options and prepayment options. Management has estimated the fair value using valuation techniques in the form of valuation models.

Valuation methods and assumptions
The management assessed that cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following key methods and assumptions were used to estimate the fair values of level 3 financial instruments:

The fair value of conversion options is estimated using valuation model. This valuation method requires Management to make certain assumptions about the model inputs such as the underlying share price, and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value.

As at December 31, 2018, other things being equal, a 1% increase in the market interest rate will have a positive effect of DKK 4.2 million on the fair value of the conversion option. Similarly, a 1% decrease in the interest rate will have a negative effect of DKK 4.3 million on the fair value of the conversion option.

Categories of financial assets and liabilities

Note	DKK'000	2018	2017
	Financial assets by category		
	Financial assets measured at fair value		
	Marketable securities	241,567	290,638
	Total financial assets measured at fair value	**241,567**	**290,638**
	Loans and receivables measured at amortized cost		
3.2	Other receivables, excluding prepayments	31,024	22,841
	Leasehold deposits	6,704	6,651
	Total loans and receivables	**37,728**	**29,493**
	Financial liabilities by category		
	Financial liabilities measured at fair value		
	Derivative financial instruments	33,309	52,031
	Total financial liabilities measured at fair value	**33,309**	**52,031**
	Financial liabilities measured at amortized cost		
	Convertible debt facility	426,978	321,688
	Leasing liabilities	128,570	-
BS	Trade payables	40,468	29,454
3.3	Other payables, excluding derivative financial instruments	64,738	62,680
	Total financial liabilities measured at amortized cost	**660,755**	**413,821**

Note 4.2 Financial income and expenses

Note	DKK'000	2018	2017
	Financial income		
	Interest income, bank	1,882	618
	Interest income, other	6,469	9,738
	Interest income, marketable securities	5,051	6,328
	Interest income, group companies	-	7
	Foreign exchange gains	17,839	6,991
	Change in fair value of conversion option	18,722	450
	Gains on marketable securities at fair value	462	2,955
PL	**Total financial income**	**50,425**	**27,086**
	Financial expenses		
	Interest expenses	(755)	(1,400)
	Interest expenses, group companies	(88)	(198)
4.3	Interest expenses, convertilble debt facility	(105,291)	(2,004)
	Interest expense, leasing liabilities	(5,249)	-
	Foreign exchange losses	(9,643)	(21,351)
	Losses on marketable securities at fair value	(4,395)	(4,049)
PL	**Total financial expenses**	**(125,421)**	**(29,002)**
	Net financial items	**(74,996)**	**(1,916)**

Note 4.3 Changes in liabilities arising from financing activities

			Non-cash changes			
	2017	Cash flows	Reclassification of conversion option to other payables	Accumulated interest	Amortization	2018
Leasing liabilities	-	(16,493)	141,181	5,322	-	130,010
Non-current convertible debt facility	321,688	-	-	105,291	-	426,978
Total liabilities from financing activities	**321,688**	**(16,493)**	**141,181**	**110,613**	**-**	**556,898**

In December 2017, Symphogen drew two out of three tranches of the convertible loan amounting to DKK 372 million (EUR 50.0 million) under the convertible debt facility. Reference is made to note 4.3 in the consolidated financial statements.

In 2016, Symphogen A/S did not have liabilities nor cash flows arising from financing activities.

Section 5
Corporate governance

This section covers financial matters related to the system by which Symphogen A/S is directed and controlled.

For information regarding remuneration to the Board of Directors and Executive Management and Management's holding of Symphogen instruments, reference is made to note 5 .1 and note 5 .2 in the consolidated financial statements.

Note 5.1 Related party transactions

Management's commentary

Symphogen's related parties comprise the subsidiary of the parent company, the significant shareholders of Symphogen and their subsidiaries, the Executive Management group, the Board of Directors and the close members of the family of these persons.

All intercompany transactions between the parent company and the subsidiaries have been eliminated in the consolidated financial statements of the Symphogen group.

The group's transactions with the Board of Directors and Executive Management Symphogen A/S has not granted any loans, guarantees, or other commitments to or on behalf of any of the members in the Board of Directors or Executive Management. Other than the remuneration and other transactions relating to the Board of Directors and Executive Management described in note 5.1 and 5.2 in the consolidated financial statements, no other significant transactions have taken place with the Board of Directors or the Executive Management during 2018 and 2017.

In 2013, Symphogen A/S entered a 10-year lease agreement for its new domicile in Ballerup, Denmark. The domicile is owned by PKA, which is a minority shareholder in Symphogen A/S. The lease agreement is entered on market terms and contains no rights or terms related to the fact that PKA is a minority shareholder in Symphogen A/S.

The parent company's transactions with other related parties

DKK'000	2018	2017
Transactions with subsidiaries		
Service fee income	2,413	1,695
Service fee costs	32,393	24,904
Net interest expenses, intercompany balance	88	191
Transactions with related parties (expenses)		
Payments related to right-of-use assets - lease of domicile building from DEAS A/S, owned by the shareholder PKA	15,078	14,977
Cooperation with START where Dr. Anthony Tolcher is the President and co-founder of Clinical Research at START, Texas, USA (Anthony Tolcher was board member until March 1, 2018)	443	600
Consultant fee to Kirsten Drejer (Kirsten Drejer was board member until August 31, 2018)	-	1,176
Balances with subsidiaries at year-end		
Intercompany receivable	312	2,186
Balances with related parties at year-end (asset)		
None	-	-
Balances with related parties at year-end (liabilities)		
Convertible debt facility	426,978	321,688
Conversion option	33,309	55,031
Leasing liability	130,010	-

Symphogen A/S has an option to acquire the domicile in the lease term based on the higher of a minimum fixed price and a base price plus the development in the Danish Net Price Index. Symphogen A/S believes the value of the option is zero, as the buy option represents the fair market value.

Section 6
Other disclosures

Note 6.1 Taxation

Note	DKK'000	2018	2017
	Current tax benefit on net loss	99,323	33,312
	Adjustment to prior years	(5)	8
	Tax credit research and development expenses	5,500	5,500
	Changes in deferred tax	(94,640)	(31,945)
	Other non-deductible expenses, incl. share-based compensation	(4,683)	(1,367)
PL	**Total income tax benefit for the period**	**5,495**	**5,508**
	Reconciliation of effective tax rate to Danish statutory tax rate		
PL	Net loss before tax	(451,467)	(151,420)
	Corporate income tax rate in Denmark		22%
	Computed income tax benefit	**99,323**	**33,312**
	Tax effect of:		
	Adjustment to prior years	(5)	8
	Other non-deductible expenses, incl. share-based compensation	(4,683)	(1,367)
	Deferred tax asset not recognized	(89,140)	(26,445)
PL	**Total income tax benefit for the period**	**5,495**	**5,508**
	Deferred tax in the balance sheet		
	Tax deductible losses	498,717	439,987
	Other temporary differences	30,583	(328)
	Deferred tax asset not recognized	(529,300)	(439,660)
	Carrying amount included on balance sheet	**-**	**-**

Management's commentary

On December 31, 2018, Symphogen A/S had net tax loss carry-forwards in Denmark of DKK 2,267 million (2017: DKK 2,000 million) for income tax purposes, all of which can be carried forward infinitely according to Danish Corporate Income Tax Act.

Income tax benefit for the year includes a tax credit for research and development expenditures at the applicable tax rate under the Danish Corporate Income Tax Act.

For information regarding judgments and estimates related to accounting for income tax, reference is made to note 6.1 in the consolidated financial statements.

Company information

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Annual General Meeting
The annual general meeting
will be held on 29, 2019, at
Symphogen A/S
Pederstrupvej 93
2750 Ballerup
Denmark

Auditor
Ernst & Young
Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
Postboks 250
2000 Frederiksberg
Denmark

Custodian bank
Danske Bank A/S
Holmens Kanal 2-12
1092 Copenhagen K
Denmark

Statement by the Board of Directors and Executive Management

Today the Board of Directors and Executive Management have discussed and approved the annual report of Symphogen A/S for the financial year ended December 31, 2018.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at December 31, 2018, and of the results of the Group's and the Parent Company's operations and cash flows for the financial year January 1 to December 31, 2018.

In our opinion, the Management's review includes a fair review of the matters dealt with in the Management's review.

We recommend the adoption of the annual report at the Annual General Meeting.

May 29, 2019

Executive Management
Martin Olin
Chief Executive Officer

Board of Directors
Bernhard Ehmer,
Chairman

Mads Krogsgaard Thomsen

Jeppe Christiansen

Søren Lemonius

Anders Tullgren

Ron Eastman

John Landis

Peter Haahr

Independent Auditor's Report
To the shareholders of Symphogen A/S

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Symphogen A/S for the financial year January 1 – December 31, 2018, which comprise statement of profit or loss, statement of other comprehensive income, balance sheet, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at December 31, 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year January 1 – December 31, 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review
Management is responsible for the Management's review. Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Management's responsibilities for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark 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 consolidated financial statements and parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, 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 opinion. 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 internal control relevant to the 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 Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company'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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

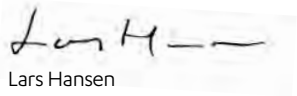
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

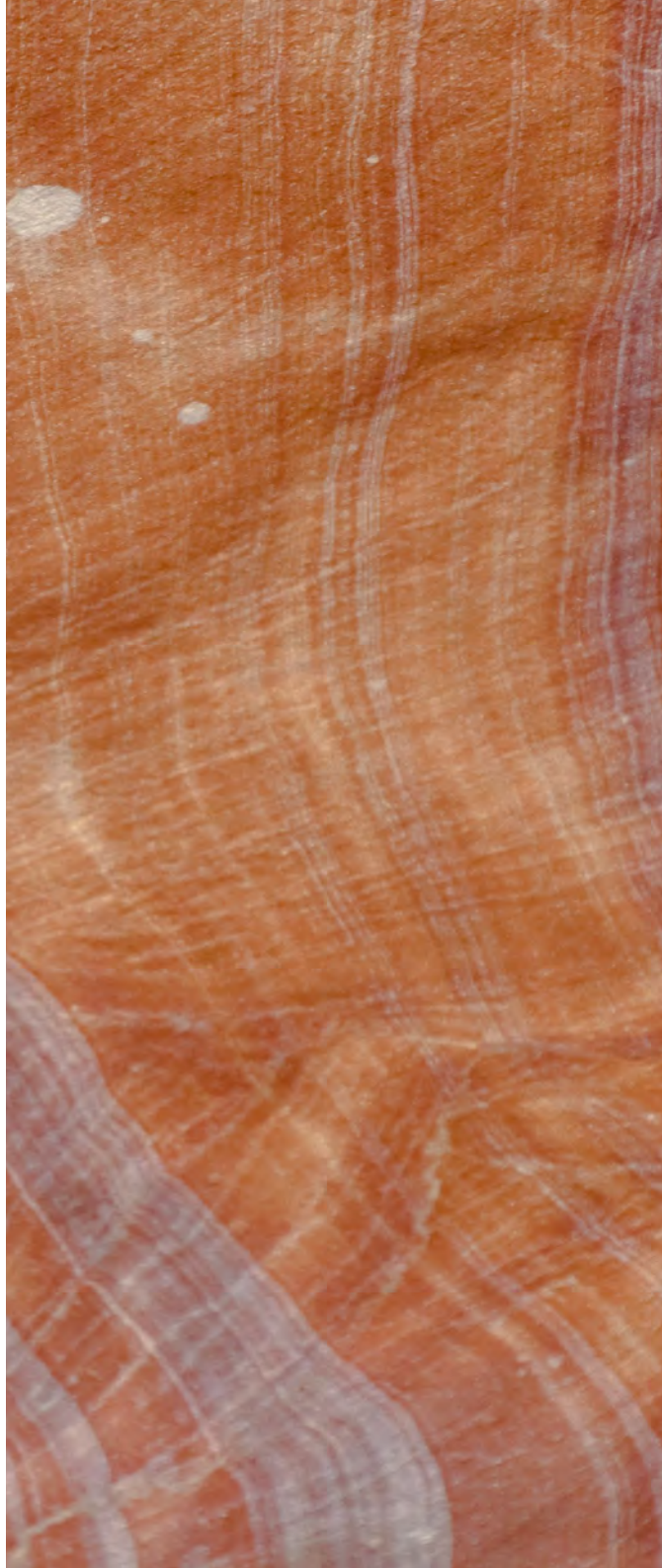
Copenhagen, May 29, 2019.

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen
State Authorised Public Accountant
mne 33234



Lars Hansen
State Authorised Public Accountant
mne 24828



Design and layout
Kontrapunkt

Photographers
Employee photos: Jesper Palermo, Kontrapunkt
Cover photo: Benjamin Hardman

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