Annual Report 2017

Creating novel antibody therapeutics

Inspired by nature
Led by science

symphogen

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Chairman:

Jan Presfeldt

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Symphogen in brief

Symphogen is a clinical-stage antibody oncology-focused company with a differentiated product pipeline and significant commercial opportunities.

Our pre-clinical and clinical pipeline is well suited for a precision-medicine approach by addressing well-defined, biomarker-selected patient populations.

Based on our monoclonal antibody (mAb) research platform, we create differentiated mAb products candidates and we own the global development and commercialization rights to Sym004, Sym013 and Sym015. Each of these clinical product candidates has the potential to provide cancer patients meaningful treatment options that are not currently available.

Sym004 A mixture of two mAbs inhibiting EGFR, Sym004 is being developed for the treatment of advanced metastatic colorectal cancer (mCRC) and for the treatment of advanced glioblastoma.

Sym013 Possibly the first multi-targeting pan-HER antibody mixture consisting of six mAbs in one drug product, Sym013 is being developed for the treatment of advanced epithelial malignancies such as mCRC, pancreatic cancer, NSCLC and triple negative breast cancer.

Sym015 A mixture of two mAbs, Sym015 is a potent MET inhibitor being developed for the treatment of MET amplified solid tumors.

We apply our novel multi-targeting approach against receptor tyrosine kinases and with our superior mAb research platform we create differentiated product candidates to treat cancer and other significant diseases.

We have validating partnerships with global biopharmaceutical companies, including our broad immuno-oncology multi-target collaboration with Shire and our research collaboration with Genentech, a unit of Roche.

Geographical footprint

Founded in 2000. Headquartered in Denmark with operations in the US

6 clinical programs

Clinical development of five product candidates in six different indications

DKK 787 million

Cash and cash equivalents and marketable securities at year-end 2017

5.5 months

Median Overall Survival benefit (12.8 vs. 7.3 months) of Sym004 over investigator choice in biomarker-defined patient population in a Phase 2b trial

Our vision

We develop superior mAb therapeutics to improve the lives of patients with significant unmet medical needs

79%

Employees in Research & Development

122

Patents granted (63) or pending (59)

111

At year-end 2017, we had 111 employees, 60% of whom had a Ph.D. or Master's degree

Our values

Pioneering – Diversity
Commitment – Teamwork

2.4 DKK billion

Equity investments to date. We are supported by long-term specialist healthcare investors

Proprietary pipeline backed by science

Three clinical-stage oncology programs, Sym004, Sym013 and Sym015 addressing clinically validated targets

DKK 1.8 billion

From the inception through end-2017, we have received DKK 1.8 billion in payments from collaboration partners

Broad disease focus with multiple shots on goal

Monoclonal antibody (mAb) mixtures against epithelial tumors, mAb or mAb mixtures in immuno-oncology and infectious diseases

DKK 440 million

Operating expenses in 2017

Shareholder letter

Inspired by nature, led by science and driven by people, we passionately strive to make that discovery that may have great effect on the lives of patients, their families, and their caregivers.

Dear shareholders,

In 2017, Symphogen established that we are here to make a difference to patients. We are determined to help patients with potentially life-debilitating diseases live better and longer lives.

We reached several critical milestones which support our mission – milestones that underpin the strengths of our antibody technology, and the potential of our broad clinical pipeline. We further advanced our three fully owned mAb mixture clinical stage product candidates by continuing to generate data that confirms the strong scientific rationale behind these unique programs. Our novel mAb platform was further validated as both our immuno-oncology collaboration with Shire and our infectious disease collaboration with Genentech are now in clinical development.

By the end of 2017, Symphogen had a total of 6 different mAb programs in clinical development directed at oncology and infectious disease indications. That's a real testimony of the potential of our novel mAb approach.

Sym004 – a novel precision medicine approach targeting EGFR
At the 2017 European Society of Medical Oncology Conference (ESMO), we presented encouraging results for a biomarker-defined population from our Phase 2b trial in 3rd / 4th line mCRC.

We believe that Sym004 presents a new precision medicine approach for a substantial portion of patients with late-stage metastatic colorectal cancer, globally one of the most common cancer indications in both men and women. During 2017, we initiated dialog with the US and European regulatory agencies with the prospects of further advancing Sym004.

Further advancement of our mAb mixture product candidates
During 2017, we achieved a major milestone for our pan-HER progam (Sym013) as we advanced the program into clinical development. Sym013 is a novel drug candidate with six antibodies that address three important targets (EGFR, HER2 and HER3) in a single drug product to overcome resistance and escape mechanisms of tumor cells, and thus it fully epitomizes our multitargeting mAb mixture platform. Further, our third fully owned drug candidate Sym015, which is targeting the MET receptor, was further advanced in clinical development.

Enhancing the scope of our technology platform
Anchored in the partnership with Shire, our immuno-oncology efforts have already resulted in the first IND approval and initiation of a Phase 1 trial. Additionally, two more INDs related to immune-oncology are expected to follow in the first half of 2018.

Genentech's use of one of our antibodies (Sym009) conjugated to an antibiotic agent, for the potential treatment of Staphylococcus aureus (S.aureus) infections, is a strong testament to us, that our technology for generating and identifying functional human antibodies may also be applied to disease areas outside of cancer.

Our leadership, scientific advisers, organization and dedication among employees are a signature of our ability to attract talented people with passion for their work, dedication to make a difference to patients and who can challenge status quo in the pursuit of excellence.

Martin Olin,
Chief Executive Officer

Living our strategy

Our current strategy is to develop innovative therapies for the treatment of cancer and other significant diseases using our unique mAb platform. Cancer is our focus while other diseases are currently pursued through partnerships. During 2017, we reached several milestones in our strategy. The strategic focus areas, our key achievements in 2017 as well as anticipated milestones in 2018 and aspirations beyond 2018 are outlined here.

Focus area	Key achievements in 2017	Anticipated milestones in 2018	Aspirations beyond 2018
Advance our proprietary clinical pipeline of mAb mixture product candidates towards regulatory approval and commercial launch. Our mAb mixture platform, knowledge of cancer biology, as well as our clinical, regulatory, and manufacturing expertise, provide us with the ability to develop and advance oncology products through to commercialization.	• Sym004 – Reporting of compelling data from a randomized Phase 2b trial, which enrolled 254 patients with late-stage mCRC who had become refractory to prior EGFR antibody therapies. • Sym004 – Advancement of Phase 2a trial in glioblastoma patients. • Sym013 – Advancement of Phase 1 trial in patients with advanced epithelial tumors. • Sym015 – Advancement of Phase 1b/2a trial in patients with advanced solid tumors.	• Sym004 – Further advancement of Sym004 in biomarker-selected mCRC patients. • Sym004 – Continue Phase 2a trial in glioblastoma patients. • Sym013 – Complete Phase 1 trial and initiate Phase 2a trials in epithelial tumors. • Sym015 – Continue Phase 1b/2a trial in patients with advanced solid tumors.	• Multiple drugs in late-stage development for multiple indications. • Sym004 – Complete additional trials in biomarker selected mCRC patients. • Sym004 – Complete Phase 2a glioblastoma trial and evaluate expansion opportunities. • Sym013 – Complete Phase 2a trial in epithelial tumors. • Sym015 – Complete Phase 1b/2a trial in patients with MET amplified solid tumors.
Develop precision medicine products by focusing on biomarker-defined patient populations with significant unmet medical needs, including where expedited regulatory pathways may be available. Since significant diversity exists in each individual cancer patient's prognosis and response to treatment is due in part to molecular heterogeneity, identification of biomarkers can help predict clinical outcome and inform treatment selection.	• Sym004 – Data from Phase 2b trial in late-stage mCRC patients identified as "Triple Negative mCRC" population, who obtained a clinically meaningful median overall survival improvement. • Sym013 – progressing toward identification of Phase 2a dose and further advancement of biomarker program.	• Sym004 – Continue to evaluate other indications where Sym004 might confer a therapeutic benefit in biomarker-defined patient populations. • Sym013 – Continue identification of relevant biomarkers for Phase 2a trials in epithelial tumors. • Identify other biomarker-defined populations that may benefit from our mAb mixture approach.	• Deploy precision-medicine approaches eligible for breakthrough therapy designation and/or expedited regulatory approval.

Our strategy builds on a number of key strengths

- Phase 2b data support the hypothesis for Sym004 as a new significant therapeutic option as precision medicine for late-stage metastatic colorectal cancer.
- We maintain a broad and differentiated clinical pipeline of multiple product candidates, each for multiple indications.
- Our antibody mixture platform, together with our regulatory knowledge and manufacturing capabilities, provide us with a fully integrated approach to the development of cancer therapies.
- Our proprietary pipeline has broad intellectual property protection.
- Our mAb technology platform is validated through partnerships with global biopharmaceutical companies.
- Our experienced leadership team has in-depth industry knowledge and a track record of successful drug development.

Focus area	Key achievements in 2017	Anticipated milestones in 2018	Aspirations beyond 2018
Continue to leverage and invest in our mAb mixture platform to discover and develop additional product candidates, including in the fields of immuno-oncology and other disease areas. We intend to use our antibody discovery technology platform to continue to identify new mAbs and mAb mixtures that may offer a therapeutic benefit.	• Initiation of Phase 1 trial with Sym021, an anti-programmed cell death protein 1 (PD-1) mAb, under our Shire immune-oncology program. • Initiation by Genentech of a Phase 1b trial initiated with Sym009 conjugated to an antibiotic agent targeting staphylococcus aureus bacteremia.	• Additional immuno-oncology targets in Phase 1a trials. • Discovery of new targets and advancement of known targets to pre-clinical phase.	• Clinical development of Immuno-oncology products. • Validate platform in other disease areas than oncology and infectious diseases.
Continue to selectively pursue collaborations and other partnering opportunities with leading bio-pharmaceutical companies. We may consider collaborations with additional strategic partners both within and outside the field of oncology. Our ability to build collaborations is exemplified by our collaborations with Shire (immuno-oncology) and Genentech (infectious diseases).	• Validation of existing collaborations with Shire and Genentech through entry of programs into the clinic providing further substantiation of the efficiency of Symphogen's platform approach.	• Continuing to seek value-generating partnerships, including with large biotechnology and pharmaceutical companies with late-stage development and commercialization capabilities, to leverage our internal capabilities.	• Engagement in significant partnerships with clinical development and commercialization partners inside and outside the field of oncology.

Our pipeline

Our focus is on clinically validated targets and biomarkers, and we believe that our proprietary clinical programs are well-suited for a precision-medicine approach.

We have a broad and differentiated clinical pipeline of multiple product candidates, each for multiple indications. We target some of the largest epithelial cancer indications, such as colorectal, lung, brain, breast, pancreatic and head and neck cancers, with the potential to expand into other indications and earlier lines of treatment.

Our pipeline includes two partnered clinical-stage programs: an immuno-oncology program of six targets being developed in collaboration with Shire, one of which – a PD-1 antagonist – is in Phase 1a development, and a program directed to Staphylococcus aureus bacteremia is in Phase 1b development by Genentech. In addition to our clinical trials, we maintain extensive proprietary and partnered discovery and preclinical activities to continue to realize the potential of our mAb mixture platform, and we anticipate to file additional INDs in 2018.

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.

As of December 31, 2017, we owned a total of 16 patent families in which we owned 10 granted patents in the United States, 7 in Europe and several patents in other jurisdictions. We currently have 59 pending national/regional applications in a total of 13 jurisdictions (excluding the member states of the European Patent Convention in which the company's European patents were validated).

Proprietary programs

Receptor tyrosine kinase programs	TARGET	PHASE 1	PHASE 2	PHASE 3	ANTICIPATED NEXT MILESTONE
Sym004	EGFR Metastatic colorectal cancer, 3rd/4th line				Further trials toward registration
Sym004	EGFR Advanced glioblastoma				Phase 2a data
Sym013	EGFR , HER2, HER3 Epithelial cancers				Phase 1 data
Sym015	MET MET-amplified solid tumors				Phase 1b/2a data

Partnered programs

Immuno-oncology programs					PARTNERS
Sym021	PD-1 Solid tumors or lymphomas				Shire
Infectious disease programs					
Sym009	Staphylococcus aureus Bacteremia				Genentech

Understanding our pipeline

Symphogen is an antibody oncology-focused company. Oncology is a branch of medicine that deals with the prevention, diagnosis, and treatment of cancer. To understand our business is to understand some of the underlying science and terms.

Antibodies to treat cancer
Antibodies are Y-shaped proteins produced by specialized cells of the body's immune system. Antibodies can identify and bind disease-specific antigens found on bacteria, viruses, and cancer cells. Once attached to the antigen, antibodies can recruit other parts of the immune system to help neutralize the cells containing the antigen. The place on the antigen where the antibody binds is called an epitope. Researchers can design antibodies to target a certain antigen. Antibodies can be made in large amounts known as monoclonal antibodies (mAbs). Monoclonal antibodies are a well-established drug class today used to treat many diseases, including cancer.

Receptor tyrosine kinases (RTKs)
RTKs are a large family of cell-surface transmembrane receptors. RTKs play a crucial role in regulating a range of cellular functions, including growth, proliferation, differentiation, and survival. Their activity is normally tightly controlled and regulated by the body. Deregulated RTK activation and amplification is frequently seen in human cancers. The RTKs targeted by Symphogen include epidermal growth factor receptor (EGFR), human epidermal growth factor receptor 2 (HER2), human epidermal growth factor receptor 3 (HER3) and hepatocyte growth factor receptor (HGFR/MET).

Epithelial cancer
Epithelial cancer is a type of cancer where malignant solid tumors are formed in the skin or in tissues that line or cover internal organs. Epithelial cancers include a large number of cancers of different origin, including lung, breast, and colorectal cancer, and they constitute more than 80 percent of all diagnosed cancers[1].

Metastatic colorectal cancer (mCRC)
Colorectal cancer is a cancer that starts in the colon or the rectum. When a cancer has spread to other parts of the body, it is called metastatic cancer. After the patient is diagnosed with colorectal cancer, doctors will try to determine whether it has spread, and if so, how far. This process is called staging. mCRC is defined as Stage IV, which is the most progressed disease stage where surgery is rarely an option.

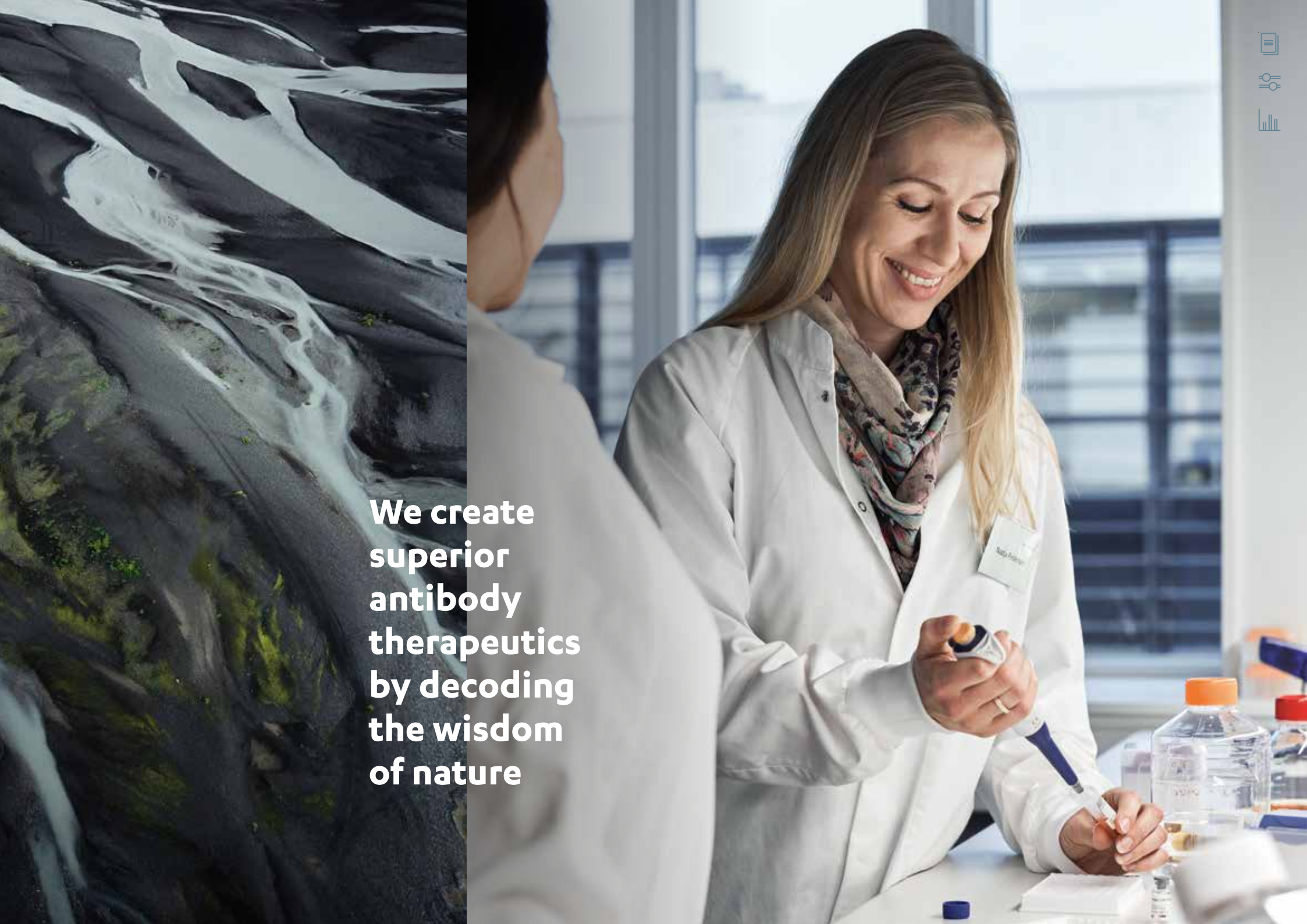
Glioblastoma (GBM)
GBM is an aggressive type of brain cancer. It is the most common type of malignant brain tumor among adults. The prognosis for patients diagnosed with GBM is currently very poor, with the majority of patients diagnosed with Stage IV glioblastoma living less than one year[2].

Immuno-oncology
Immuno-oncology is the study and development of immunotherapies that use certain parts of a person's immune system to fight cancer. Some immunotherapies enhance existing anti-tumor responses and include the use of monoclonal antibodies. An important part of the immune system is its ability to tell between normal cells in the body and those it sees as foreign. This lets the immune system attack the foreign cells while leaving the normal cells alone. To do this, it uses checkpoint molecules that under normal circumstances initiate an immune response against abnormal cells. Immunotherapies target cancer cells that have found ways to use checkpoint molecules to avoid being attacked by the immune system, allowing the cancer to grow.

PD-1
Programmed cell death protein 1 (PD-1) is a cell surface receptor that prevents autoimmune diseases, but it can also prevent the immune system from killing cancer cells. A new class of drugs that block PD-1, the PD-1 inhibitors, activate the immune system to attack tumors and are therefore used to treat some types of cancer.

Staphylococcus aureus (SA)
SA is a common bacterium in the nose and on the skin of people and animals that sometimes causes deep or life-threatening infections in some people. Some strains of SA may develop resistance to several types of antibiotic treatments, e.g. methicillin-resistant Staphylococcus aureus (MRSA). When SA is resistant to commonly used antibiotics, it can be difficult to treat or become worse if the right treatment is delayed. MRSA is a major clinical challenge and no effective treatment options are currently available.

[1] http://www.cancerresearchuk.org/what-is-cancer/how-cancer-starts/types-of-cancer
[2] US National Library of Medicine, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3337398/



We create superior antibody therapeutics by decoding the wisdom of nature

Sym004

A precision medicine opportunity in mCRC and beyond

Key facts

- Sym004 is a synergistic antibody mixture containing two recombinant mAbs, futuximab and modotuximab, which bind to different, non-overlapping epitopes of EGFR
- Sym004 has been studied in more than 400 cancer patients, of whom 350 were patients with mCRC
- In September 2017, we presented data from a randomized Phase 2b trial enrolling 254 patients with late-stage mCRC who had responded and become refractory to prior EGFR antibody therapies
- We have dialog with the US and European regulatory agencies with prospects of further advancing Sym004
- Patient enrollment is ongoing in Phase 2a trial in advanced glioblastoma

We are currently primarily developing Sym004 for the treatment of advanced mCRC. Sym004 targets the extracellular domain of EGFR, which plays an important role in development and progression of mCRC and is considered relevant in other epithelial cancers, such as non-small-cell lung, head-and-neck, and brain cancers. Sym004 is also being tested in a Phase 2a investigator-initiated trial in advanced glioblastoma. We are continuously evaluating Sym004 for use in other indications where the EGFR target plays an important role.

Mechanism of action

Sym004 induces rapid internalization and degradation of the EGFR that leads to down-modulation of EGFR and subsequent inhibition of cancer cell growth. The inhibition of EGFR with two antibodies contained in Sym004 results in a mechanism of action that is distinct from the more limited actions of single anti-EGFR antibodies. In addition, these two antibodies elicit potent secondary effector functions which can kill cancer cells, including antibody-dependent cell-mediated cytotoxicity (ADCC) and complement dependent cytotoxicity (CDC). See page 24-25 to read more about our technology.

Biomarker-defined patient selection in mCRC

In the current era of precision medicine, almost all mCRC patients are tested for the genetic biomarkers RAS and BRAF to guide targeted therapy. It is well-known, that mutations in these proteins involved in directing cell growth, cell division or tissue signaling are predictive of a very poor response to anti-EGFR mAb therapy. Approximately 10-20 percent of patients who receive initial treatment with an anti-EGFR mAb therapy respond to such treatment. However, patients who initially respond ultimately progress while on therapy[3]. Mutations in RAS and BRAF are associated with primary or acquired anti-EGFR resistance in mCRC. In addition, mutations in the extra-cellular domain of EGFR (EGFR-ECD) are believed to be associated with acquired resistance.

Compelling clinical data for Sym004 in mCRC

In September 2017, we reported data from a randomized Phase 2b trial of Sym004, which enrolled 254 patients with late-stage mCRC who had become refractory to prior anti-EGFR mAb therapies, including Erbitux® (cetuximab) and Vectibix® (panitumumab), thus suffering disease progression. This trial was initiated by the prior licensee of Sym004, Merck KGaA (Merck), in December 2013. Merck transferred the trial to us in February 2015. Data showed remarkable improvement in overall survival in well-defined patient populations and we believe, that Sym004 has the potential to become precision medicine for refractory mCRC patients that otherwise have very limited or no treatment options. Our press release from September 11, 2017, available on our website, provides additional details about the trial, efficacy findings and adverse effect profile.

Trial design

The trial was an open-label, randomized, controlled, multi-center Phase 2b trial investigating two Sym004 doses versus

[3] US National Library of Medicine, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4624582/

investigator's choice in 254 patients with mCRC and acquired resistance to anti-EGFR monoclonal antibodies.

End-points

The primary objective of the trial was to assess efficacy of the two different Sym004 dosing regimens compared with investigator's choice in terms of overall survival.

Results

In the intent to treat population, the trial did not meet its primary endpoint of a three-month improvement of median overall survival compared to the control arm. In a secondary pre-specified analysis of patients with available blood samples for testing that included an analysis of three biomarkers of resistance to EGFR treatment, a significant patient population matched such a profile. This patient subset, termed 'triple-negative', demonstrated a clinically relevant increase in median overall survival of 5.5 months over investigator choice (Median: 12.8 vs 7.3 months) when treated with a loading dose of 9 mg of Sym004 per kg body weight (9 mg/kg) followed by 6 mg/kg weekly. With the same dose administered in patients with primarily wild-type RAS and BRAF ('double-negative', 80% of trial patient population), overall survival benefit of Sym004 was 3.5 months (Median: 11.9 vs. 8.4).

Comments

Patients enrolled in the trial were eligible for the trial if prior biomarker analyses, typically conducted at initial mCRC diagnosis, confirmed the patient was wild-type for KRAS exon2. We also conducted extensive circulating tumor DNA profiling of trial participants at baseline to study a range of biomarkers. A comprehensive post hoc biomarker analysis was conducted that revealed that 'double and triple-negative' patients responded well to treatment with Sym004 and that a clear rationale for prospective clinical validation was established. Based on the results, we have initiated dialog with the US and European regulatory agencies with the prospects of further advancing Sym004.

Scientific publication:

Dienstman et al, Safety and Activity of the First-in-Class Sym004 Anti-EGFR Antibody Mixture in Patients with Refractory Colorectal Cancer, *Cancer Discovery* June 2015, 598-610.

Colorectal cancer market facts [4]

Incidence

In 2017, an estimated 504,000 patients will be newly diagnosed with CRC in the United States, the five major EU countries (France, Germany, Italy, Spain, and the United Kingdom) and Japan. A further 271,000 patients will have been diagnosed in urban China.

Survival

50 percent of all patients with CRC will relapse and die due to metastatic disease within five years after being diagnosed.

Value

The 2017 market for mCRC-targeted therapies was estimated at DKK 33 billion. The market is dominated by anti-VEGF compounds, primarily Avastin® (bevacizumab), with annual worldwide sales estimated at DKK 20 billion, and anti-EGFR mAbs, including Erbitux® (cetuximab) and Vectibix® (panitumumab), with annual worldwide sales estimated at DKK 11 billion.

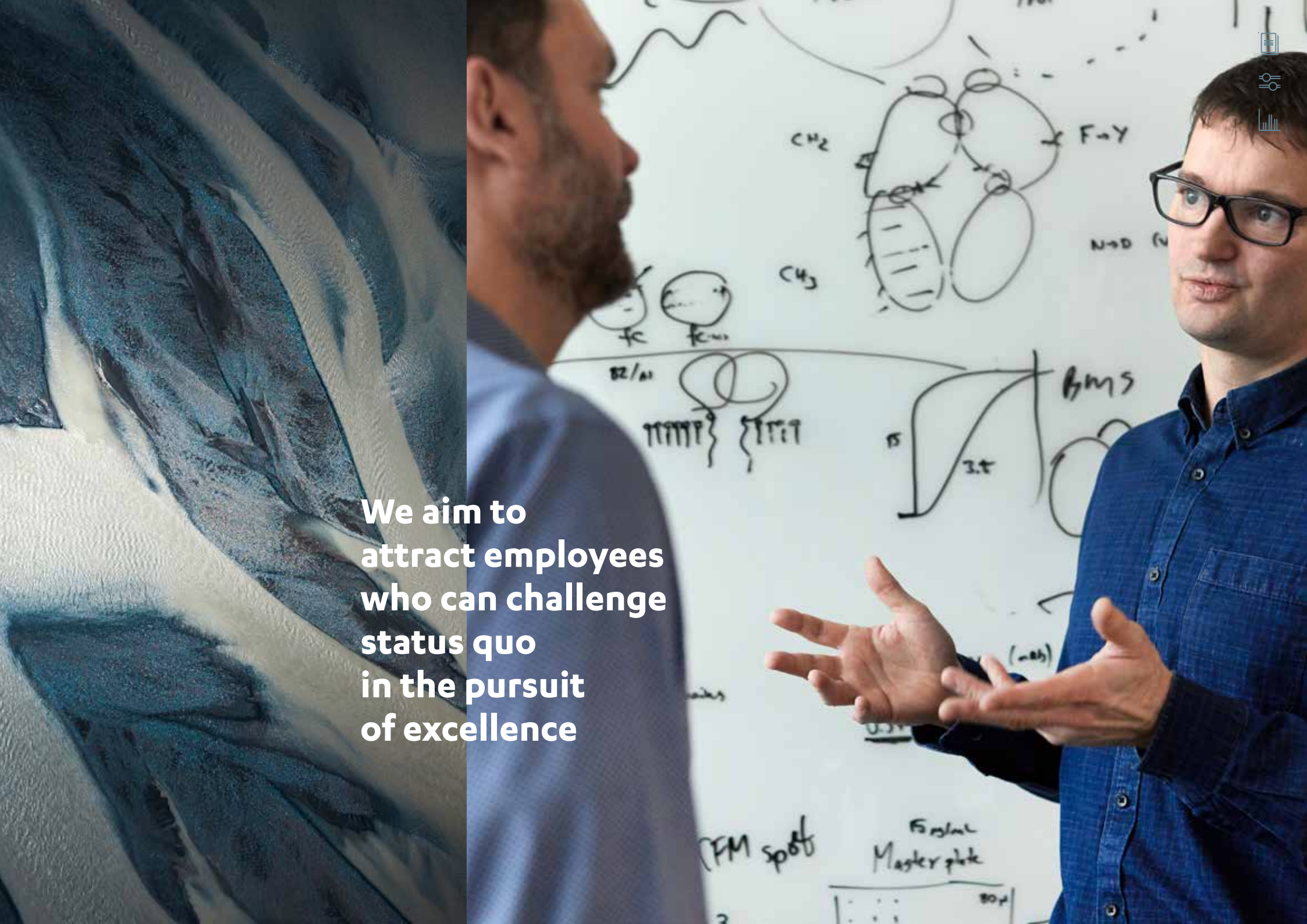
Current treatment

Currently available therapies for patients who have undergone 2-3 previous medicine treatment regimes, and thus considered 3rd or 4th line mCRC patients, generally provide only marginal survival benefit or stabilization. In the period 2012 to 2016, two new late-stage mCRC therapies were launched in the United States, Europe and Japan: LONSURF® (trifluridine and tipiracil) and STIVARGA® (regorafenib). STIVARGA was shown in its Phase 3 trial to provide an overall survival advantage of 1.4 months versus placebo (6.4 vs. 5.0 months)[5], while LONSURF in Phase 3 provided an overall survival advantage of 1.8 months versus placebo (7.1 vs. 5.3 months)[6].

[4] GlobalData, 2017

[5] http://www.hematologyandoncology.net/archives/august-2015/regorafenib-in-metastatic-colorectal-cancer-optimal-dosing-and-patient-selection-recommendations/

[6] https://servier.com/en/2016/02/26/servier-receives-positive-chmp-opinion-for-lonsurf-trifluridinetipiracil-for-refractory-metastatic-colorectal-cancer/



We aim to attract employees who can challenge status quo in the pursuit of excellence

Sym004

Treatment opportunity for glioblastoma

Sym004 is currently being tested in an investigator-sponsored Phase 2a trial in patients with recurrent glioblastoma (GBM). In preclinical models of GBM in which EGFR amplification is present, Sym004 demonstrated promising efficacy. In general, up to 50 percent of GBM patients have amplified EGFR. By removing the EGFR receptors from the surface of the tumor cell and thus preventing tumor growth, Sym004 may provide a new treatment option for GBM patients.

Trial design

Single center trial in up to 92 patients with EGFR-amplified GBM. Patients are randomized into one of two cohorts: non-Avastin® (bevacizumab) failures and Avastin® (bevacizumab) failures. Sym004 is administered biweekly at a dose of 18 mg/kg or 24 mg/kg.

End-points

The primary objective of the trial is to assess the efficacy of Sym004 in terms of six-month progression free survival (PFS).

Secondary objectives of the trial include to determine overall survival, safety, and response rates.

Results

This trial was initiated in February 2016 and is currently ongoing. Based on tolerability of the 18 mg/kg biweekly dose in 27 patients, the dose has been increased to 24 mg/kg biweekly and enrollment at this higher dose level is ongoing. We expect to report from this clinical trial in the first half of 2019.

Glioblastoma market facts[7]

Prevalence

In 2017, an estimated 56,000 treatable patients with GBM were living in the United States and the European Union. With an estimated annual growth rate of 1.5 percent this will have grown to 63,000 in 2024.

Survival

GBM is a highly aggressive malignant primary brain cancer. Median overall survival is under 15 months.

Value

The 2017 market for GBM therapies is estimated at DKK 6.7 billion and is expected to grow 17.5% annually until 2024 (CAGR).

Current treatment

GBM is a relatively rare disease and treatment options are limited. Temozolomide, an alkylating agent, is the current standard of care in combination with surgical resection and radiation therapy. Recurrent GBM has an initial response to temozolomide therapy, but patients lose sensitivity to the drug over time. In 2009, Avastin® was also approved for treatment of metastatic/refractory GBM based on preliminary clinical studies. However, subsequent studies showed no overall survival benefits of Avastin treatment in recurrent GBM. Avastin has nonetheless achieved full approval and remains the current standard of care. The unmet medical needs for this disease are thus extremely high, making GBM an attractive market opportunity for a more effective therapy that provides survival benefit.

[7] Company estimates based on: OpportunityAnalyzer: Glioblastoma – Opportunity Analysis and Forecast to 2024, GlobalData, 2016

Sym013

A first-in-class multi-targeting antibody mixture

To our knowledge, Sym013 is the only antibody mixture single drug product candidate in development that is capable of selectively and directly inhibiting EGFR, HER2 and HER3 simultaneously.

Key facts

- Sym013 is a synergistic antibody mixture containing six mAbs, two targeting each of the EGFR, HER2 and HER3 receptors
- Induces simultaneous removal of all three receptor targets
- Pre-clinical data for Sym013 suggest that a mixture of antibodies that simultaneously inhibits EGFR, HER2 and HER3 is superior to existing targeted therapies in dealing with both primary and acquired resistance due to HER family dependency
- In October 2016, we initiated a Phase 1 dose escalation trial to investigate the safety, tolerability, and anti-tumor activity of multiple doses of Sym013 in patients with advanced epithelial malignancies
- As a first-in-man clinical trial, the Phase 1 trial marks a major milestone for us, as it is the first clinical development program deploying a multi-targeting mAb mixture
- Results from the on-going Phase 1a dose-escalation trial are expected in 2018

Sym013 is a pan-HER (pan human epidermal growth factor receptor) inhibitor for the treatment of advanced epithelial malignancies. Sym013 is a novel drug candidate that addresses three targets in a single drug product to overcome resistance and escape mechanisms of tumor cells, and thus it fully epitomizes our multitargeting mAb mixture platform.

Mechanism of action

There is substantial preclinical and clinical data indicating that mutation, over-expression, amplification, or activation of the pan-HER receptors are critical to the development, progression and acquired resistance of many epithelial cancers. If one of these receptors is inhibited, cancer cells switch to one of the other receptors through a compensatory upregulation and escape treatment. Sym013 is designed to address this common mechanism of tumor resistance by simultaneous inhibition of all three receptors. Accordingly, we expect that a mixture of pan-HER targeting antibodies will be more effective than current therapies targeted by a single receptor.

In addition, the cells within a tumor may display extensive heterogeneity and therefore do not respond equally to therapy. This intra-tumor heterogeneity comprises not only clinically important traits such as ability to metastasize and resist therapy, but also the expression of biomarkers or potential therapeutic targets, including the members of the HER family. Sym013 effec-

tively prevents tumor plasticity, which may allow tumor cells to initiate compensatory signaling and escape treatment.

Clinical development of Sym013
A Phase 1 dose escalation trial of Sym013 was initiated in October 2016. After the completion of the Phase 1 trial, we plan to open a number of Phase 2 tumor-specific trials and to evaluate the safety and efficacy of Sym013.

Market facts
As witnessed from the preclinical findings, Sym013 may play a role in treatment of a broad range of solid tumor indications with high medical needs globally including breast, lung, colorectal, pancreatic and gastric cancer. Thus, there are significant market opportunities for Sym013.

Convincing preclinical data – see illustrations on the right
Results from numerous in vitro and in vivo models of human cancer demonstrate that Sym013 is broadly efficacious against cancer lines of diverse tissue origins and genetic backgrounds in vitro, both in the absence and presence of EGFR ligands and HER3 ligands. Sym013 also effectively induces target down-regulation and prevents compensatory receptor up-regulation in vitro. Importantly, Sym013 effectively suppresses tumor growth in xenograft models of human cancer, including patient-derived models of colorectal and pancreatic cancers. Sym013 is also active in models resistant to EGFR- or HER2-targeted therapeutics (e.g., cetuximab, trastuzumab, pertuzumab and erlotinib) in vitro and in vivo.

Sym013 effectively suppresses tumor growth in multiple preclinical models
Data indicated by black lines show increases in tumor size without treatment with Sym013 and data indicated by purple lines show how treatment with Sym013 suppresses or even reduces tumor size over time. Patient-derived xenografts (PDX) are preclinical models based on patient-derived tumor tissue.

Scientific publication:
Jacobsen et al, Pan-HER, an Antibody Mixture Simultaneously Targeting EGFR, HER2, and HER3, Effectively Overcomes Tumor Heterogeneity and Plasticity, *Clin Cancer* Res. 2015 Sep 15;21(18):4110-22.

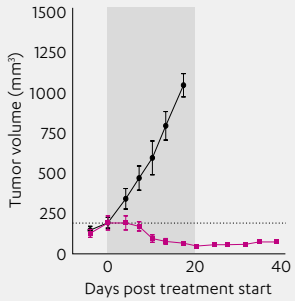
2017 forecasted number of drug-treated patients in 7 Major Markets[1]

Metastatic breast cancer	Stage IIIB/IV Non-small cell lung cancer 2nd line[3]	Metastatic colorectal cancer RAS wt 3rd/ 4th line[5]	Locally advanced and metastatic pancreatic cancer 2nd line[6]	Metastatic gastric cancer 2nd line[7]
HER2 Positive 3rd+ line[2] 39,600	Squamous 64,600	49,700	41,200	98,400
	Non-squamous 87,400[4]			

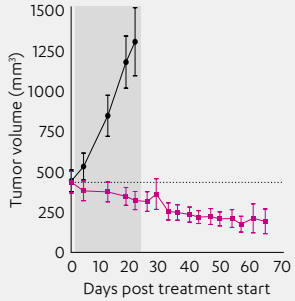
[1] US, EU5 (UK, FR, DE, IT, ES), JP
[2] GlobalData, 2015
[3] GlobalData, 2016
[4] Patients without EGFR and ALK mutations
[5] GlobalData, 2017; IntrinsiQ, 2017
[6] 6MM: US, EU5. GlobalData, 2014
[7] Gastric and gastroesophageal junction adenocarcinoma. GlobalData, 2015

Pan-HER in vivo efficacy in PDX cancer models

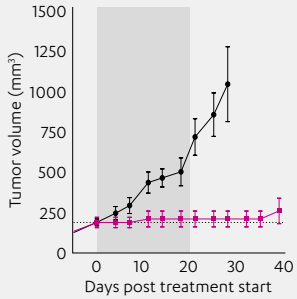
Head & Neck PDX



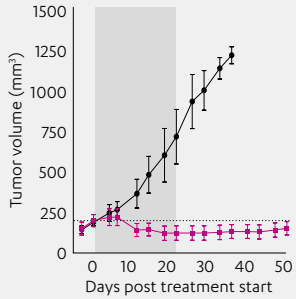
Colorectal PDX



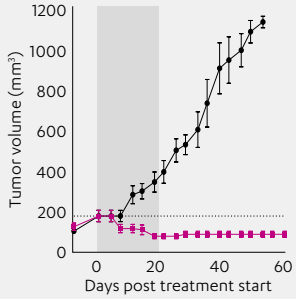
Lung PDX



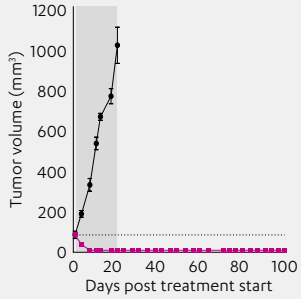
Ovarian PDX



Pancreatic PDX



Breast PDX



Sym015
A differentiated MET inhibitor

Key facts

- A novel antibody mixture containing two humanized mAbs directed at the elimination of the MET receptor, believed to regulate multiple cellular processes that stimulate cell proliferation, invasion, and angiogenesis
- Ongoing open-label, multicenter Phase 1b/2a trial investigating the safety, tolerability, and anti-tumor activity of multiple doses of Sym015 in patients with advanced MET amplified solid tumors
- Dose escalation part of the Phase 1b/2a trial has been completed and therapeutic dose established. Sym015 observed to be well tolerated
- We expect initial safety and efficacy data from the study expansion, or basket trial, in 2018

Our mAb mixture Sym015 is a potent MET inhibitor for the treatment of solid tumors across several indications. MET is a member of the receptor tyrosine kinase family.

Mechanism of action
The two antibodies 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.

Clinical development of Sym015
Recent results suggest that MET amplification identifies a small but clinically important subgroup of cancer patients who are likely to benefit from MET targeting. Although MET amplification occurs in a relatively small percentage of patients, it is present in several highly prevalent cancers including gastric cancer, mCRC, NSCLC, and renal cell carcinoma. In addition to MET amplified tumors, preliminary data suggest activity in tumors with MET exon 14 skipping mutations in NSCLC. This may open an opportunity to identify another druggable target for patients with NSCLC. Which indications we will pursue with Sym015 is dependent on the clinical findings in the ongoing Phase 1b/2a expansion trial.

MET amplification in solid tumors

Sym015 has potential to treat patients with solid tumors showing alterations and/or amplification of the MET proto-oncogene including certain lung cancers and colorectal cancer. METexon 14 alterations for instance are detected in approximately 3–4% of lung adenocarcinomas and 20–30% of pulmonary sarcomatoid carcinomas. The prevalence of MET amplification in NSCLC ranges from 1% to 5%[8]. In colorectal cancer the prevalence of MET amplification has been reported anywhere from 1% up to 23% depending on EGFR mutational status[9].

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.

[8] Drilon et al, Targeting MET in Lung Cancer: Will Expectations Finally Be MET?, J Thorac Oncol. 2017 Jan;12(1):15-26
[9] Raghav et al, MET amplification in metastatic colorectal cancer: an acquired response to EGFR inhibition, no a de novo phenomenon, Oncotarget, 2016 Aug 23; 7(34):54627-54631

Immuno-oncology

Our research activities in the immuno-oncology area are focused on employing our antibody screening methodology against a number of targets demonstrated to be involved in cancer development and progression via negative regulation of the immune system, such as immune checkpoints found on immune cells.

Our research activities in the immuno-oncology area are focused on employing our antibody screening methodology against a number of targets demonstrated to be involved in cancer development and progression via negative regulation of the immune system, such as immune checkpoints found on immune cells. The checkpoint receptors bind a diverse range of ligands found on tumor cells or antigen presenting cells, the most notable example being the immune cell receptor PD1 and its ligands PDL1 and PDL2. Monoclonal antibodies against these immune checkpoints have been shown to provide significant and long-term clinical benefit in an important minority of patients with melanoma and lung, colorectal and renal cancers.

We have generated antibodies against a whole panel of immuno-oncology targets with the aim of identifying novel proprietary mAbs and mAb mixtures. Our goal is to identify and develop drug candidates that can provide therapeutic options for patients whose tumors fail to respond or become resistant to first generation immuno-oncology drugs, such as anti-PD1, anti-PDL1 and/or anti-CTLA-4 antibodies.

The partnership with Shire
In 2016, we announced an exclusive research, option and license agreement with Baxalta Incorporated and Baxalta GmbH, which subsequently became subsidiaries of Shire PLC. Under the agreement Symphogen granted Shire 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 11 billion plus royalties on worldwide sales.

Clinical Phase 1 trial with Sym021
By the end of 2017, one clinical trial had been initiated under the Shire agreement, a Phase 1 trial with Sym021, a mAb discovered by us that binds PD-1 and blocks binding of the inhibitory ligands PD-L1 and PD-L2, thus releasing PD-1-mediated inhibition of the immune response. This is the first study to test Sym021 in humans. The primary purpose of this study is to determine if Sym021 is 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.

Trial design
A Phase 1, Open-Label, Multicenter Trial enrolling an estimated 24 patients. Sym021 will be administered at up to 3 planned dose levels.

"Our research, option and license agreement with Shire is an example of how our technology platform can be applied in immuno-oncology"

End-points
The primary objective of the trial is to assess the safety and tolerability of Sym021 to establish recommended Phase 2 dose.

Comments
This trial was initiated in November 2017 and is currently ongoing.

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 targets.

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 infectious disease patients 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.

Collaboration and license agreement with Genentech
As a validation of our ability to apply the mAb 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.

Sym009 in Phase 1b trial
Under the terms of the collaboration, Genentech is now sponsoring the development of Sym009 for the treatment of certain methicillin-resistant or methicillin-sensitive strains of staphylococcus aureus (MRSA). 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 Staphylococcus aureus (S.aureus) infections. Sym009 was originally discovered by isolating antibodies from individuals exposed to S.aureus using Symphogen's patented Symplex technology.

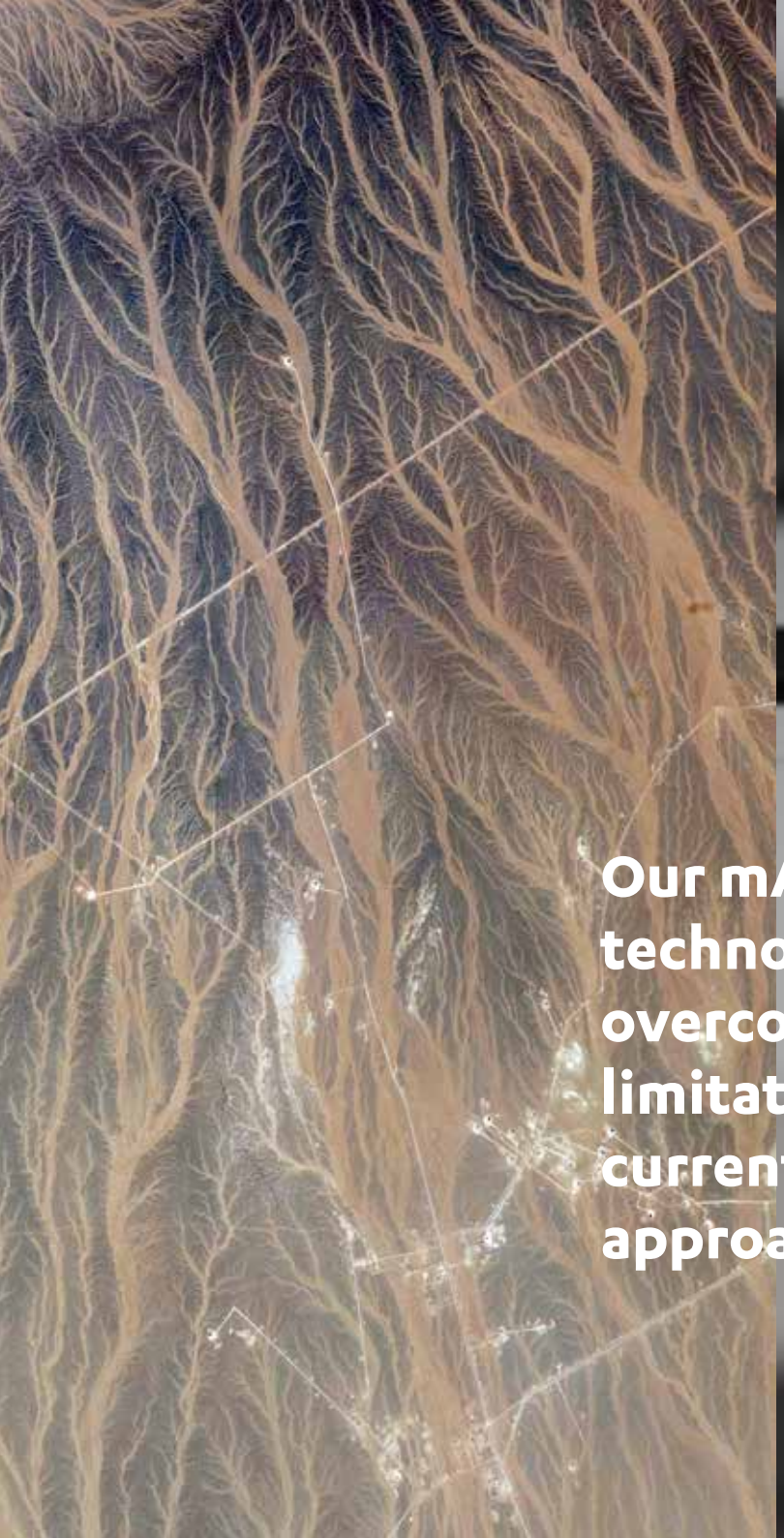
Trial design
A Phase 1b, randomized, double-blind, placebo-controlled, multiple-ascending dose study enrolling up to 24 patients to Investigate the safety, tolerability, and pharmacokinetics of DSTA4637S in patients with Staphylococcus aureus bacteremia receiving standard-of-care antibiotics.

End-points
The primary outcome measure is the percentage of participants with adverse events (AEs).

Comments
This trial was initiated in July 2017 and is currently ongoing.

The initiation of this trial triggered in 2017 a USD 5 million (DKK 31.5 million) milestone payment from Genentech. Our press release from November 30, 2017, available on our website, provides additional details about the milestone payment.

"Sym009 conjugated to an antibiotic agent is in Phase 1b clinical development"



Our mAb mixture technology overcomes limitations of current antibody approaches

Explaining our technology

Our mAb mixture approach
We are pioneering the application of mAb mixtures as a differentiated approach to cancer therapy that can overcome some of the limitations of conventional single-target mAbs. A mAb mixture is a combination of two or more systematically selected, well-characterized mAbs developed as a single drug product. The mAbs in the mixture may bind different positions on the same target or they may bind different targets. The targets can be on the same or on diverse cell types. Targets are typically cell-surface receptors or ligands. Our mAb mixtures may also be combined with immune checkpoint inhibitors or in combination with other treatment approaches.

mAb mixtures are advantageous compared to traditional mAbs as they provide both specificity and diversity. Diversity is essential in cancer treatment due to the rapid evolution of treatment resistance and evidenced by the rising number of product candidates combining multiple therapeutics. Due to their diversity, mAb mixtures have the potential to delay or address treatment resistance by 1) synergistic target inhibition or activation, 2) being less sensitive to mutations destroying the antibody binding site, and 3) by addressing heterogeneity of tumors.

Current approaches to the treatment of cancer
Traditional treatment for cancer therapy involves a combination of resection and chemotherapy, depending on the indication. Over the last two decades, new paradigms of cancer research and treatment has emerged that employs targeted therapies, including:

- **Monoclonal antibodies:** As a drug class, tumor-targeting mAbs have transformed oncology treatment and represent some of the most effective and top selling therapies on the market. However, the success of conventional single-target mAbs has been hindered to some degree by limited efficacy due to primary resistance and rapid development of acquired resistance.
- **Immune checkpoint inhibitors:** These drugs stimulate the immune system to help it recognize and attack cancer cells. Some of the checkpoint targets for immunotherapies include PD-1, PD-L1, CTLA-4, LAG3, and TIM-3.
- **Cancer vaccines:** Vaccines are substances designed to start an immune response against certain diseases. Some vaccines can help prevent or treat cancer.
- **CAR-T Therapy:** T-cells are removed from the patient's blood and genetically altered outside the patient to have specific antigen receptors on their surface. The T-cells are then multiplied and given back to the patient, where they can now seek out the cancer cells and launch a precise attack against them.
- **Combination Therapy:** In several cancer indications, combinations of checkpoint inhibitors have provided additional improvement of survival and opened the door to chemotherapy-free treatment of some solid tumors.

Our mAb mixture technology overcomes limitations of current antibody approaches

Limitations of current mAb-based approaches

- Limited single mAb-mediated receptor removal
- Limited ability to address biological complexity of tumors
- Administration of multiple drugs of single mAbs is inconvenient and expensive for patients and may not have synergistic effects
- Bispecific antibodies can be difficult to manufacture
- Bispecific antibodies have physical limitations

Benefits of our mAb mixture approach

- Rapid and effective mAb-mediated receptor removal
- mAb mixtures employ a multi-targeted and/or multiple binding site approach
- mAb mixtures offer administration and pharmaco-economic benefits
- We have developed a commercially viable mAb manufacturing platform
- Not dependent on specific spatial positioning

- **Antibody Drug Conjugates:** Antibody drug conjugates (ADCs) comprise two functional units chemically connected or conjugated to each other: a drug payload and a mAb. ADCs combine the targeting abilities of the antibody with the cancer killing ability of cytotoxic drugs, leading to improved specificity in targeting tumor cells compared to traditional chemotherapy. Bispecific antibodies are another class of biologics that can simultaneously bind a cancer cell and a T-cell, leading to the destruction of the cancerous cell by the T-cell. This ability improves the potency of bispecific antibodies compared to first generation mAbs.

mAb mixtures for RTK inhibition

Our proprietary mAb mixture product candidates consist of pairs of synergistic antibodies designed to bind non-overlapping epitopes on the extra-cellular ligand binding part of a particular RTK. Upon binding the RTK, the antibody pair induces cross-linking of the receptor, which in turn triggers internalization and degradation of the receptor-antibody complex. The result is rapid elimination of the oncogenic RTK from the cancer cells, effective receptor inhibition and prevention of tumor growth, as seen in the figure on the left below.

Receptor elimination is an effective mechanism for inhibiting RTK activity and the figure on the right below charts data from a preclinical model comparing Sym004 to the two individual antibodies: 992 (futuximab) and 1024 (modotuximab) constituting the Sym004 mixture as well as the current market-leading anti-EGFR antibody Erbitux® (cetuximab). The Sym004 product induces a pronounced synergistic and durable tumor growth inhibition while the single mAbs only slow down tumor growth.

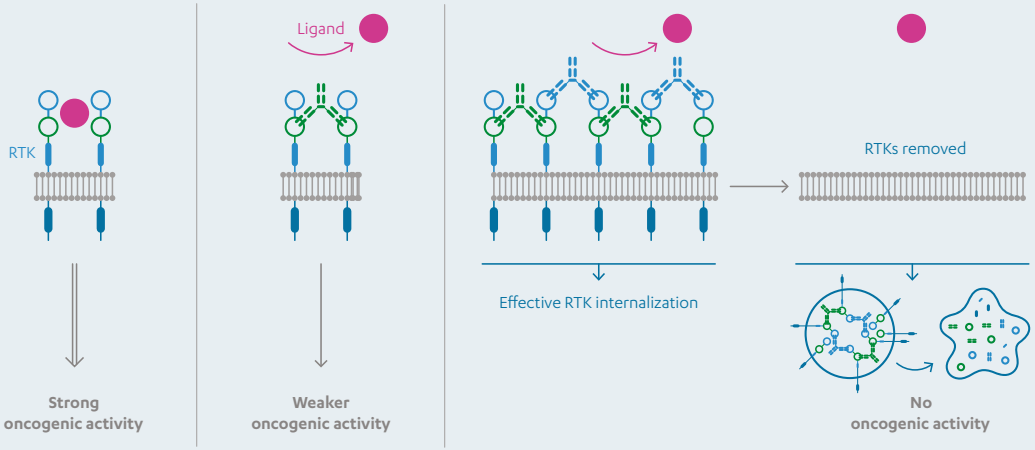
A best-in-class research platform

Since our inception, we have been focused on developing and optimizing a best-in-class antibody research platform, as evidenced by the scope and diversity of our pipeline. The platform is based on animal immunizations followed by sorting of tens of thousands of individual B-cells, which produce antibodies, from immunized animals and cloning of antibodies from each individual B-cell. Guided by next-generation sequencing, we can generate large and very diverse antibody repertoires against most targets, which is a prerequisite for our ability to identify synergistic antibody mixtures. Depending on the animal used the antibodies are either fully human or humanized. Fully human antibodies may be generated from either immunized transgenic animals or from human donors exposed to an immunogen. Humanized antibodies are derived from wild-type animals including mice and chickens; the resulting antibodies are then engineered to more closely mirror human antibodies.

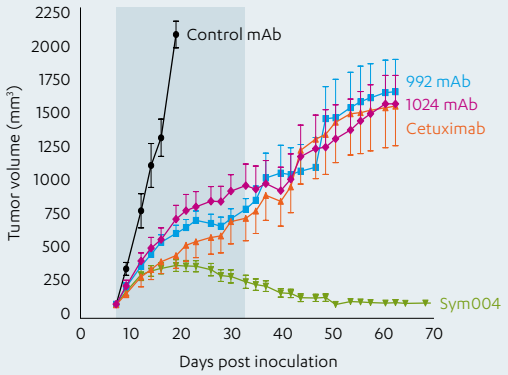
How we identify synergistic mAb mixtures

Antibody mixtures can contain two or more distinct antibodies binding an individual target or multiple targets. To identify an optimal mixture, a large repertoire of monoclonal antibodies must be screened to ensure synergistic effect. Our proprietary, functional lead selection technology (SymSelect®) can rapidly compare and rank individual mAbs and mAb mixtures in any given functional assay using any given cell type. The technology is based on a high throughput screening process of all potential permutations of hundreds of unique antibodies against the same or different targets to determine the optimal size and composition of an antibody mixture. The output is a functional ranking of individual mAbs and mAb mixtures, which allows rapid identification of synergistic mAb mixtures with superior function. Potential synergistic mixtures are then validated in dose-response experiments in vitro and later in animal models before being advanced to clinical stage.

mAb mixture cross-linking represents novel mechanism of action for RTK receptors



Synergistic effect of Sym004 documented in vivo (50mg/kg total dose twice weekly)



2018 Outlook
Follow-up on 2017

In 2017, we realized revenue of DKK 291 million, operating expenses of DKK 440 million and a net loss of DKK 145 million.

Compared with 2016, revenue generated in 2017 increased by DKK 76 million or 36%. The increased revenue was in accordance with our forecast and consists of recognition of upfront payment from the collaboration agreement with Shire and a development milestone payment received under the collaboration agreement with Genentech. The increased revenue from the Shire collaboration is a result of increased research and development work under this collaboration agreement. The milestone payment from Genentech was triggered by the initiation of a Phase 1b clinical trial in infectious disease containing a Symphogen-generated antibody.

We incurred operating expenses of DKK 440 million in 2017 which was a decrease of DKK 209 million or 32% compared to 2016. In 2017, Symphogen reversed discontinued clinical trials accruals for Sym004 of DKK 50 million (compared to an accrual of DKK 60 million in 2016). The reversal was a result of further insight into the extent of termination activities. In 2016, Symphogen recognized accelerated warrant expenses due to the retirement of the former CEO and introduced a new program for Executive Management and the Chairman of the Board, which will run in parallel with former programs. When adjusting the total operating expenses for the impact of share-based compensation expenses in 2016 and the impact of discontinued clinical trials accruals for Sym004 in both 2017 and 2016, the operating expenses decreased sligthly in 2017 compared to 2016.

2018 Outlook and results for 2017

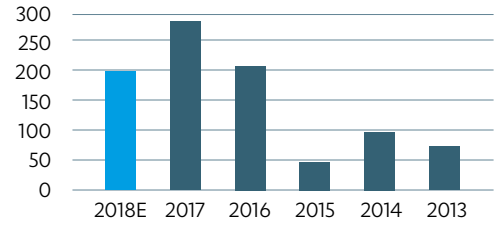
DKK'000	2018 Outlook	2017 Actual
Revenue	175,000 - 200,000	290,709
Operating expenses	(575,000) - (625,000)	(439,789)
Net loss	(400,000) - (450,000)	(145,481)

Outlook for 2018

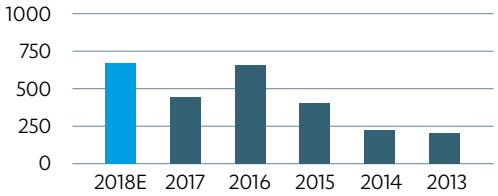
In 2018, we expect revenue of DKK 175-200 million and operating expenses of DKK 575-625 million. The activity for 2018 results in an expected net loss of DKK 400-450 million. Revenue of DKK 195 million is expected from recognition of the allocated upfront payment under the collaboration agreement with Shire. This is based upon the assumption that we will conduct the research and development work as planned. We do not expect to recognize revenue from milestones, royalties, or license fees in 2018. For the financial year ending December 31, 2018, we expect to incur substantial costs associated with clinical trials under the development programs. Expected total operating expenses of DKK 575-625 million are primarily related to continuance of clinical trials of Sym013 and Sym015, respectively, further clinical trials on Sym004, and the continued research and development activities under the Shire collaboration agreement. Net loss of DKK 400-450 million is expected, primarily related to the substantial costs associated with the planned clinical trials under the development programs.

Consolidated key figures and ratios

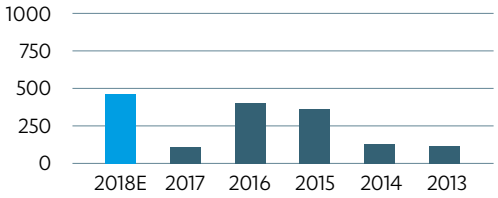
Revenue
DKK million



Operating expenses
DKK million



Net loss
DKK million



DKK'000	2017	2016	2015	2014	2013
Income statement					
Revenue	290,709	214,235	48,526	98,742	74,988
Research and development expenses	(369,162)	(507,636)	(337,177)	(189,232)	(147,151)
General and administrative expenses	(70,627)	(140,894)	(67,673)	(42,122)	(56,087)
Operating result	(149,081)	(434,295)	(356,324)	(132,612)	(128,250)
Net financial items	(1,780)	14,823	(9,638)	4,640	7,592
Net loss	(145,481)	(414,940)	(360,147)	(122,564)	(119,486)
– of which share-based expenses account for	(10,499)	(90,547)	(20,742)	(5,870)	(19,584)
Statement of financial position					
Total non-current assets	83,908	172,543	53,605	56,952	40,243
Cash and cash equivalents	496,144	695,065	64,271	28,015	42,773
Marketable securities	290,638	238,278	217,527	174,553	283,662
Total assets	995,844	1,124,036	362,719	279,990	388,734
Total shareholders' equity	(225,991)	(90,430)	232,094	221,894	337,941
Cash flow statement					
Cash flow from operating activities	(488,935)	666,920	(259,197)	(99,633)	(98,771)
Cash flow from investing activities	(59,741)	(38,397)	(52,496)	86,128	(104,392)
Hereof investment in property, plant and equipment	(8,454)	(19,272)	(8,511)	(24,376)	(24,832)
Cash flow from financing activities	372,516	1,244	347,505	(1,657)	198,227
Net cash flow for the year	(176,161)	629,767	35,811	(15,162)	(4,935)
Financial ratios					
Equity ratio (%)	(23%)	(8%)	64%	79%	87%
Earnings per share (DKK)	(152)	(480)	(562)	(195)	(190)
Average number of employees	112	111	99	104	101

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

2017 financial review

The financial review is based on the consolidated financial information for the year ended December 31, 2017, 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 145.5 million in 2017, compared to a net loss of DKK 414.9 million in 2016. The development is explained below.

DKK'000	Dec 31, 2017	Dec 31, 2016	Net Change	% Change	Management's comments
Statement of profit or loss					
Revenue	290,709	214,235	76,474	36%	Revenue in 2017 increased compared to 2016 due to increase in services rendered under the Shire collaboration of DKK 258.1 million and income from milestone payment received under the agreement with Genentech of DKK 32.6 million. In 2016, revenue solely comprised revenue from services rendered under the collaboration agreement with Shire.
Research and development expenses	(369,162)	(507,636)	138,474	(27%)	Of the DKK 138.5 million decrease in research and development expenses, an impact of DKK 110.0 million related to discontinued clinical trials accruals for Sym004. In 2017, Symphogen reversed discontinued clinical trials accruals for Sym004 of DKK 49.6 million (compared to an accrual of DKK 60.4 million in 2016). The reversal was a result of updated insight into extend of termination activities. Further, research and development expenses decreased due to lower share-based compensation of DKK 14.4 million. Excluding changes in discontinued clinical trials accruals for Sym004 and share-based compensation, research and development expenses decreased by DKK 14.0 million, or 3%.
General and administrative expenses	(70,627)	(140,894)	70,267	(50%)	Of the DKK 70.3 million decrease in general and administrative expenses, an impact of DKK 65.6 million related to lower share-based compensation expenses. In 2016, Symphogen recognised accelerated warrant expenses due to the retirement of the former CEO and introduced a new program for Executive Management and the Chairman of the Board, which will run in parallel with former programs. Overall, general and administrative expenses accounted for 16.1% of our total operating expenses in 2017, compared to 21.7% in 2016. When adjusting the total operating expenses with the impact of unusual share-based compensation expenses in 2016 and the impact of discontinued clinical trials accruals for Sym004 in both 2017 and 2016, the operating expenses decreased sligthly in 2017 compared to 2016.
Total operating expenses	(439,789)	(648,530)	208,741	(32%)	
– of which share-based expenses account for	(10,499)	(90,547)	80,048	(88%)	The share-based payment expense in 2017 consisted of DKK 3.7 million, or 35.5%, for individuals employed with research and development and DKK 6.8 million, or 64.5%, for Executive Management, Board of Directors and individuals employed in administrative functions. The share-based compensation expenses in 2016 were significantly impacted by the issue of a new program for Executive Management and the Chairman of the Board, which runs in parallel with former programs, but as mutually exclusive when exercised. Further, the share-based compensation expenses in 2016 were significantly impacted by accelerated warrant expenses due to the retirement of the former CEO (DKK 40.1 million).
Net financial items	(1,780)	14,823	(16,603)	(112%)	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, compared with a net gain of DKK 3.9 million in 2016, combined with realized gain on derivative financial instruments of DKK 12.3 million in 2016. Furthermore, Symphogen recorded in 2017 an interest income of DKK 9.7 million regarding the tax receivable related to uncertain tax positions.

DKK'000	Dec 31, 2017	Dec 31, 2016	Net Change	% Change	Management's comments
Income tax	5,379	4,533	846	19%	There was no material change in income tax compared with 2016 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 2017 and 2016.
Net loss	(145,481)	(414,940)	269,459	(65%)	
Balance Sheet					
Total non-current assets	83,908	172,543	(88,635)	(51%)	The decrease of DKK 88.6 million was mainly due to tax receivable of DKK 85.9 million being classified as current at end of 2017. Refer to note 6.1 in the consolidated financial statements for further information about the tax receivable.
Cash	496,144	695,065	(198,921)	(29%)	The net decrease in cash and cash equivalents of DKK 198.9 million, or 29% compared to 2016, is a result of Symphogen's operating activities and higher net investments in marketable securities of DKK 32.2 million, partly offset by proceeds from utilization of convertible debt instrument of DKK 372.2 million. Furthermore, Symphogen's cash and cash equivalents decreased by DKK 22.8 million as a result of development in the USD currency exchange rate on Symphogen's USD cash position.
Marketable securities	290,638	238,278	52,360	22%	Symphogen has in 2017 invested in additional low-risk marketable securities as part of Symphogen's treasury management.
Total assets	995,844	1,124,036	(128,192)	(11%)	
Shareholders' equity at year-end	(225,991)	(90,430)	(135,561)	150%	The decrease was due to the negative net result for the year of DKK 145.5 million, partly offset by grant of share-based payments awards of DKK 10.5 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	(488,935)	666,920	(1,155,855)	(173%)	The extraordinary positive cash flow in 2016 was driven by the upfront payment of DKK 1,197.7 million received as part of the collaboration agreement with Shire. Adjusted for the upfront payment, we realized a negative cash flow from operating activities of DKK 530.8 million in 2016.
Cash flow from investing activities	(59,741)	(38,397)	(21,344)	56%	The increased outflow of DKK 21.3 million reflects an increase in net cash outflow from sale and purchase of marketable securities of DKK 32.2 million, partly offset by a decrease of DKK 10.8 million in investments in property, plant, and equipment in 2017 compared with 2016.
Cash flows from financing activities	372,516	1,244	371,272	>1000%	The increase related to utilization of convertible debt instrument in 2017 of DKK 372.2 million.
Net cash flow for the year	(176,161)	629,767	(805,928)	(128%)	

Corporate governance

Our aim regarding good corporate governance is to ensure transparency and accountability and that we meet our obligations to shareholders, partners, employees, authorities and other key stakeholders to the best of our ability in order to maximize long-term value creation.

Shareholders
Shareholders have ultimate authority over Symphogen 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. Our share capital is divided into eleven different share classes (further specified in note 4.2 of the consolidated financial statements) with different rights regarding proceeds, distributions, and qualifications for major decisions regarding our strategy. Our shareholders have entered into a Shareholders' Agreement, which among other things governs the casting of votes, special majority qualifications for certain shareholder decisions, and rights associated with selling and buying shares.

Board of Directors
We have a two-tier management structure consisting of a Board of Directors and an Executive Management. Powers are distributed between the Board of Directors and the Executive Management. The two bodies are separate, and only the CEO serves as a member of both. All Board members are elected at the Annual General Meeting, serve a one-year term, and are eligible for re-election. The Executive Management is appointed by the Board. The Executive Management handles day-to-day management, while the Board supervises the work of the Executive Management and is responsible for the general strategic direction.

The Board of Directors currently consists of nine members. Currently, one Board member is female and five of the nine shareholder-elected Board members are non-Danes. Our Board of Directors holds both ordinary and extraordinary meetings during the year.

The Board of Directors performs its duties in accordance with its rules of procedure, which include rules on the allocation of powers and duties between the Board of Directors and the Executive Management and rules on the keeping of minute books. Before each ordinary meeting, the Board of Directors receives a report from the Executive Management on the status of the business, including a status report on drug discovery and development projects, business development activities, budget and financial information, a risk assessment, and the organization. Other duties include establishing policies and making decisions on, e.g., strategy plan, business plan, R&D plan, budgets, material collaboration agreements, incentive plans, treasury policy, annual report, and the appointment of executive officers. The Board of Directors has established an Audit Committee, a Remuneration Committee, and a Development Committee.

Audit Committee
The Audit Committee assists the Board of Directors in fulfilling its responsibilities by monitoring the oversight of the system of internal controls, and by a financial monitoring function including examining the annual reports prior to their adoption by the Board of Directors. The Audit Committee evaluates the independence and competences of the auditors and makes recommendations for appointment of auditors.

Symphogen's shareholder distribution – 2017

27%	EW Healthcare Partners	7%	Sunstone Capital
23%	Novo Holdings A/S	4%	Gilde Healthcare
17%	PKA	2%	Danica Pension
11%	Lønmodtagernes Dyrtidsfond	9%	Others

The Audit Committee also reviews our accounting policies and evaluates significant accounting and reporting issues. The Audit Committee agrees on the fees, terms, and other conditions of engagements, including non-audit services, with the independent auditors and monitors the audit process. The independent auditors report directly to the Audit Committee with respect to audit findings and other recommendations, including issues regarding the accounting policies and financial reporting process. Audit findings and recommendations from the independent auditors are reviewed by the Audit Committee and our CFO to ensure that any issues are properly addressed, and all material items and conclusions are presented to the Board of Directors.

Development Committee
The role of the Development Committee is to evaluate and advise the Board of Directors on scientific, regulatory and development activities that are critical for our programs and technology. The Development Committee supports the Board of Directors in setting and monitoring goals and objectives for our research and development activities and prioritizing activities. The Development Committee reviews our research and development activities on a regular basis and reports to the Board of Directors at each Board meeting.

Remuneration Committee
The role of the Remuneration Committee is to advise the Board of Directors on the adoption of policies that govern our compensation programs, including incentive and benefit plans. The Remuneration Committee supports the Board of Directors in setting goals and objectives for the Executive Management, evaluating its performance and deciding on the annual compensation. The evaluation of the performance of the Executive Management is conducted based on a close dialogue with the CEO, and the results of the evaluation process are subsequently considered by the entire Board of Directors. The Remuneration Committee monitors management compensation program trends to ensure that our executive compensation programs are suited to attract, retain, and motivate executive officers and align the interests of Executive Management with the long-term interest of our shareholders. The Remuneration Committee also monitors any extraordinary severance terms associated with members of management or staff leaving the company.

Remuneration
We aim to attract, retain, and motivate talented individuals. Remuneration rewards short-term and long-term performance and is aligned with shareholder interests. We have issued guidelines for compensation, "Compensation Guidelines", which govern the remuneration to our Board of Directors, Executive Management, and employees. The Compensation Guidelines are presented to the annual general meeting of shareholders for approval. The Compensation Guidelines govern base fees, salaries, cash-based and equity-based incentives. The equity-based incentives applicable to our Board of Directors, Executive Management, employees, and certain consultants must in no event exceed 15% of the calculated, fully diluted share capital.

Board of Directors' remuneration
The remuneration of our Board of Directors comprises a fixed base fee and a multiplier of the fixed base fee for the Chairmanship and members of the Audit Committee, Development Committee, and ad hoc tasks. In connection with the adoption of the annual report, the Board of Directors endorses the actual remuneration for the past financial year, which is then presented to the annual general meeting for approval. Expenses such as travelling and accommodation expenses in relation to Board meetings are reimbursed. Warrants are granted on an annual basis consisting of an initial grant upon election and yearly grants each vesting over four and two years, respectively.

Executive Management's remuneration
The remuneration of our Executive Management comprises a fixed base salary, a cash-based incentive, a share-based incentive, and other benefits. The split between fixed and variable remuneration is intended to result in a reasonable part of the salary being linked to performance, while promoting sound long-term business decisions to achieve the company's objectives. We may terminate employment by giving executive officers up to 24 months' notice. Executive officers may terminate their employment by giving us up to six months' notice. During the notice period, executive officers are entitled to a severance payment. Current service contracts allow severance payments of up to 36 months' fixed base salary plus target bonus and pension contributions in the event of a merger, acquisition, or takeover of Symphogen.

Further information concerning the Executive Management's remuneration, including share-based instruments is disclosed in note 5.1 and 5.2 in the consolidated financial statements.

Board meeting overview

	2017	2016
Meetings with physical attendance	4	3
Conference calls	5	1
Strategy meetings	1	1

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, and financial 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.

Strategic focus area	Key risk	What can go wrong	Impact of unfavorable outcome	Mitigating actions taken by the company
Advance our proprietary clinical pipeline of mAb mixture product candidates	Inability to prove clinical efficacy and/or safety, and obtain required regulatory approvals to commercialize the product candidates.	The product candidates may not be successful in clinical trials despite favorable results in earlier preclinical studies and clinical trials. Our development of therapeutic treatments is based on novel technologies that are unproven in a commercial context and may not result in marketable products. Regulatory agencies in Europe and the US have limited experience with mAb mixtures, which may increase the uncertainty and length of the regulatory approval process for our product candidates.	Delays or failure to complete the development of the products or if our products are not approved for commercialization as intended or additional clinical trials are required, it would materially and adversely affect our business, financial condition, results of operations and future growth prospects.	Our clinical trials are designed to prove safety and efficacy. Furthermore, we frequently consult with regulatory agencies, such as the FDA, as well as our scientific advisory Board and lead investigators who are consulted to review clinical observations and to obtain guidance on the clinical protocols and programs.
Maintaining compliance with legislation, industry codes and ethical standards	Inability to adhere to regulatory requirements pose risks of reputational damages and monetary penalties.	Our activities are subject to substantial regulation. The product candidates may not obtain regulatory approval or fulfill regulatory compliance. Even if we receive regulatory approval for a product candidate, we, our collaboration partners and the manufacturers will be subject to ongoing regulatory obligations and review. The product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following regulatory approval.	If any product candidate receives marketing approval and subsequently causes undesirable side effects, the ability to market the product candidates could be compromised. Adverse events, product liability lawsuits and other claims brought against us may result in substantial liabilities and we may be required to limit commercialization of our product candidates.	We have implemented multiple procedures and conduct training sessions to ensure that all regulatory requirements are considered in our operations. When entering key supplier and collaboration agreements, we perform due diligence procedures to ensure that the partner has sufficient measures in place to comply with relevant regulatory requirements.

Strategic focus area	Key risk	What can go wrong	Impact of unfavorable outcome	Mitigating actions taken by the company
Commercialization of product candidates at commercially viable terms and conditions	Inability to obtain relevant market share or inadequate level of coverage and reimbursement for our product candidates by third-party payers.	The market may not be receptive to our product candidates for a variety of reasons. Competition in the biotechnology and pharmaceutical industries is intense and competitors may discover, develop, or commercialize products faster or more successfully. Lack of sales and marketing capabilities internally or through third parties may result in ineffective commercialization of the product candidates. Governments may impose restrictions on pricing or reimbursement, or cost-containment initiatives.	Any failure or delay in entering marketing and sales agreements with third parties on acceptable terms or the development of internal sales, marketing and distribution capabilities, with respect to our own product candidates would adversely impact the commercialization of such product candidates, and thus our business, financial condition, results of operations and future growth prospects.	Our clinical trials are designed to prove efficacy, thereby providing insight as to the potentially improved efficacy compared to alternative and competing therapies. Furthermore, the trials provide insights into the products safety profiles. Such data are essential to provide the stakeholders' sufficient information about the health outcome of our products to ensure commercial success.
Obtaining capital when needed on acceptable terms	Failure to obtain necessary capital when needed on acceptable terms, or at all, could force us to delay, limit, scale back or cease our product development or any other or all operations.	We will require substantial additional financing to achieve our strategy and risk being unable to obtain the necessary capital when needed on acceptable terms. We may not be able to comply with certain agreements that require upfront, milestone, royalty, and other payments, which may require additional financing. We have never generated any revenue from product sales and may not be able to achieve profitability.	If adequate funds are not available on a timely basis, it may result in delay, limit, scale back or cease of research and development activities, preclinical studies, clinical trials, and/or the establishment and maintenance of functions and activities that may be necessary to commercialize our product candidates. Failure to comply with financing requirements could have a material adverse effect on our business, financial condition, results of operations and future growth prospects.	While our cash and cash equivalents position at December 31, 2017 is sufficient to support our operating cash flow needs beyond December 31, 2018, it is expected that we will need to attain additional funding to support working capital needs for 2019 and beyond. We intend to finance our operations by one or more capital markets transactions or partnerships. In case that such activities are not completed, we will either seek alternative methods of finance in cooperation with our existing shareholders or revisit our strategic plans for 2019 and beyond.

Strategic focus area	Key risk	What can go wrong	Impact of unfavorable outcome	Mitigating actions taken by the company
Safeguarding manufacturability of our antibody molecules and securing that material for clinical trials are readily available	Contract manufacturing organizations (CMO) may not have adequate or timely capacity or competencies and they therefore may not be available to manufacture relevant material at any given time.	We rely on third parties to manufacture our drug supplies and we intend to rely on third parties to produce commercial supplies of any approved product candidate. We also rely on third parties to conduct clinical trials and perform data collection and analysis, which may result in failures, additional costs and delays that prevent us from successfully commercializing our product candidates.	The loss of key suppliers, or their failure to supply, could materially and adversely affect our business, financial condition, results of operations and future growth prospects.	We have entered into a long-term agreement with CMC Biologics that provides us with preferred facility access to a clinical facility on a 12-month rolling booking structure with fixed pricing. With this agreement, we believe that we have fully secured manufacturing needs for current and planned project portfolio.
Maintaining intellectual property protection for our proprietary pipeline	We may not adequately file for patent protection or other parties may try to limit our freedom to operate or try to limit the availability of our products and technologies.	We may be unable to obtain or protect intellectual property rights related to our product candidates, or may fail to comply with our obligations under license or technology agreements. A dispute concerning the infringement or misappropriation of our proprietary rights or the proprietary rights of others could be time-consuming and costly, and an unfavorable outcome could harm our business.	Lack of patent protection may lead to inability to compete effectively in the market. Also, third parties may assert ownership of commercial rights to inventions developed by us. This could could have a material adverse effect on our business, financial condition, results of operations and future growth prospects. Failure to comply with license or technology agreements could result in the loss of license rights or limitation of rights to develop and commercialize product candidates that are critical to the business.	We actively seek to protect the intellectual property and proprietary information and technology that we believe are important to our business. While drafting and filing patent applications, we engage third-party specialists to support this process.

Our product candidates address today's need for precision medicine

Human resources

A symphony is an extended musical composition. It requires an orchestra consisting of many highly skilled individuals acting together as one unit guided by a conductor. We see Symphogen in a similar way.

Guided by our vision, mission, business objectives and values, we strive to attract and retain the most qualified people and organize these highly skilled and experienced people into high performance units. Only by working closely together we can fulfill our vision of developing and offering superior mAb mixture therapeutics to improve the lives of patients with cancer and other diseases with significant unmet medical needs.

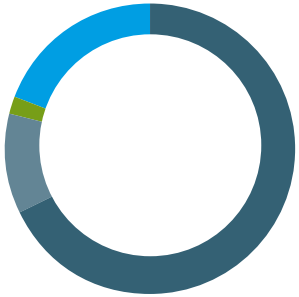
Organization

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 with a number of specialists and service functions such as business development, quality assurance, human resources, information technology, finance, and administration. As of December 31, 2017, we had 111 employees, 79% of whom were primarily engaged in research and development activities.

Educational background

35% Ph. D.
25% Master's degree
21% Laboratory techician
19% Bachelor & other degrees



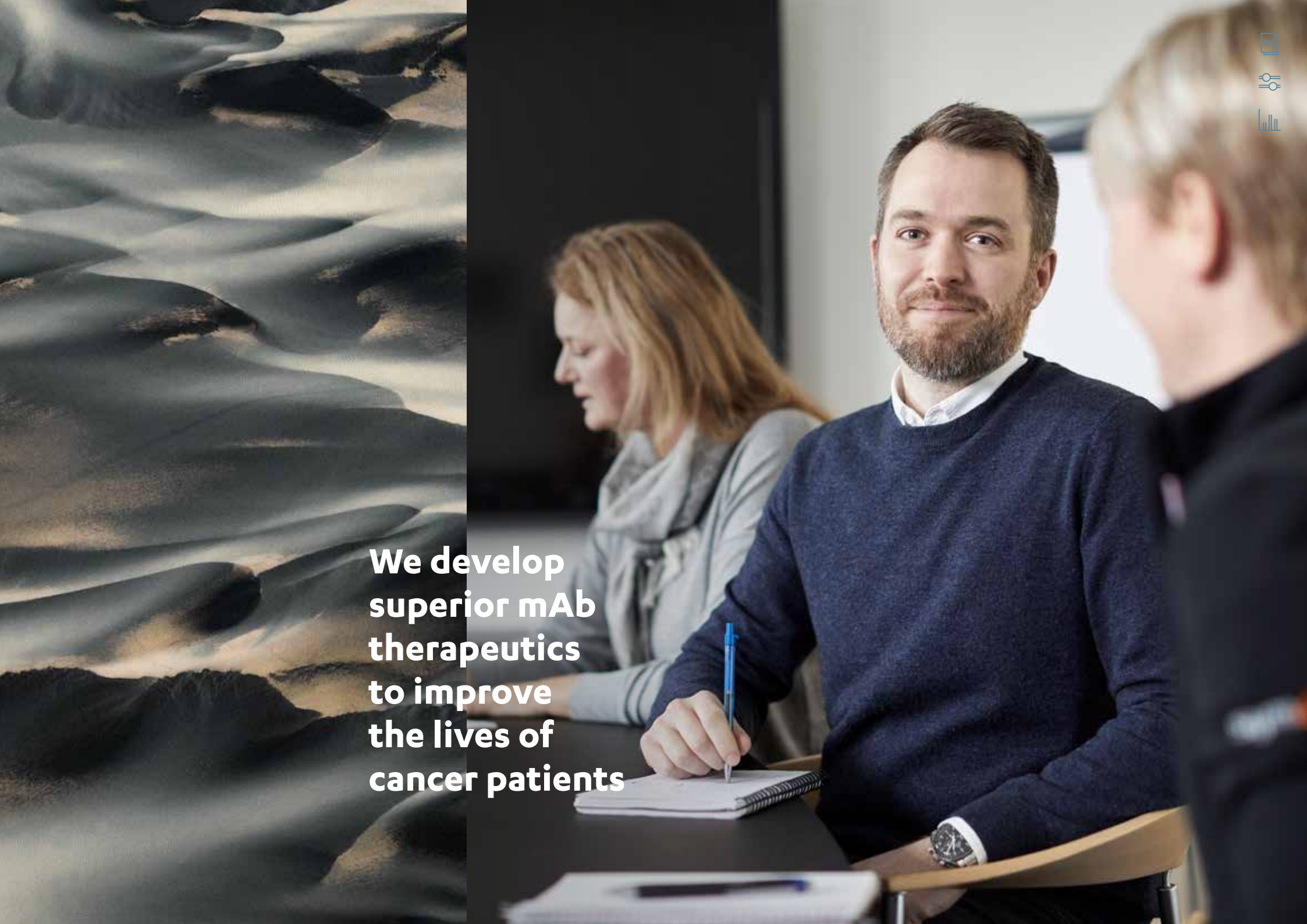
Breakdown by function

70% Preclinical R&D
9% Clinical R&D
1% Commercial
20% Administration

Our values are defined as Pioneering, Diversity, Commitment, and Teamwork and are all an integral part of how we create results by guiding our employees in their everyday work.

Value	How we live our values	How we measure our values	2017	2016
Pioneering We advance the frontier of antibody mixtures	The novelty of our mAb mixture platform requires a high educational level of Symphogen's employees. We aim to attract employees with passion for their work and who can challenge status quo in the pursuit of excellence	• Employee holding a scientific, advanced degree, Ph.D., or Master	55%	52%
		• Employees in Research and Development	79%	80%
		• Published manuscripts in peer-reviewed journals	3	5
Diversity We welcome diversity and value individual differences	By listening well and respecting others' opinions, and by being open-minded about new ideas, we learn from each other and drive innovation	• Average age of workforce[1]	46.5 years	45.8 years
		• Male/female gender split (M/F)	46/54%	42/58%
		– Managerial level and above (M/F)	58/42%	53/47%
		• Seniority[1]	4.5 years	3.9 years
Commitment We hold ourselves and others accountable for outcomes	We are loyal to decisions made and execute with pace, discipline, and focus, and we are willing to walk the extra mile	• Programs in clinical development	6	5
		• Approved INDs	1	0
		• Employee turnover[2]	10%	5%
		• Employee absence[3]	2.8%	2.3%
Teamwork We believe in the power of teamwork	We are strong team players and share knowledge and support others' development through feedback and support. And most of all, we build a fun and engaging culture where successes are celebrated	• Full-time employees at the end of the year	111	124
		• Share of employees rated exceptional or excellent performers in annual performance review	44%	42%
		• Completed employee appraisal process	100%	100%

[1] Average age of full-time employees at end of the year.
[2] Employee turnover percentage is calculated by the full-time employees voluntarily leaving since the beginning of the year divided by the average number of full-time employees.
[3] The rate of absence is measured as absence due to the employee's own illness or childrens illness compared with a regional standard average of working days in the year, adjusted for holidays.


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

Corporate social responsibility

As a biopharmaceutical company, we work with evolving new technologies. New medicines offer great potential to contribute to sustainable development by promoting good health and well-being for people globally.

Improving the lives for some may not happen to the detriment of others. 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. Our people are the basis of our future success and we therefore strive to continuously create and maintain a healthy and inspiring working environment.

Symphogen is a biopharmaceutical company without large-scale manufacturing or any other major activities with a significant negative impact on people and environment around us. Our research and development activities are carried out from state-of-the-art laboratory facilities in Ballerup, Denmark, which are designed to minimize environmental impact. In addition, we have a small office in New Jersey, U.S. At year-end 2017, we employed a total of 111 people.

The primary focus for our CSR efforts are 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.

In 2018, we aim to formalize our approach to corporate social responsibility through the development of more transparent principles and policies.

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.

Please refer to the Human Resources section for more details on our human resource efforts.

> "Our people are the basis of our future success and we therefore strive to create and maintain a healthy and inspiring working environment"

Executive Management

Our leadership team has in-depth industry knowledge and a strong track record of successfully developing cancer drugs, novel antibodies and biologics, as well as previous experience at leading pharmaceutical and biotechnology companies.

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. Martin Olin is currently a member of the Board of Directors in Ascendis Pharma A/S.

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.

Ivan D. Horak
Chief Scientific and Medical Officer

Ivan D. Horak, MD, FACP, is an American national, born in 1951. He joined Symphogen in 2011 as Chief Scientific and Medical Officer and was also appointed Head of Global R&D.

Prior to joining Symphogen, Dr. Horak served as President of Research and Development and Chief Scientific Officer of Enzon Pharmaceuticals Inc. Before that, Dr. Horak served as Chief Scientific Officer of Immunomedics, responsible for development of novel antibodies. Dr. Horak has authored over 80 peer-reviewed publications.

Mads Laustsen
Chief Manufacturing Officer

Mads Laustsen, M.Sc., is a Danish national, born in 1957. Mads Laustsen joined Symphogen in 2014 as Chief Manufacturing Officer.

Mr. Laustsen co-founded CMC Biologics where he was the CEO and Chief Science Officer prior to joining Symphogen. He served on the Board of CMC Biologics in 2014-2017. Before that, he served development and manufacturing positions in Novozymes, Zymogenetics and Novo Nordisk A/S.

Jesper Bramming
Chief Financial Officer

Jesper Bramming, M.Sc. Economics and CFA, is a Danish national, born in 1960. He joined Symphogen in 2016 as Chief Financial Officer. Jesper Bramming is currently Chairman of the Board of Directors in Rejsekortet A/S.

Prior to joining Symphogen, Mr. Bramming was the CFO of CMC Biologics. He has also served as CFO at Nets Holding A/S and held managerial positions in A.P. Møller - Mærsk A/S including CFO of Maersk Olie & Gas A/S and Svitzer A/S.

Board of Directors

Göran Ando, Chairman of the Board

Göran Ando, MD has been Chairman of the Board since 2011. Chairman of the Remuneration Committee and member of the Development Committee.
Executive positions: None.
Other non-executive positions: Novo Nordisk A/S (c), Novo Holdings A/S (m), Molecular Partners AG (m), EUSA Pharma (m), ICMEC (m), Senior Advisor to EW Healthcare Partners.
Special competencies: Medical qualifications and extensive executive background within the international pharmaceutical industry.

Jeppe Christiansen

Jeppe Christiansen, M.Sc., has been a member of the Board since 2011. Member the Remuneration Committee.
Executive positions: Fondsmæglerselskabet Maj Invest A/S, CEO, Maj Invest Holding A/S, CEO, Emlika ApS, CEO, Maj Invest Equity A/S, member of the Executive Management.
Other non-executive positions: Haldor Topsøe A/S (c), Novo Nordisk A/S (vc), Maj Bank A/S (vc), Novo Holdings A/S (m), KIRK-BI A/S (m) Det Kgl. Vajsenhus, member of the Board of Governors.
Special competencies: Executive background and extensive experience within the financial sector, in relation to financial and capital market issues as well as insight into the investor perspective.

Kirsten Drejer

Kirsten Drejer, M.Sc., Ph.D., and co-founder of Symphogen, has been a member of the Board since 2016. Kirsten Drejer was the CEO of Symphogen in the period 2000-2016, in which period she was also member of the Board. Member of the Development Committee.
Executive positions: None.
Other non-executive positions: Bioneer A/S (c), Antag Therapeutics ApS (c), Bioporto A/S (m), Lyhne & Company A/S (m), Fund for Industrial Growth (m).
Special competencies: Executive Management, research and development in the biopharmaceutical industry.

Ron Eastman

Ron Eastman, MBA, has been a member of the Board since 2015. Member of the Remuneration and Audit Committees.
Executive positions: Managing Director of EW Healthcare Partners.
Other non-executive positions: EluSys Therapeutics Inc. (c), Corium International (m), IntegenX (m).
Special competencies: Executive and Board experience with special focus on building healthcare businesses.

Christoffer Søderberg

Christoffer Søderberg, M.Sc., has been a member of the Board since 2016. Member of the Audit Committee.
Executive positions: Novo Holdings A/S, Senior Director Principal Investments.
Other non-executive positions: Cidron Healthcare – IT 2 Limited.
Special competencies: Investments and capital market transactions.

Name	First elected	Term	Nationality	Born	Independence
Göran Ando	2011	2018	Swedish	March 1949	Not independent
Jeppe Christiansen	2011	2018	Danish	November 1959	Not independent
Kirsten Drejer	2016	2018	Danish	March 1956	Not independent
Ron Eastman	2015	2018	American	April 1952	Not independent
Christoffer Søderberg	2016	2018	Danish	June 1978	Not independent
Jeffrey H. Buchalter	2016	2018	American	July 1957	Independent
John B. Landis	2011	2018	American	August 1952	Independent
Anthony Tolcher	2013	2018	American	October 1961	Independent
Martin Olin	2016	2018	Danish	May 1969	Not independent

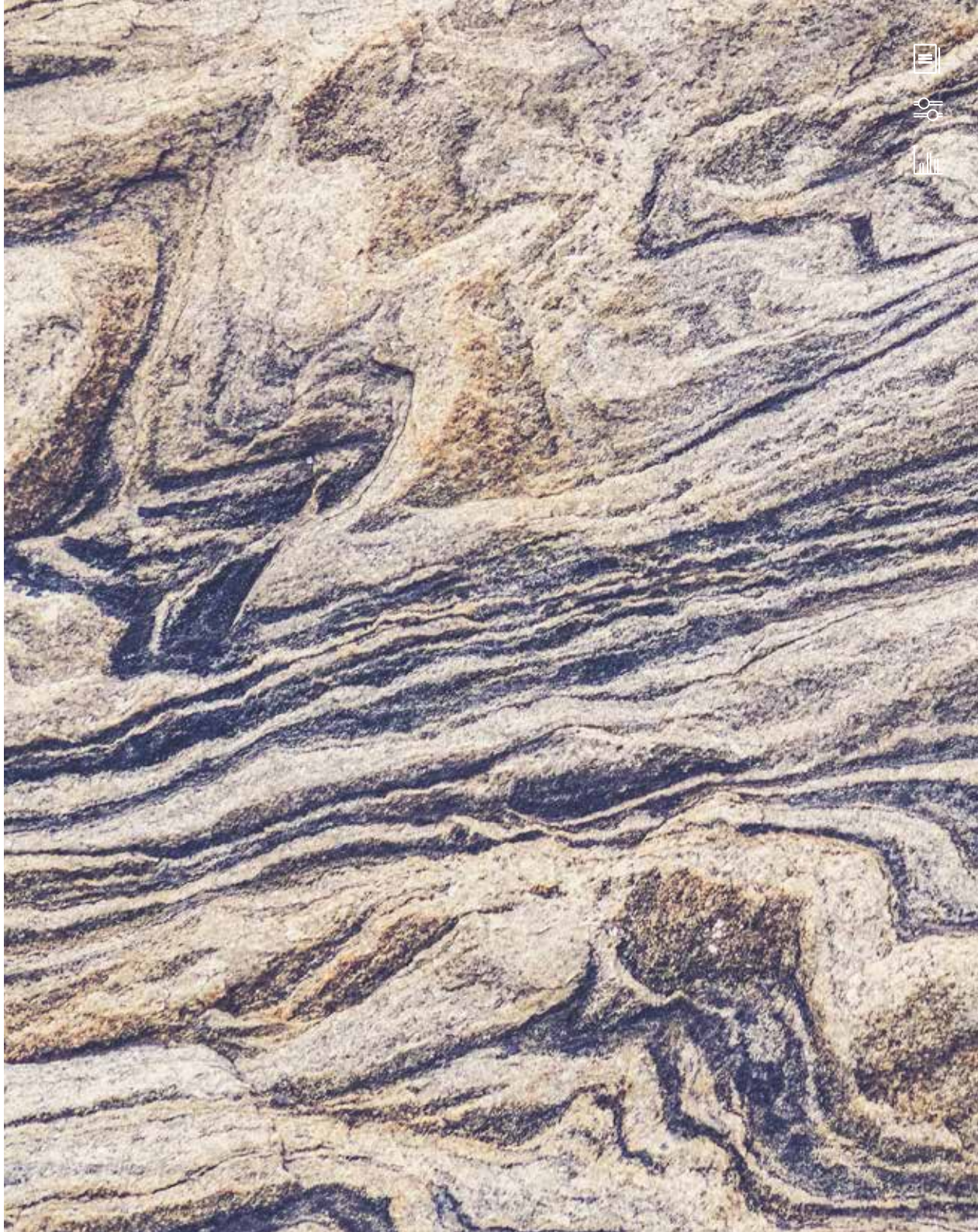
(m) Board member; (c) Chairman of the Board; (vc) Vice Chairman of the Board

Jeffrey H. Buchalter
Jeffrey H. Buchalter, MBA, has been a member of the Board since 2016. Chairman of the Audit Committee and member of the Development Committee.
Executive positions: KBS Healthcare Consulting, Chairman and CEO.
Other non-executive positions: Inivata (c), Molecular Partners (m).
Special competencies: Global commercial and drug development experience in oncology and other therapeutic areas.

John B. Landis
John B. Landis, Ph.D., has been a member of the Board since 2011. Chairman of the Development Committee.
Executive positions: None.
Other non-executive positions: Exelead, Director.
Special competencies: Scientific and corporate background in pharmacy, analytical chemistry, process chemistry, biotechnology, quality assurance, clinical supplies and devices.

Anthony Tolcher
Anthony Tolcher, MD, FRCPC, FACP, has been a member of the Board since 2013. Member of the Development Committee.
Executive positions: CEO and Founder of NEXT.
Other non-executive positions: Member of Symphogen's and numerous other pharmaceutical companies' scientific advisory Board.
Special competencies: Early drug development and clinical trials, particularly within oncology.

Martin Olin
Chief Executive Officer of Symphogen.
Reference is made to the section "Executive Management".



Consolidated financial statements

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Primary statements

Sections in the consolidated financial statements

PL

Consolidated statement of profit or loss

For the years ended December 31

Note	DKK'000	2017	2016
2.1 / 2.2	**Revenue**	**290,709**	**214,235**
2.3 / 2.5	Research and development expenses	(369,162)	(507,636)
2.4 / 2.5	General and administrative expenses	(70,627)	(140,894)
	Operating expenses	(439,789)	(648,530)
	Operating loss	**(149,081)**	**(434,295)**
4.7	Financial income	27,024	40,858
4.7	Financial expenses	(28,804)	(26,035)
	Net loss before tax	**(150,860)**	**(419,472)**
6.1	Income tax benefit	5,379	4,533
	Net loss	**(145,481)**	**(419,940)**
	Attributable to:		
	Shareholders of Symphogen A/S	(145,481)	(414,940)
	Earnings per share:		
6.3	Basic and diluted earnings per share for the year (DKK)	(152)	(480)

OCI

Consolidated statement of other comprehensive income

For the years ended December 31

Note	DKK'000	2017	2016
PL	**Net loss**	**(145,481)**	**(414,940)**
	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	(929)	135
	Total comprehensive income	**(146,411)**	**(414,805)**
	Attributable to:		
	Shareholders of Symphogen A/S	(146,411)	(414,805)

BS

Consolidated balance sheet

As at December 31

Note	DKK'000	2017	2016
	ASSETS		
3.1	Property, plant and equipment	45,738	52,971
	Leasehold deposits	6,769	6,703
3.3	Receivables	31,402	112,868
2.2	**Total non-current assets**	**83,908**	**172,543**
3.3	Receivables	125,153	18,151
4.6	Marketable securities	290,638	238,278
	Cash and cash equivalents	496,144	695,065
	Total current assets	**911,936**	**951,494**
	Total assets	**995,844**	**1,124,036**
	EQUITY AND LIABILITIES		
4.2	Share capital	15,224	15,200
	Other reserves	1,850,494	1,851,096
	Accumulated deficit	(2,091,708)	(1,956,726)
EQ	**Total equity**	**(225,991)**	**(90,430)**
4.3 / 4.8	Convertible debt facility	321,688	-
2.1	Deferred revenue	529,088	719,845
	Total non-current liabilities	**850,776**	**719,845**
2.1	Deferred revenue	196,260	263,629
4.4	Trade payables	29,983	29,424
3.4	Other payables	144,816	201,568
	Total current liabilities	**371,059**	**494,621**
	Total liabilities	**1,221,835**	**1,214,466**
	Total equity and liabilities	**995,844**	**1,124,036**

CF

Consolidated cash flow statement

For the years ended December 31

Note	DKK'000	2017	2016
PL	**Net loss for the year**	**(145,481)**	**(414,940)**
3.6	Adjustments for non-cash items	27,775	95,731
3.5	Changes in net working capital	(372,080)	1,091,318
	Changes in non-current receivables	(4,408)	(26,993)
	Changes in non-current financial assets – leasehold deposits	(66)	(24)
	Cash flows from operating activities before financial items and tax	(494,260)	745,092
	Interest received	6,697	5,962
	Interest paid	(1,045)	(3,167)
	Income taxes paid/received, net	(328)	(80,967)
	Cash flows from operating activities	**(488,935)**	**666,920**
3.1	Investments in property, plant and equipment	(8,454)	(19,273)
	Proceeds from disposal of property, plant and equipment	9	1
	Purchase of marketable securities	(131,521)	(211,412)
	Proceeds from sale of marketable securities	80,224	192,287
	Cash flows from investing activities	**(59,741)**	**(38,397)**
	Proceeds from issuance of shares in connection with exercise of warrants	351	1,244
4.3 / 4.8	Proceeds from utilization of convertible debt facility	372,165	-
	Cash flows from financing activities	**372,516**	**1,244**
	Changes in cash and cash equivalents	**(176,161)**	**629,767**
	Cash and cash equivalents, beginning of year	695,065	64,271
	Exchange rate adjustments on cash and cash equivalents	(22,760)	1,027
BS	**Cash and cash equivalents, year-end**	**496,144**	**695,065**

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, 2016	**14,903**	**1,848,868**	**1,145**	**(1,632,823)**	**232,094**
PL	Net loss for the year	-	-	-	(414,940)	(414,940)
OCI	Other comprehensive income	-	-	135	-	135
	Transaction with owners:					
	Exercise of warrants for cash	297	947	-	-	1,244
2.5 / 2.6	Share-based compensation expenses	-	-	-	91,036	91,036
	Equity at December 31, 2016	**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)**

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 clinical-stage antibody oncology-focused company with a differentiated product pipeline with significant commercial opportunities.

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, 2017 were authorized for approval at the Annual General Meeting to be held on March 1, 2018, with a resolution of the Board of Directors on January 29, 2018.

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 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.

Note 1.1 Accounting policies (continued)

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 Operating leases
3.3 Receivables
3.4 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
6.3 Earnings per share and diluted earnings per share

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
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		
3.4 Other payables	Y	-
Section 6 – Other disclosures		
6.1 Taxation	-	Y

Note 1.3 Changes in accounting policies and disclosures

New and amended standards and interpretations
Symphogen applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. Symphogen has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of amendment is described below:

IAS 7 Statement of Cash Flows: Disclosure Initiative. The amendments require Symphogen to provide disclosure of changes in its liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). Symphogen has provided the information for both the current and the comparative period in note 4.8.

New and amended standards and interpretations issued but not yet effective
The IASB has issued a number of new or amended standards and interpretations that are not mandatory for the consolidated financial statements for 2017, some of which have not yet been endorsed by the EU. Symphogen expects to adopt the standards and interpretations when they become mandatory. The following Standards are expected to have the most relevance for Symphogen's accounting policies:

New standards impacting reporting on revenue and expenses
IFRS 15 "Revenue from contracts with customers", with an effective date of January 1, 2018. 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. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Symphogen plans to adopt the new standard on the required effective date using the full retrospective method.

Symphogen has performed a detailed contract-by-contract assessment of the potential impact of IFRS 15 from its research, option license collaboration agreements. Symphogen generates its revenue solely through two collaboration arrangements – the Shire collaboration and the Genentech collaboration.

The Shire arrangement contains separate performance obligations for the provision of R&D services and options for out-licensing. 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 arrangement includes multiple forms of consideration including an up-front payment, development, regulatory and commercial milestones, royalties, and cost reimbursement which will need to be 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 uncertainty associated with the variable consideration is overcome.

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

Based on work performed to date and with the current terms and conditions in the underlying collaboration arrangements with Shire and Genentech, Symphogen assesses that IFRS 15 will not impact the Company's revenue recognition. In respect of the Shire arrangement, Symphogen concluded that the research and development services are satisfied over time given that Shire simultaneously receives and consumes the benefits provided by Symphogen. Symphogen has concluded that the agreement with Shire does not contain a significant financing component as a substantial amount of the consideration promised by Shire 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 would continue to recognize revenue for this collaboration arrangement over time rather than at a point of time.

Revenue associated with out-licensing from Symphogen to Shire is satisfied at a point in time. Sales-based royalties will be recognized as revenue only when the underlying sales occur. In respect of the Genentech arrangement, Symphogen 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 revenue constraint is overcome.

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 Shire. Under the current accounting policy, 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.

The presentation and disclosure requirements in IFRS 15 are significantly more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Symphogen's financial statements. Many of the disclosure requirements in IFRS 15 are new and Symphogen has assessed that the impact of some of them will be significant. In particular, Symphogen expects that the notes to the financial statements will be expanded because of the disclosure

Note 1.3 Changes in accounting policies and disclosures (continued)

of significant judgments made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In addition, as required by IFRS 15, Symphogen will disaggregate 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.

New standards impacting reporting on operating assets and liabilities

IFRS 16 "Leases", with effective date January 1, 2019. IFRS 16 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 plans to adopt the new standard on the required effective date by using the modified retrospective approach.

During 2017, Symphogen has performed a detailed impact assessment of IFRS 16. The change in lease accounting requires capitalization of the majority of Symphogens right of use assets. Upon implementation on January 1, 2019, assuming that no new leases are entered into and no amendments to existing leases are made, Symphogen is expected to recognize a liability to make lease payments (i.e. the lease liability) of approximately DKK 139 million and an asset representing the right to use the underlying asset during the lease term (i.e. the right to use asset) of approximately DKK 138 million. The expected accumulated effect on equity and total assets at January 1, 2019 approximates DKK -1 million and DKK 154 million, respectively. Following the implementation, Symphogen will separately recognize the interest expense in the lease liability and the depreciation on the right to use the asset. Symphogen' s income statement for 2019 is expected to be impacted as follows: operating loss will increase by approximately DKK 9 million, financial expenses will increase by approximately DKK 5 and net loss before tax and net loss for the year will increase by approximately DKK 14 million.

New standards impacting reporting on capital structure and financial matters

IFRS 9 "Financial Instruments", with effective date January 1, 2018. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Symphogen plans to adopt the new standard, retrospectively in accordance with the standard, on the required effective date. Overall, Symphogen expects no significant impact on its balance sheet and equity.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, which is effective for annual period beginning on or after January 1, 2018 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration.

Since Symphogen's current practice is in line with the Interpretation, Symphogen does not expect any effect on its financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments, which is effective for annual periods beginning on or after 1 January, 2019 clarifies when there is uncertainty over income tax treatments:

(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

Symphogen plans to implement this interpretation retrospectively with the cumulative effect of initially applying the Interpretation recognized at the date of initial application. Symphogen has no significant uncertain tax positions as of 31 December 2017 and therefore expects no significant effect from this interpretation as of the implementation date.

Note 1.4 Subsequent events

No 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	2017	2016
	Recognition of upfront payment	258,126	214,235
	Milestone revenue	32,583	-
PL	**Total revenue**	**290,709**	**214,235**
	Revenue split by collaboration partner		
	Shire	258,126	214,235
	Genentech	32,583	-
PL	**Total revenue**	**290,709**	**214,235**
	Deferred revenue recognized on the balance sheet		
	Deferred revenue split by collaboration partner		
	Shire	725,348	983,474
BS	**Total deferred revenue at December 31**	**725,348**	**983,474**
	At January 1	983,474	-
	Upfront payment received during the year	-	1,197,709
	Recognized in the statement of profit and loss	(258,126)	(214,235)
BS	**Total deferred revenue at December 31**	**725,348**	**983,474**
	Current	196,260	263,629
	Non-current	529,088	719,845
BS	**Total deferred revenue at December 31**	**725,348**	**983,474**

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.

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 by reference to the stage of completion method. Symphogen measures the stage of completion by reference to research and development costs incurred to date as a percentage of total estimated research and development cost for each contract. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Note 2.1 Revenue (continued)

Accounting for the Shire collaboration agreement

In December 2015, Symphogen and Shire 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 Shire.
The collaboration agreement with Shire is considered a joint operation as defined in IFRS 11 "Joint Arrangements" with principle place of business in Denmark. Accordingly, Symphogen will account for the assets, liabilities, revenues and expenses related to its interest in the joint operation in accordance with the IFRSs applicable to the assets, liabilities, revenues and expenses. Revenue from research and development services under the collaboration agreement is recognized in the statement of profit or loss when the service concerned has been provided.

In 2017, Symphogen has recognized DKK 258.1 million of revenue for research and development work under the collaboration agreement with Shire (2016: DKK 214.3 million). The Shire upfront payment is deemed attributable to subsequent research and development services and is initially recognized in the balance sheet as deferred revenue and recognized and allocated as revenue over the planned research and development period based on the stage of completion method. Deferred revenue recognized on the balance sheet reflects the part of the upfront payment that has not been recognized as revenue based on the stage of completion method. Deferred revenue is measured at nominal value. The deferred revenue does not represent cash owed to our collaboration partners.

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 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 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 the time when it is certain that the milestone has been met.

Management's judgments and estimates

Collaboration agreements

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 regards to whether the respective agreement is considered a joint arrangement, i.e. joint operation or a joint venture. In particular, such judgments relate to the parties' interest and control over the arrangement and its rights and obligations arising from the arrangements. Symphogen has concluded that the Shire collaboration agreement requires decisions or actions concerning the arrangement to be made only with unanimous consent of both Symphogen and Shire and that the parties, as such, exercise joint control over the arrangement. Symphogen has further concluded that the joint arrangement is not structured through a separate vehicle and that Symphogen and Shire have rights to the assets, and obligations for the liabilities, relating to the arrangement. As such, Symphogen has concluded that the Shire collaboration agreement is a joint operation.

Recognition of revenue

Evaluating the criteria for revenue recognition with respect to Symphogen's research and development and collaboration agreements requires management's judgment to ensure that all criteria have been satisfied prior to recognizing any amount of revenue. In particular, such judgments are made with respect to determination of the nature of transactions, whether simultaneous transactions are considered one or multiple revenue-generating transactions, allocation of the contractual price (upfront and milestone payments) to several elements included in an agreement, and the determination of whether the significant risks and rewards have been transferred to the collaboration partner. Collaboration agreements are closely reviewed to understand the nature of risks and rewards of the arrangement.

Upfront payments and deferred income

Upfront payments that are deemed attributable to subsequent research and development services are initially recognized as deferred income and recognized and allocated as revenue over the planned research and development period based on the stage of completion method. This judgment and estimate is made when entering the agreement and is based on research and development budgets and plans. The planned service periods 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 of the allocation period. All Symphogen's revenue-generating transactions have been subject to such evaluation by management.

Milestone payments

Milestone payments related to reaching particular stages in product development are recognized immediately if a separate earnings process relative to the milestone payment has been completed and achieved. The milestone events must have real substance and they must represent achievement of specific defined goals. Milestone payments are recognized as revenue only to the extent that these are non-refundable and relevant performance obligations are satisfied.

Note 2.2 Information about geographical areas

Note		DKK'000	2017 Revenue	2017 Non-current assets	2016 Revenue	2016 Non-current assets
		Denmark	-	83,077	-	171,373
		USA	290,709	831	214,235	1,170
PL	BS	**Total**	**290,709**	**83,908**	**214,235**	**172,543**

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.

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

Note 2.3 Research and development expenses

Note	DKK'000	2017	2016
2.5	Employee benefit expenses, excluding share-based compensation	92,504	95,925
2.5 / 2.6	Share-based compensation expenses	3,722	18,145
	External expenses	258,763	381,405
3.1	Depreciation	14,174	12,161
PL	**Total research and development expenses**	**369,162**	**507,636**

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 3.4.

Note 2.3 Research and development expenses (continued)

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 provides 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 2017, Symphogen received DKK 0.4 million of grants from the Danish Ministry of Science for employment of Ph.D. students (2016: DKK 0.6 million) and DKK 0.2 million of grants from the Innovation Fund Denmark (2016: DKK 1.6 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 3.4 – Other payables.

Note 2.4 General and administrative expenses

Note	DKK'000	2017	2016
2.5	Employee benefit expenses, excluding share-based compensation	35,912	35,858
2.5 / 2.6	Share-based compensation expenses	6,777	72,402
	External expenses	26,549	31,586
3.1	Depreciation	1,390	1,048
PL	**Total general and administrative expenses**	**70,627**	**140,894**

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

Note	DKK'000	2017	2016
	Wages and salaries	117,452	112,256
2.6	Share-based compensation expenses	10,499	91,036
2.6	Income from sale of warrants	-	(490)
	Defined contribution plans	1,221	1,055
	Other social security expenses	1,443	1,438
	Other staff expenses	6,877	5,272
	Severance payments	1,422	11,761
	Total	**138,914**	**222,330**
2.3	Research and development expenses	96,225	114,070
2.4	General and administrative expenses	42,689	108,260
	Total	**138,914**	**222,330**
	Average number of full time employees	**112**	**111**
	Number of employees at end of period:		
	Denmark	103	111
	USA	8	13
	Total employees at end of period	**111**	**124**
	Number of employees at end of period split on function:		
	Research and development	88	99
	General and administrative	23	25
	Total employees at end of period	**111**	**124**

Refer to note 5.1 for remuneration of the Board of Directors and Executive Management.

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 2.6 Share-based compensation

Warrant program

Symphogen has granted warrants to the Board of Directors, Executive Management, employees and certain other parties under various share-based incentive programs. The most recent warrant program 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. 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 two- or four-year service periods.

The Board of Directors is authorized to issue 4,064,575 class K warrants after October 21, 2015 of which it had granted 3,213,901 class K warrants at December 31, 2017. The outstanding authorization of 850,674 class K warrants is

Note 2.6 Share-based compensation (continued)

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 2017 was DKK 26.5 million (2016: DKK 70.9 million). Expenses related to warrants granted in 2017 totalled DKK 7.6 million (2016: DKK 64.8 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 2017 was DKK 10.5 million compared to DKK 90.5 million in 2016. In 2016, the expenses of warrants were significantly impacted by the issue of a new program for Executive Management and the Chairman of the Board, which will run in parallel with former programs, but as mutually exclusive when exercised. Further, the expenses of warrants in 2016 were significantly impacted by accelerated warrant expenses due to the retirement of the former CEO (total expenses of warrants to the retired CEO amounted to DKK 40.1 million in 2016).

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, 2016	**235,354**	**2,485,000**	**335,225**	**733,884**	**3,789,463**	**105**
Granted	807,411	775,000	-	-	1,582,411	82
Exercised	(120,000)	-	(12,200)	(164,684)	(296,884)	4
Transferred between categories*	1,141,565	(1,160,000)	(27,650)	46,085	-	105
Cancelled	-	-	-	(23,350)	(23,350)	151
Expired	-	-	-	(71,782)	(71,782)	5
Outstanding at December 31, 2016	**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**

* In 2017 Symphogen recorded a transfer of warrants between categories e.g. to reflect that the CBO retired and continued as employee. In 2016, Symphogen recorded a transfer of warrants between categories e.g. to reflect that the former CEO retired and continued as member of the Board of Directors.

** 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	2017	2016
2.3	Research and development expenses	3,722	18,145
2.4	General and administrative expenses	6,777	72,402
	Total share-based compensation expenses included in the statement of profit or loss	**10,499**	**90,547**

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)
-	-	-	-	-
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
2016	K	82,500	82	10
Outstanding at December 31, 2017		**4,971,680**	**109**	

Outstanding program	Share class	Number of warrants outstanding	Average exercise price per warrant (DKK)	Remaining term to maturity (years)
2007	D	255,179	8	1
2008	D	144,443	19	2
2009	D	58,811	30	3
2009	B	176,900	85	3
2010	D	116,110	30	4
2010	B	8,100	120	4
2011	H	373,365	186	5
2012	H	495,600	186	6
2013	H	51,000	186	7
2014	H	6,250	186	6
2014	H	377,700	186	8
2015	K	21,180	82	5
2015	K	23,824	82	6
2015	K	31,443	82	7
2015	H	150,000	186	8
2015	K	39,042	82	8
2015	K	1,068,500	82	9
2016	K	180,000	82	1
2016	K	60,000	82	4
2016	K	319,865	82	5
2016	K	450,000	82	6
2016	K	475,000	82	8
2016	K	67,740	82	9
2016	K	29,806	82	10
-	-	-	-	-
-	-	-	-	-
Outstanding at December 31, 2016		**4,979,858**	**105**	

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.

In 2016, Symphogen, without cancelling or modifying former warrant programs, issued a new warrant program under which a mechanism was put in place ensuring that the respective warrant holders can only exercise warrants from either former programs or the new program. Symphogen therefore has multiple warrant programs that run 'in parallel'.

The expense recognized in 2016 by Symphogen for warrant programs running in parallel and where management believes that both programs will vest, is determined based on

(a) the grant date fair value of the old program under the original vesting terms, plus

(b) the incremental fair value of the new warrant program, as at its grant date (being its fair value of the new programs less the fair value of the old programs at that date), over the vesting terms of the new program.

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 as shown in the table below.

Valuation assumptions for warrants granted in 2017 and 2016

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

		2017	2016
Expected future dividend per share	Symphogen does not expect to pay dividend in the foreseeable future.	-	-
Volatility	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.	70.01%	68.70%
Annual risk-free interest rate	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.	0.49%	(0.02)%
Expected life of warrants	The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms in the current warrant program. In general, warrants are granted with vesting terms of 10 years.	9-10 years	0-10 years
Market share-price at grant year	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 pricing model, has been established by assuming that the value of Symphogen's shares is the price per share determined at the latest financing round. In both 2016 and 2017, the average share price of DKK 82 at grant year was determined based on the conversion share price in the convertible debt facility as further described in note 4.3.	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.

Note 3.1 Property, plant and equipment

Note	DKK'000	Leasehold improvements	Laboratory equipment	Other equipment	Total
	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**
	2016				
	Cost at January 1	16,588	86,876	18,826	122,291
	Additions during the year	5,389	9,762	4,123	19,273
	Disposals during the year	-	(267)	(778)	(1,045)
	Exchange rate adjustment	-	-	16	16
	Cost at December 31	**21,977**	**96,371**	**22,187**	**140,535**
	Depreciation at January 1	(2,512)	(59,164)	(13,690)	(75,366)
	Depreciation for the year	(2,024)	(8,309)	(2,876)	(13,209)
	Depreciation reversed on disposals during the year	-	246	778	1,024
	Exchange rate adjustment	-	-	(14)	(14)
	Depreciation at December 31	**(4,536)**	**(67,227)**	**(15,801)**	**(87,564)**
BS	**Carrying amount at December 31**	**17,442**	**29,144**	**6,385**	**52,971**

Note 3.1 Property, plant and equipment (continued)

Depreciation included in the statement of profit or loss

Note	DKK'000	2017	2016
2.3	Research and development expenses	14,174	12,161
2.4	General and administrative expenses	1,390	1,048
	Total depreciation included in the statement of profit or loss	**15,564**	**13,209**

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:

The useful lives and residual values are reviewed and adjusted if appropriate at the end of each reporting period.

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.

Assets	Useful life	Residual value
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

Note 3.2 Operating leases

Symphogen has entered into operating lease contracts relating to its domicile, facility lease and other equipment. The future commitments 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	2017	2016
Commitment under operating leases at December 31		
Within 1 year	15,053	15,091
From 1 to 5 years	55,617	57,005
After 5 years	16,467	30,223
Total commitment under operating leases at December 31	**87,136**	**102,318**

Operating lease expenses are recognized as an operating expense in the statement of profit or loss as follow:

DKK'000	2017	2016
Operating lease expenses in the statement of profit or loss		
Research and development expenses	11,954	12,529
General and administrative expenses	3,043	2,314
Total operating lease expenses in the statement of profit or loss	**14,997**	**14,843**

Accounting policies

Operating leases

Lease contracts, where the lessor retains the significant risks and rewards associated with the ownership of the asset, are classified as operating leases. Payments under operating leases are recognized in the statement of profit or loss on a straight-line basis over the term of the lease.

When entering new or renewed operating leases, Symphogen may receive incentives from the lessor to enter into the agreement, such as rent-free periods or reduced rent. Symphogen recognizes the aggregate benefit of incentives as a reduction of the rental expense over the lease term on a straight-line basis, unless another systematic basis is representative of the time pattern of Symphogen's benefit from the use of the leased asset. Deferred lease incentives are presented as current when the incentive is due to be settled within twelve months after the reporting period and as non-current when the incentive is due to be settled more than after twelve months after the reporting period. When Symphogen entered into the leasehold agreement, a deposit payment was made. Deposits are measured at amortized cost.

Note 3.3 Receivables

Note	DKK'000	2017	2016
	Prepayment to manufacturing partner	9,074	2,793
6.1	Tax receivables	17,383	5,500
6.1	Tax payment related to uncertain tax positions	89,390	-
	VAT receivables	3,556	4,223
	Other receivables	2,411	3,766
	Prepayments	3,340	1,869
BS	**Total current receivables at December 31**	**125,153**	**18,151**
	Prepayment to manufacturing partner	30,710	26,993
	Prepayment to Clinical Research Organisations	692	-
6.1	Tax payment related to uncertain tax positions	-	80,000
6.1	Tax receivables	-	5,875
BS	**Total non-current receivables at December 31**	**31,402**	**112,868**

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 is classified as a current receivable in the 2017 financial statements and is expected to be 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 3.4 Other payables

Note	DKK'000	2017	2016
	Clinical trial payables	55,617	155,172
	Employee cost liabilities	30,092	30,083
	Derivative financial instruments	52,031	-
	Other liabilities	7,077	16,313
BS	**Total other payables and liabilities at December 31**	**144,816**	**201,568**

Development in clinical trial payables

DKK'000	Continued trials	Discontinued trials	Total
Carrying amont as at January 1, 2016	60,907	-	60,907
Additional accruals	81,549	60,389	141,938
Amounts used during the period	(47,674)	-	(47,674)
Transfer due to discontinuance	(69,696)	69,696	-
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**

Discontinued trials

In December 2016, Symphogen decided to discontinue two Sym004 related trials following the results of the Sym004 Phase 2b trial. In January 2017, Symphogen further decided to discontinue the Sym004 trial in Lung cancer. Due to the discontinuance, total accruals of DKK 69.7 million, was transferred from continuing to discontinuing trials at December 31, 2016.

Accruals for discontinuing trials related to Sym004 descreased by DKK 92.7 million from December 31, 2016 to December 31, 2017. At December 31, 2017 the accruals on discontinuing clinical trials have been evaluated. The reserval of accruals recognizing in 2017 relating to discontinued trials under the Sym004 program, DKK 49.6 million, is a result of renegotiated termination terms and conditions with CROs and also reduced extent of termination procedures.

As at December 31, 2017, the accruals related to discontinued trials includes pending invoices for finalization of the Sym004 Phase 2b trial, DKK 17.0 million, and DKK 20.4 million related to one Sym004 trial that still has patients under treatment.

Continued trials

As at December 31, 2017, the accruals for continuing trials relates to 6 different projects. Accruals primarily relate to manufacturing and consultancy cost for the studies.

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 regards 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 3.5 Changes in net working capital

Note	DKK'000	2017	2016
3.3	Change in prepayment to manufacturing partner (current)	(6,282)	(2,793)
3.3	Change in other receivables	1,355	913
3.3	Change in receivables from collaboration partner	-	6,217
3.3	Change in VAT receivables	667	689
3.3	Change in prepayments	(1,470)	2,451
BS	Change in trade payables	559	5,406
2.1	Change in deferred revenue	(258,126)	983,474
3.4	Change in clinical trials payables	(99,555)	94,264
3.4	Change in employee cost liabilities	9	1,937
3.4	Change in other liabilities	(9,237)	(1,240)
CF	**Change in net working capital**	**(372,080)**	**1,091,318**

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	2017	2016
	Reversals of non-cash items in the statement of profit or loss		
6.1	Income tax benefit	(5,379)	(4,533)
3.1	Depreciation	15,564	13,209
	Net write-down of disposed/sold equipment	0	21
4.7	Interest income	(16,683)	(5,898)
4.7	Interest expenses	3,404	3,815
4.5	Change in fair value of conversion option	(450)	-
2.5	Share-based compensation expenses	10,499	91,036
	Unrealized capital gains/losses, marketable securities	(1,796)	(1,350)
	Unrealized exchange rate gains/losses, marketable securities	733	(277)
	Changes in non-cash balance sheet items		
	Derivative financial instruments	-	1,314
	Non-cash accrued interest, net	(107)	(713)
	Other adjustments		
	Other adjustments, primarily exchange rate adjustments on cash and cash equivalents	21,992	(895)
CF	**Total adjustments for non-cash items**	**27,775**	**95,731**

For the purpose of presenting the cash flow statement, non-cash items with effect on the statement of profit or loss must be reversed to identify the actual cash flow effect from the statement of profit or loss. 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 is developing antibody mixture therapeutics and it does not currently have products on the market. Symphogen is dependent on its ability to raise capital from financial investors and through strategic partnerships for purposes of continuing development of treatments to the point when these can be commercialized and generate revenue.

Symphogen is and has been supported by a group of financial investors and Symphogen has since its inception raised a total of DKK 2.4 billion in equity capital, including convertible preference shares as well as a convertible debt facility of DKK 503 million granted by the lenders (certain existing shareholders) in October 2015, of which Symphogen drew an amount of DKK 372 million in December 2017.

Hence, in October 2015, Symphogen secured a convertible debt facility of DKK 503 million from its existing investors. The facility was available in three tranches of (i) DKK 186 million (EUR 25.0 million), (ii) DKK 186 million (EUR 25.0 million) and (iii) DKK 130 million (EUR 17.5 million). 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. The third tranche expired December 31, 2017 and thus cannot be drawn by Symphogen. However, the lenders retain a right to subscribe class J shares for the third tranche amount until December 31, 2019 at the agreed terms.

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. Development efforts are phased and progress dependent on clinical results. Management ensures new phase commitments are initiated with adequate funding commitments and liquidity.

The overall objective is to secure that Symphogen has sufficient funding to carry out the efforts and activities required to achieve the goal of commercialization. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2017 and 2016.

Note 4.2 Share capital

On December 31, 2017, the share capital of Symphogen comprised 15,223,609 shares 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

The company has lost more than 50% of its subscribed share capital. On the ordinary general meeting of shareholders on April 27, 2017, the Board of Directors gave an account of the company's financial position and proposed appropriate measures to re-establish the share capital. Symphogen intends to re-establish its subscribed share capital by a capital market transaction as further described in note 4.4.

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 2017 (DKK'000)	Share capital 2016 (DKK'000)	Change 2016-2017 (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	974,506	1.00	975	951	23	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	550	0	-		8th
Class I	2,966,285	1.00	2,966	2,966	-		1st
Class J	-	-	-	-	-	b)	
Class K	-	-	-	-	-	c)	
Total	**15,223,609** d)		**15,224**	**15,200**	**23**		

(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 extend 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.

Note 4.3 Convertible debt facility

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, 2017 is DKK 96.4.

The loan has a fixed interest rate of 15% per annum 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.

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.

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. A risk with potential financial implication above DKK 15.0 million and less than DKK 30 million is considered to have medium potential risk.

The financial risk exposures are described in further detail below:

Risk exposure	Impact	Comments	Risk Management
Funding risk	Medium	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.	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 arise 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 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 primarily relates to investments in marketable securities.	Symphogen only allows investments in marketable securities with an average duration of less than three years.
Liquidity risk	Low	The exposure to liquidity risk is minimal, as Symphogen's cash and cash equivalents are substantially higher than the current liabilities. A maturity analysis of Symphogen's financial assets and financial liabilities are included in this note.	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.

Note 4.4 Financial risks (continued)

Funding risk
While Symphogen's working capital as at December 31, 2017 is sufficient to support the Group's operating cash flow needs for the 12 months following the date of these consolidated financial statements, it is expected that Symphogen in 2018 will need to attain additional funding to support working capital needs for 2019 and beyond. Symphogen intends to finance its operations for 2019 and beyond by a capital markets transaction. In case that such capital markets transaction is not completed, Symphogen will either seek alternative methods of finance in cooperation with its existing shareholders or revisit strategic plans for 2019 and beyond. On this basis, the Board of Directors and management continues to view the Group as a going concern.

Credit risks
The group's credit risk primarily relates to investments in marketable securities and placements with financial institutions. According to the risk management, policies cash and cash equivalents should be placed with financial institutions with a long-term credit rating of minimum Baa1 (Moody's) and investments should be made in short-term bonds and investment grade papers with a minimum investment grade of A.

The maximum risk corresponds to the carrying amount of the cash account and marketable securities.

Foreign currency risks
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, 2015, the group had entered a put option to hedge risks of losses in relation to foreign exchange rate movements on upfront payment from the collaboration agreements. The fair value at December 31, 2015 was DKK 1.3 million. For the impact from the derivative financial instruments on the statement of profit or loss for 2016, refer to note 4.7.

As of December 31, 2017 and 2016, the group had no hedging activities.

The maturity analysis of financial liabilities as at December 31

DKK'000	Less than 1 year	1-5 years	>5 years	Total
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**
2016				
Financial liabilities:				
Convertible debt facility	-	-	-	-
Trade payables	29,424	-	-	29,424
Other payables	200,539	716	313	201,568
Total financial liabilities	**229,963**	**716**	**313**	**230,992**

The financial liabilities include estimated or contractual interest rate payments.

Interest rate risks
Interest rate risks concern the interest-bearing assets of the group. 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, 2017, other things being equal, a 1% increase in the interest rate will have a positive effect of DKK 3.9 million on Symphogen's portfolio of marketable securities (2016: DKK 3.5 million). Similarly, a 1% decrease in the interest rate will have a negative effect of DKK 3.9 million on Symphogen's portfolio of marketable securities (2016: DKK 3.5 million).

Liquidity risks
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.

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 290.6 million as at December 31, 2017 (DKK 238.3 million at December 31, 2016). The fair value has been determined using quoted market data.

Financial instruments measured on level 2
Symphogen had no derivatives at December 31, 2017 and 2016 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.

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	-	-
Issuance of conversion options in December 2017	52,481	52,481
Fair value adjustment	(450)	(450)
As at December 31, 2017	**52,031**	**52,031**

Symphogen did not have financial instruments measured using the Level 3 in 2016.

Symphogen did not have similar instruments as of December 31, 2016. 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, 2017, other things being equal, a 1% increase in the market interest rate will increase the fair value of the conversion option by DKK 6.4 million. Similarly, a 1% decrease in the interest rate will reduce the fair value of the conversion option by DKK 6.5 million.

Note 4.5 Financial assets and liabilities (continued)

Categories of financial assets and liabilities

Note	DKK'000	2017	2016
	Financial assets by category		
	Financial assets measured at fair value		
4.6	Marketable securities	290,638	238,278
	Total financial assets measured at fair value	**290,638**	**238,278**
	Loans and receivables measured at amortized cost		
3.3	Current receivables, excluding prepayments	22,841	13,488
	Leasehold deposits	6,769	6,703
	Total loans and receivables	**29,610**	**20,192**
	Financial liabilities by category		
	Financial liabilities measured at fair value		
	Derivative financial instruments	52,031	-
	Total financial liabilities measured at fair value	**52,031**	**-**
	Financial liabilities measured at amortized cost		
4.8	Convertible debt facility	321,688	-
BS	Trade payables	29,983	29,424
3.4	Other payables, excluding derivative financial instruments	62,694	171,485
	Total financial liabilities measured at amortized cost	**414,364**	**200,909**

Note 4.6 Marketable securities

DKK'000	Market value 2017	Share %	Market value 2016	Share %
DKK denominated instruments				
Fixed-rate marketable securities	153,446	53	169,494	71
Floating-rate marketable securities	92,754	32	49,883	21
DKK portfolio	246,200	85	219,377	92
USD denominated instruments				
Fixed-rate marketable securities	5,294	2	8,869	4
Floating-rate marketable securities	-	-	-	-
USD portfolio	5,294	2	8,869	4
EUR denominated instruments				
Fixed-rate marketable securities	23,811	8	4,113	2
Floating-rate marketable securities	15,333	5	5,919	2
EUR portfolio	39,144	13	10,032	4
Total marketable securities	**290,638**	**100**	**238,278**	**100**
Adjusted portfolio duration (years)	1.35		1.47	

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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	2017	2016
	Financial income		
	Interest income, bank	618	142
	Interest income, other	9,738	1
	Interest income, marketable securities	6,328	5,756
	Foreign exchange gains	6,936	20,447
4.3 / 4.5	Change in fair value of conversion option	450	-
	Gains on marketable securities at fair value	2,955	2,255
	Gains on derivative financial instruments	-	12,258
PL	**Total financial income**	**27,024**	**40,858**
	Financial expenses		
	Interest expenses	(1,400)	(3,815)
4.3	Interest expenses, convertible debt facility	(2,004)	-
	Foreign exchange losses	(21,351)	(16,541)
	Losses on marketable securities at fair value	(4,049)	(4,364)
	Losses on derivative financial instruments	-	(1,315)
PL	**Total financial expenses**	**(28,804)**	**(26,035)**
	Net financial items	**(1,780)**	**14,823**

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			
	2016	Cash flows	Reclassification of convertion option to other payables	Accumulated interest	Amortization	2017
Non-current convertible debt facility	-	372,165	(52,481)	2,004	-	321,688
Total liabilities from financing activities	**-**	**372,165**	**(52,481)**	**2,004**	**-**	**321,688**

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 2016, Symphogen 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 is directed and controlled.

Note 5.1 Remuneration to the Board of Directors and Executive Management

DKK'000	2017	2016
Remuneration to the Executive Management		
Wages and salaries	18,150	20,450
Share-based compensation expenses	5,349	78,652
Defined contribution plans	521	501
Other social security expenses	211	338
Severance payments	1,422	11,761
Total remuneration to the Executive Management	**25,653**	**111,702**
Remuneration to the Board of Directors		
Wages and salaries	2,348	2,025
Share-based compensation expenses	1,852	10,793
Income from sale of warrants	-	(490)
Total remuneration to the Board of Directors	**4,200**	**12,328**

The Executive Management comprised five members in 2016 and four members from April 2017.

Share-based compensation
In 2017, the total net share-based compensation expenses amounted to DKK 10.5 million.

In 2016, the total net share-based compensation expenses amounted to DKK 90.5 million and were significantly impacted by issuance of a new warrant program (the K-warrant program) for Executive Management and the chairman of the Board of Directors, which will run in parallel with former programs, but as mutually exclusive when exercised.

In 2016, Symphogen expensed DKK 48.5 million relating to the new K-warrant program and DKK 16.4 million related to accelerated vesting of K-warrants associated with the retirement of the former CEO (total expenses of warrants to the retired former CEO amounted to DKK 40.1 million in 2016). Further, the company expensed DKK 7.4 million relating to former programs running in parallel with the new k-warrant program, in accordance with requirements of IFRS 2.

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, 2017	December 31, 2016
Kirsten Drejer*	240,000	240,000
Board of Directors in total	**240,000**	**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	1 January, 2016	Granted*	Acquired	Exercised	December 31, 2016	Granted	Expired	Exercised	Transferred	December 31, 2017
Göran Ando	119,865	187,605	-	-	307,470	46,085	-	-	-	353,555
Jeppe Christiansen	48,527	-	14,903	-	63,430	4,104	-	-	-	67,534
John B. Landis	48,527	-	14,903	-	63,430	4,104	-	-	-	67,534
Anthony Tolcher	-	-	-	-	-	4,104	-	-	-	4,104
Jeffrey H. Buchalter	-	-	-	-	-	4,104	-	-	-	4,104
Kirsten Drejer	1,160,000	590,000	-	(120,000)	1,630,000	-	(180,000)	(180,000)	-	1,270,000
Board of Directors in total	**1,376,919**	**777,605**	**29,806**	**(120,000)**	**2,064,330**	**62,501**	**(180,000)**	**(180,000)**	**-**	**1,766,831**
Martin Olin	400,000	275,000	-	-	675,000	200,000	-	-	-	875,000
Jesper Bramming	-	-	-	-	-	100,000	-	-	-	100,000
Gayle Mills	300,000	200,000	-	-	500,000	-	-	-	(500,000)	-
Ivan D. Horak	400,000	200,000	-	-	600,000	-	-	-	-	600,000
Mads Laustsen	225,000	100,000	-	-	325,000	-	-	-	-	325,000
Executive Management in total	**1,325,000**	**775,000**	**-**	**-**	**2,100,000**	**300,000**	**-**	**-**	**(500,000)**	**1,900,000**

* Hereof replacement warrants for Executive Management of total 775,000 warrants and for Board of Directors of total 709,865 warrants.

Note 5.3 Related party transactions

The group's transactions with other related parties

DKK'000	2017	2016
Transactions with related parties (expenses)		
Lease of domicile building from DEAS A/S, owned by the shareholder PKA	14,977	14,815
Cooperation with START where Dr. Anthony Tolcher is the President and co-founder of Clinical Research at START, Texas, USA	600	393
Consultant fee to Kirsten Drejer	1,176	940
Balances with related parties at year-end (asset)		
None	-	-
Balances with related parties at year-end (liabilities)		
Convertible debt facility	321,688	-
Conversion option	52,031	-

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 2017 and 2016.

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.

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	2017	2016
Ernst & Young		
Audit services	730	3,182
Other assurance engagements	51	285
Tax and VAT services	35	130
Other non-audit services	2,204	1,927
Total	**3,020**	**5,525**

As at December 31, 2017 and 2016, expenses related to audit services and other non-audit services were significantly affected by Symphogen's preparations for a potential future capital event.

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	2017	2016
	Current tax benefit on net loss	33,122	92,230
	Adjustment to prior years	8	(321)
	Tax credit research and development expenses	5,500	5,500
	Changes in deferred tax	(31,945)	(71,079)
	Other non-deductible expenses, incl. share-based compensation	(1,306)	(21,797)
PL	**Total income tax benefit for the period**	**5,379**	**4,533**
	Reconciliation of effective tax rate to Danish statutory tax rate		
PL	Net loss before tax	(150,860)	(419,472)
	Corporate income tax rate in Denmark	22%	22%
	Computed income tax benefit	**33,189**	**92,284**
	Tax effect of:		
	Effect of (higher)/lower tax rates in foreign subsidiaries	(67)	(54)
	Adjustment to prior years	8	(321)
	Other non-deductible expenses, incl. share-based compensation	(1,306)	(21,797)
	Deferred tax asset not recognized	(26,445)	(65,579)
PL	**Total income tax benefit for the period**	**5,379**	**4,533**
	Deferred tax in the balance sheet		
	Tax deductible losses	439,987	414,523
	Other temporary differences	(328)	(966)
	Deferred tax asset not recognized	(439,659)	(413,556)
	Carrying amount included on balance sheet	**-**	**-**

On December 31, 2017, Symphogen had net tax loss carry-forwards in Denmark of DKK 2,000 million (2016: DKK 1,884 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.

Note 6.1 Taxation (continued)

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 off 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, 2017 and 2016, 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.

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.

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

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.

Note 6.3 Earnings per share and diluted earnings per share

	2017	2016
Loss for the year attributable to ordinary equity holders of the parent (DKK'000)	(145,481)	(414,940)
Average number of shares	959,431	864,001
Basic and diluted earnings per share for the year (DKK)	**(152)**	**(480)**

Average number of shares	2017	2016
Total average number of shares in the share classes A to I	15,208,534	15,113,104
Effect from share classes with liquidation preference that are not considered ordinary shares (total average number of shares in the classes A, B, C, E, F, G, H and I)	(14,249,103)	(14,249,103)
Average number at shares	**959,431**	**864,001**

Accounting policies
Basic EPS is calculated by dividing the profit/loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares for basis of EPS has been determined in accordance with the provisions of IAS 33 Earnings per Share and accordingly, solely represent weighted average number of ordinary shares (share class D) and not weighted average number of total shares outstanding in Symphogen as discussed in note 4.2.

Due to the fact that Symphogen has incurred losses for each period presented, both potential conversion of preference shares into ordinary shares and the potential shares issuable related to outstanding warrants are anti-dilutive and consequently not included when determining diluted earnings per share. Therefore basic and dilutive earnings per share are the same for each period presented.

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	2017	2016
2.1 / 2.2	**Revenue**	**292,403**	**215,902**
2.3 / 2.5	Research and development expenses	(372,163)	(509,948)
2.4 / 2.5	General and administrative expenses	(69,744)	(140,615)
	Operating expenses	(441,907)	(650,563)
	Operating loss	**(149,504)**	**(434,661)**
4.2	Financial income	27,086	40,868
4.2	Financial expenses	(29,002)	(26,128)
	Net loss before tax	**(151,420)**	**(419,920)**
6.1	Income tax benefit	5,508	5,500
	Net loss	**(145,912)**	**(414,420)**
	Attributable to:		
	Shareholders of Symphogen A/S	(145,912)	(414,420)

OCI Statement of other comprehensive income

For the years ended December 31

Note	DKK'000	2017	2016
PL	**Net loss**	**(145,912)**	**(414,420)**
	Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
	None	-	-
	Total comprehensive income	**(145,912)**	**(414,420)**
	Attributable to:		
	Shareholders of Symphogen A/S	(145,912)	(414,420)

BS

Balance sheet

As at December 31

Note	DKK'000	2017	2016
	ASSETS		
3.1	Property, plant and equipment	45,024	51,932
3.5	Investments in Group companies	1,981	1,981
	Leasehold deposits	6,651	6,573
3.3	Receivables	31,402	112,868
2.2	**Total non-current assets**	**85,057**	**173,354**
3.3	Receivables	126,663	17,972
	Marketable securities	290,638	238,278
	Cash and cash equivalents	488,050	688,081
	Total current assets	**905,352**	**944,331**
	Total assets	**990,410**	**1,117,685**
	EQUITY AND LIABILITIES		
	Share capital	15,224	15,200
	Other reserves	1,850,143	1,849,816
	Accumulated deficit	(2,094,710)	(1,959,296)
EQ	**Total equity**	**(229,344)**	**(94,281)**
4.3	Convertible debt facility	321,688	-
2.1	Deferred revenue	529,088	719,845
	Total non-current liabilities	**850,776**	**719,845**
2.1	Deferred revenue	196,260	263,629
4.1	Trade payables	29,454	29,196
3.4	Other payables	143,264	199,295
	Total current liabilities	**368,977**	**492,121**
	Total liabilities	**1,219,753**	**1,211,966**
	Total equity and liabilities	**990,410**	**1,117,685**

CF

Cash flow statement

For the years ended December 31

Note	DKK'000	2017	2016
PL	**Net loss for the year**	**(145,912)**	**(414,420)**
3.7	Adjustments for non-cash items	27,417	94,498
3.6	Changes in net working capital	(373,858)	1,089,004
	Changes in non-current receivables	(4,408)	(26,993)
	Changes in non-current financial assets – leasehold deposits	(78)	(20)
	Cash flows from operating activities before financial items and tax	(496,839)	742,068
	Interest received	6,704	5,962
	Interest paid	(1,243)	(3,260)
	Income taxes paid/received, net	356	(80,000)
	Cash flows from operating activities	**(491,021)**	**664,770**
3.1	Investments in property, plant and equipment	(8,315)	(18,415)
	Proceeds from disposal of property, plant and equipment	9	1
	Purchase of marketable securities	(131,521)	(211,412)
	Proceeds from sale of marketable securities	80,224	192,287
	Cash flows from investing activities	**(59,602)**	**(37,539)**
	Proceeds from issuance of shares in connection with exercise of warrants	351	1,244
4.3	Proceeds from utilization of convertible debt facility	372,165	-
	Cash flows from financing activities	**372,516**	**1,244**
	Changes in cash and cash equivalents	**(178,107)**	**628,476**
	Cash and cash equivalents, beginning of year	688,081	58,578
	Exchange rate adjustments on cash and cash equivalents	(21,923)	1,027
BS	**Cash and cash equivalents, year-end**	**488,050**	**688,081**

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, 2016	**14,903**	**1,848,868**	**(1,635,912)**	**227,859**
PL	Net loss for the year	-	-	(414,420)	(414,420)
	Transaction with owners:				
	Exercise of warrants for cash	297	947	-	1,244
2.5	Share-based compensation expenses	-	-	91,036	91,036
	Equity at December 31, 2016	**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)**

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 a limited liability company incorporated and domiciled in Denmark.

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

The financial statements for the year ended December 31, 2017 were authorized for approval at the Annual General Meeting to be held on March 1, 2018, with a resolution of the Board of Directors on January 29, 2018.

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	2017	2016
	Recognition of upfront payment	258,126	214,235
	Milestone revenue	32,583	-
	Revenue from Group companies	1,695	1,668
PL	**Total revenue**	**292,403**	**215,902**
	External revenue split by collaboration partner		
	Shire	258,126	214,235
	Genentech	32,583	-
	Total external revenue	**290,709**	**214,235**
	Deferred revenue recognized on the balance sheet		
	Deferred revenue split by collaboration partner		
	Shire	725,349	983,474
BS	**Total deferred revenue at December 31**	**725,349**	**983,474**
	At January 1	983,474	-
	Upfront payment received during the year	-	1,197,709
	Recognized in the statement of profit and loss	(258,126)	(214,235)
BS	**Total deferred revenue at December 31**	**725,349**	**983,474**
	Current	196,260	263,629
	Non-current	529,088	719,845
BS	**Total deferred revenue at December 31**	**725,349**	**983,474**

Revenue from group companies consists of service and administration fee charged to 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	2017 Revenue	2017 Non-current assets	2016 Revenue	2016 Non-current assets
		Denmark	-	85,057	-	173,354
		USA	292,403		215,902	-
PL	BS	**Total**	**292,403**	**85,057**	**215,902**	**173,354**

Revenue from the USA include both internal revenue from group companies and external revenue.

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

Note 2.3 Research and development expenses

Note	DKK'000	2017	2016
2.5	Employee benefit expenses, excluding share-based compensation	77,608	79,255
2.5	Share-based compensation expenses	3,722	18,145
	External expenses	276,966	400,591
3.1	Depreciation	13,868	11,956
PL	**Total research and development expenses**	**372,163**	**509,948**

Note 2.4 General and administrative expenses

Note	DKK'000	2017	2016
2.5	Employee benefit expenses, excluding share-based compensation	32,687	30,721
2.5	Share-based compensation expenses	6,777	72,892
	External expenses	28,944	35,996
3.1	Depreciation	1,335	1,007
PL	**Total general and administrative expenses**	**69,744**	**140,615**

Note 2.5 Employee benefit expenses

Note	DKK'000	2017	2016
	Wages and salaries	102,247	92,654
	Share-based compensation expenses	10,499	91,036
	Income from sale of warrants	-	(490)
	Defined contribution plans	856	667
	Other social security expenses	482	484
	Other staff expenses	6,710	4,899
	Severance payments	-	11,761
	Total	**120,794**	**201,012**
2.3	Research and development expenses	81,330	97,400
2.4	General and administrative expenses	39,464	103,612
	Total	**120,794**	**201,012**
	Average number of full time employees	**102**	**99**
	Number of employees at end of period:		
	Denmark	103	111
	Total employees at end of period	**103**	**111**
	Number of employees at end of period split on function:		
	Research and development	82	88
	General and administrative	21	23
	Total employees at end of period	**103**	**111**

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	Leasehold improvements	Laboratory equipment	Other equipment	Total
	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**
	2016				
	Cost at January 1	16,588	86,876	18,344	121,809
	Additions during the year	5,389	9,762	3,264	18,415
	Disposals during the year	-	(267)	(798)	(1,065)
	Exchange rate adjustment	-	-	-	-
	Cost at December 31	**21,977**	**96,371**	**20,810**	**139,159**
	Depreciation at January 1	(2,512)	(59,164)	(13,612)	(75,287)
	Depreciation for the year	(2,024)	(8,309)	(2,630)	(12,963)
	Depreciation reversed on disposals during the year	-	246	778	1,024
	Exchange rate adjustment	-	-	-	-
	Depreciation at December 31	**(4,536)**	**(67,227)**	**(15,464)**	**(87,227)**
BS	**Carrying amount at December 31**	**17,442**	**29,144**	**5,346**	**51,932**

Note 3.1 Property, plant and equipment (continued)

Depreciation included in the statement of profit or loss

Note	DKK'000	2017	2016
2.3	Research and development expenses	13,868	11,956
2.4	General and administrative expenses	1,335	1,007
	Total depreciation included in the statement of profit or loss	**15,203**	**12,963**

Note 3.2 Operating leases

Symphogen A/S has entered operating lease contracts relating to its domicile, facility lease and other equipment. The future commitments 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	2017	2016
Commitment under operating leases at December 31		
Within 1 year	14,010	13,945
From 1 to 5 years	55,320	55,577
After 5 years	16,467	30,223
Total commitment under operating leases at December 31	**85,797**	**99,745**

Operating lease expenses are recognized as an operating expense in the statement of profit or loss as follow:

DKK'000	2017	2016
Operating lease expenses in the statement of profit or loss		
Research and development expenses	11,029	11,740
General and administrative expenses	2,880	2,117
Total operating lease expenses in the statement of profit or loss	**13,909**	**13,857**

Note 3.3 Receivables

Note	DKK'000	2017	2016
	Prepayment to manufacturing partner	9,074	2,793
6.1	Tax payment related to uncertain tax position	89,390	-
6.1	Tax receivables	16,875	5,500
	VAT receivables	3,556	4,223
	Receivables from Group companies	2,186	-
	Other receivables	2,411	3,766
	Prepayments	3,172	1,690
BS	**Total current receivables at December 31**	**126,663**	**17,972**
	Prepayment to manufacturing partner	30,710	26,993
	Prepayment to Clinical Research Organisations	692	-
6.1	Tax payment related to uncertain tax position	-	80,000
6.1	Tax receivables	-	5,875
BS	**Total non-current receivables at December 31**	**31,402**	**112,868**

Note 3.4 Other payables

Note	DKK'000	2017	2016
	Clinical trial payables	55,617	155,172
	Employee cost liabilities	28,553	27,015
	Derivative financial instruments	52,031	-
	Other liabilities	7,063	16,239
	Payables to Group companies	-	869
BS	**Total other payables and liabilities at December 31**	**143,264**	**199,295**

For information regarding judgments and estimates related to accounting for clinical trial payables and development in such accruals, reference is made to note 3.4 in the consolidated financial statements.

Note 3.5 Investments in Group companies

Note	DKK'000	2017	2016
	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	859	32

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 3.6 Changes in net working capital

Note	DKK'000	2017	2016
3.3	Change in prepayment to manufacturing partner (current)	(6,282)	(2,793)
3.3	Change in other receivables	1,355	911
3.3	Change in receivables from collaboration partner	-	6,217
3.3	Change in VAT receivables	667	689
3.3	Change in prepayments	(1,482)	2,576
3.3	Change in receivables from Group companies	(2,186)	-
BS	Change in trade payables	258	5,446
2.1	Change in deferred revenue	(258,126)	983,474
3.4	Change in clinical trials payables	(99,555)	94,264
3.4	Change in employee cost liabilities	1,538	3,223
3.4	Change in other liabilities	(9,176)	(1,312)
	Change in payables to Group companies	(869)	(3,693)
CF	**Change in net working capital**	**(373,858)**	**1,089,004**

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 3.7 Adjustments for non-cash items

Note	DKK'000	2017	2016
	Reversals of non-cash items in the statement of profit or loss		
6.1	Income tax benefit	(5,508)	(5,500)
3.1	Depreciation	15,203	12,963
	Net write-down of disposed/sold equipment	0	21
4.2	Interest income	(16,690)	(5,897)
4.2	Interest expenses	3,602	3,908
4.5	Change in fair value of conversion option	(450)	-
2.5	Share-based compensation expenses	10,499	91,036
	Unrealized capital gains/losses, marketable securities	(1,796)	(1,350)
	Unrealized exchange rate gains/losses, marketable securities	733	(277)
	Changes in non-cash balance sheet items		
3.3/3.4	Derivative financial instruments	-	1,314
	Non-cash accrued interest, net	(107)	(713)
	Other adjustments		
	Other adjustments, primarily exchange rate adjustments on cash and cash equivalents	21,933	(1,008)
CF	**Total adjustments for non-cash items**	**27,417**	**94,498**

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

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 290.6 million as at December 31 2017 (DKK 238.3 million at December 31 2016). The fair value has been determined using quoted market data.

Financial instruments measured on level 2
Symphogen had no derivatives at December 31, 2017 and 2016 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.

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 1 January 2017	-	-
Issuance of conversion options in December 2017	52,481	52,481
Fair value adjustment	(450)	(450)
As at December 31, 2017	**52,031**	**52,031**

Symphogen did not have financial instruments measured using the Level 3 in 2016.

Symphogen did not have similar instruments as of December 31, 2016. Pre-payment option has a value of nil.

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.

Note 4.1 Financial assets and liabilities (continued)

As at December 31, 2017, other things being equal, a 1% increase in the market interest rate will have a positive effect of DKK 6.4 million on the fair value of the conversion option. Similarly, a 1% decrease in the interest rate will have a negative effect of DKK 6.5 million on the fair value of the conversion option.

Categories of financial assets and liabilities

Note	DKK'000	2017	2016
	Financial assets by category		
	Financial assets measured at fair value		
	Marketable securities	290,638	238,278
	Total financial assets measured at fair value	**290,638**	**238,278**
	Loans and receivables measured at amortized cost		
3.3	Other receivables, excluding prepayments	22,841	13,489
	Leasehold deposits	6,651	6,573
	Total loans and receivables	**29,493**	**20,062**
	Financial liabilities by category		
	Financial liabilities measured at fair value		
	Derivative financial instruments	52,031	-
	Total financial liabilities measured at fair value	**52,031**	**-**
	Financial liabilities measured at amortized cost		
	Convertible debt facility	321,688	-
BS	Trade payables	29,454	29,196
3.4	Other payables, excluding derivative financial instruments	62,680	171,411
	Total financial liabilities measured at amortized cost	**413,821**	**200,607**

Note 4.2 Financial income and expenses

Note	DKK'000	2017	2016
	Financial income		
	Interest income, bank	618	141
	Interest income, other	9,738	1
	Interest income, marketable securities	6,328	5,756
	Interest income, Group companies	7	-
	Foreign exchange gains	6,991	20,457
	Change in fair value of conversion option	450	-
	Gains on marketable securities at fair value	2,955	2,255
	Gains on derivative financial instruments	-	12,258
PL	**Total financial income**	**27,086**	**40,868**
	Financial expenses		
	Interest expenses	(1,400)	(3,815)
	Interest expenses, Group companies	(198)	(93)
4.3	Interest expenses, convertilble debt facility	(2,004)	-
	Foreign exchange losses	(21,351)	(16,541)
	Losses on marketable securities at fair value	(4,049)	(4,364)
	Losses on derivative financial instruments	-	(1,315)
PL	**Total financial expenses**	**(29,002)**	**(26,128)**
	Net financial items	**(1,916)**	**14,740**

Note 4.3 Changes in liabilities arising from financing activities

			Non-cash changes			
	2016	Cash flows	Reclassification of conversion option to other payables	Accumulated interest	Amortization	2017
Non-current convertible debt facility	-	372,165	(52,481)	2,004	-	321,688
Total liabilities from financing activities	**-**	**372,165**	**(52,481)**	**2,004**	**-**	**321,688**

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

Symphogen A/S'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 2017 and 2016.

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.

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.

The parent company's transactions with other related parties

DKK'000	2017	2016
Transactions with subsidiaries		
Service fee income	1,695	1,668
Service fee costs	24,904	28,462
Net interest expenses, intercompany balance	191	93
Transactions with related parties (expenses)		
Lease of domicile building from DEAS A/S, owned by the shareholder PKA	14,977	14,815
Cooperation with START where Dr. Anthony Tolcher is the President and co-founder of Clinical Research at START, Texas, USA	600	393
Consultant fee to Kirsten Drejer	1,176	940
Balances with subsidiaries at year-end		
Intercompany payable	-	869
Intercompany receivable	2,186	-
Balances with related parties at year-end (asset)		
None	-	-
Balances with related parties at year-end (liabilities)		
Convertible debt facility	321,688	-
Conversion option	52,031	-

Section 6
Other disclosures

Note 6.1 Taxation

Note	DKK'000	2017	2016
	Current tax benefit on net loss	33,312	92,382
	Adjustment to prior years	8	-
	Tax credit research and development expenses	5,500	5,500
	Changes in deferred tax	(31,945)	(71,079)
	Other non-deductible expenses, incl. share-based compensation	(1,367)	(21,303)
PL	**Total income tax benefit for the period**	**5,508**	**5,500**
	Reconciliation of effective tax rate to Danish statutory tax rate		
PL	Net loss before tax	(151,420)	(419,920)
	Corporate income tax rate in Denmark	22%	22%
	Computed income tax benefit	**33,312**	**92,382**
	Tax effect of:		
	Adjustment to prior years	8	-
	Other non-deductible expenses, incl. share-based compensation	(1,367)	(21,303)
	Deferred tax asset not recognized	(26,445)	(65,579)
PL	**Total income tax benefit for the period**	**5,508**	**5,500**
	Deferred tax in the balance sheet		
	Tax deductible losses	439,987	414,523
	Other temporary differences	(328)	(966)
	Deferred tax asset not recognized	(439,660)	(413,556)
	Carrying amount included on balance sheet	**-**	**-**

On December 31, 2017, Symphogen A/S had net tax loss carry-forwards in Denmark of DKK 2,000 million (2016: DKK 1,884 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 March 1, 2018, 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 Executive Management and Board of Directors

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, 2017.

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, 2017, 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, 2017.

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.

January 29, 2018

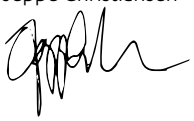
Executive Management

Martin Olin
Chief Executive Officer

Board of Directors

Göran A. Ando
Chairman

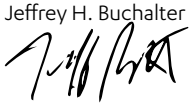
Jeppe Christiansen



Kirsten Drejer

Ron Eastman

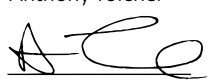
Jeffrey H. Buchalter



Christoffer Søderberg

John B. Landis

Anthony Tolcher



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, 2017, 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, 2017 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, 2017 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, January 29, 2018

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

Christian Schwenn Johansen
State Authorised Public Accountant
MNE no. 33234

Lars Hansen
State Authorised Public Accountant
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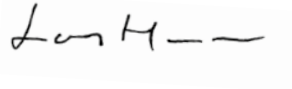

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