symphogen

Addressing today's need for precision medicine

Annual Report 2016

Approved at the Company's annual general meeting on 27 April 2017

Chairman:

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Jan Presfeldt

Contents

Symphogen corporate headquarter in Ballerup.

Symphogen in Brief

Symphogen is a leading clinical stage antibody oncology-focused company with a differentiated monoclonal antibody, or mAb, mixture product pipeline with significant clinical potential and commercial opportunities. The company's novel biologic approach is uniquely designed to address tumor diversity and resistance by combining multiple antibodies in a single drug product. The proprietary pipeline of three unencumbered clinical stage oncology programs, Sym004, Sym013 and Sym015, addresses clinically validated targets, is supported by strong preclinical data, has broad intellectual property protection, and addresses today's need for precision medicine. Symphogen's vision is to develop superior mAb therapeutics to improve the lives of patients with significant unmet medical needs.

Symphogen's antibody mixture approach allows simultaneously addressing multiple targets or different binding sites on the same target with high specificity, potentially providing a synergistic therapeutic effect. Further, the mixture approach causes receptors in the RTK family to be cross-linked, rapidly internalized and degraded, thus impairing the cancer cell's ability to replicate and grow.

Symphogen's most advanced product cancidate, Sym004, is being developed in Phase 2 trials for the treatment of metastatic colorectal cancer, or mCRC, and glioblastoma, or GBM. The second product candidate Sym013, is a pan-HER inhibitor, currently in Phase 1 trial for the treatment of advanced epithelial malignancies. The third product candidate Sym015, a dual MET inhibitor, is also in a Phase 1 trial, for the treatment of solid tumor malignancies. In addition to these proprietary product candidates, Symphogen has entered into collaborations with Shire in the field of immuno-oncology and with Genentech in the field of infectious disease.

Symphogen is owned by specialist healthcare investors and institutional investors, including Essex Woodlands Health Care, Novo A/S, PKA, LD, Sunstone Capital, and Gilde Healthcare Partners. From the inception through end-2016, Symphogen has raised an aggregate of approximately DKK 2.4 billion in equity capital, including convertible preference shares but excluding an undrawn convertible debt facility of DKK 503 million, and received approximately DKK 1.8 billion in payments from collaboration partners.

Letter from the CEO

Dear Shareholder

In 2016, Symphogen further advanced its position as a true platform biopharmaceutical company with a diversified and strong pipeline. We commenced the first human trials for our pan-HER (Sym013) and MET (Sym015) product candidates, and we completed our clinical Phase 2b trial in 3rd/4th line metastatic colorectal cancer patients for Sym004, our anti-EGFR lead mAb-mixture product candidate. The strategic immuno-oncology collaboration with Shire targeting novel combinations progressed as planned and is expected to lead to its first IND filling in 2017. Our mAb-mixture platform technology continued to deliver strong performance.

Sym004 – a novel precision medicine approach
By the end of 2016, we completed our Phase 2b trial in 3rd/4th line mCRC patients, who currently have very little effective treatment options. Although the trial did not meet the primary end-point, we are encouraged by the potential benefits of Sym004 in a well-characterized patient sub-population, who had progressed on prior anti-EGFR therapy. During the first half of 2017, we expect to complete our data analysis and initiate dialog with the FDA to establish the development path for Sym004 going forward.

Expanding our mAb mixture technology within solid tumors
During 2016, we also made significant progress for our other product candidates targeting tyrosine kinase receptors as we initiated human clinical trials for our pan-HER (Sym013) and MET (Sym015) programs. These are major milestones to advance our diversified pipeline.

Pan-HER (Sym013) is a mixture of six antibodies that target non-overlapping epitopes on the receptors belonging to the HER family: EGFR, HER2 and HER3 (collectively, pan-HER). There is substantial pre-clinical and clinical evidence that mutation, over-expression, amplification or activation of these receptors play important roles in the development and progression of many human epithelial cancers, such as pancreatic cancer, Non-Small Cell Lung Cancer (NSCLC), head & neck cancer and triple negative breast cancer. We believe Sym013 offers a differentiated approach to effectively treat and potentially avoid the development of drug resistance for such cancers.

MET (Sym015) is a novel combination of two antibodies directed at the MET receptor, which is believed to regulate multiple cellular processes that stimulate cell proliferation, invasion and angiogenesis and is believed to play an important role for various cancers, including gastric cancer, NSCLC and renal cancer.

Validating our mAb platform
Our strategic immuno-oncology collaboration with Shire showed good progress for our novel mAb mixture approach and we expect to file the first IND in 2017. Under the agreement Symphogen received an upfront payment of DKK 1.2 billion in January 2016 and is eligible for potential additional milestone payments of up to DKK 10 billion plus royalties on worldwide sales.

Symphogen's collaboration with Genentech for the development of an antibody therapy against an infectious disease target completed Phase 1 trial during 2016 and we expect Genentech to move forward with this novel antibody approach during 2017.

We will continue to work hard on achieving our mission of transforming cancer from a deadly disease to a chronic disease by developing mAb-mixure products tailored to meet the patients' needs. I would like to thank our dedicated and talented employees without whom our successful transformation into a late-stage antibody development company would not have been possible, and thank you to our shareholders, for your continued support to Symphogen.

Martin Olin
Chief Executive Officer

Highlights in 2016

In January, Symphogen and Baxalta (acquired by Shire later in 2016) announced a strategic collaboration to accelerate innovation within immuno-oncology. Under the research, option and license collaboration agreement, Symphogen received DKK 1.2 billion upfront and is eligible for potential additional milestone payments of up to DKK 10 billion plus royalties on worldwide sales.

In February, an investigator-initiated Phase 2 trial of Sym004 in patients with EGFR-amplified recurrent glioblastoma was launched with the primary objective to assess the efficacy of Sym004 measured as progression-free survival.

In April, Symphogen launched a Phase 1b/2a trial investigating the safety, tolerability and antitumor activity of multiple doses of Sym015 in patients with advanced solid tumor malignancies.

In October, Symphogen initiated a Phase 1b/2a trial to investigate the safety, tolerability and antitumor activity of multiple doses of Sym013 in patients with advanced epithelial malignancies.

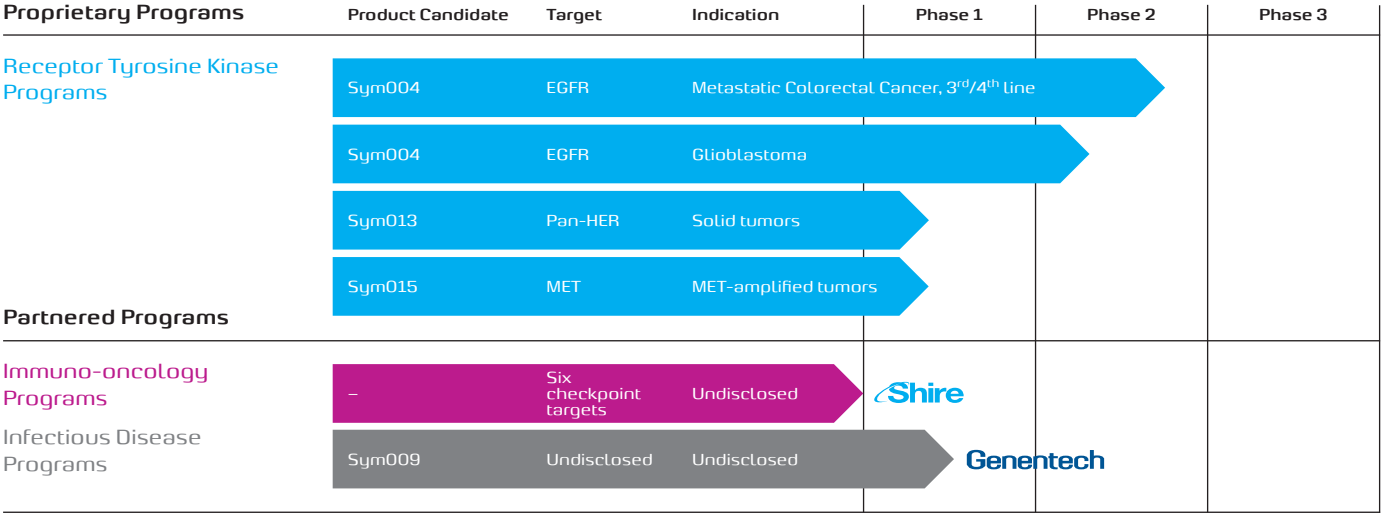
In December 2016, Symphogen completed its Phase 2b trial with Sym004 for late-stage mCRC patients and will, subject to feedback from FDA, establish the development path for Sym004 going forward.

Significant events after the end of the financial year
No events that could significantly affect the consolidated financial statements and the parent company financial statements have occurred after the reporting period closing date.

Financial outlook
Symphogen expects continued high activity related to its development of antibody mixtures and expects to incur a negative operating cash flow of approx. DKK 650 million and have cash resources and marketable securities of approx. DKK 650 million by the end of 2017. This includes an expected partial utilization of a DKK 503 million convertible debt facility to fund future operations.

Strategy and pipeline

Symphogen's product pipeline provides novel approaches to a variety of cancer types and partner targets. In addition to its clinical pipeline, Symphogen maintains discovery and preclinical activities to continue to realize the potential of its mAb mixture platform.



Business strategy

Symphogen's current focus is to develop innovative therapies for the treatment of cancer using the company's unique mAb mixture platform. The application of the mAb mixture platform outside cancer is pursued through strategic partnerships. Key elements of Symphogen's strategy include:

Advance the clinical development of the company's proprietary pipeline of mAb mixture product candidates towards regulatory approval
Subject to regulatory feedback, Symphogen intends to further advance Sym004, the EGFR program, in advanced mCRC and GBM. In addition, Symphogen is developing Sym013, the company's pan-HER inhibitor program, for the treatment of advanced solid tumors and Sym015, a dual MET inhibitor, for the treatment of MET-amplified solid tumors.

Continue to leverage and invest in the company's mAb mixture platform to discover and develop additional product candidates, including in the fields of immuno-oncology and other disease areas
Symphogen has demonstrated its ability to apply its antibody discovery technology to identify large, diverse panels of high quality antibodies against a wide range of clinically relevant targets. Symphogen intends to use its discovery technology to continue to identify new combinations of antibodies that may offer therapeutic benefits. The company is developing mAb mixtures for immuno-oncology, through a broad collaboration with Shire to develop up to six immuno-oncology product candidates.The mAb mixture approach may also have applications in other areas with significant unmet medical need, as exemplified by the collaboration with Genentech within infectious diseases.

Develop precision medicine products by focusing on potential therapies for subgroups of patients with significant unmet medical needs, including where expedited regulatory pathways may be available
Symphogen intends to address the need for precision-based therapies that treat patients with particular identified tumor subtypes who derive little or no benefit from existing therapies. To the extent that any product candidates derived from the company's efforts in precision medicine are eligible for breakthrough therapy designation, and/or expedited regulatory approval based on the high unmet medical needs, Symphogen would pursue such regulatory pathways.

Continue to selectively pursue collaborations and other partnering opportunities with leading pharmaceutical companies
For targets outside oncology indications or in certain geographies and where a partner can contribute specific expertise to the development and/or commercialization of the products, Symphogen may consider collaborations with strategic partners. The company's ability to build collaborations with strong pharmaceutical and biopharmaceutical companies is exemplified by the collaborations with Shire and Genentech. These collaborations have the potential to drive significant value through the extensive capabilities of these organizations.

Platform and technology

Symphogen's mAb mixture approach offers one of the most diverse and flexible mAb formats and the closest approximation to a natural antibody response.

Current mAb approaches to the treatment of cancer

Over the last 20 years, a new paradigm of cancer research and treatment has emerged that employs targeted therapies, including mAbs. mAbs are natural proteins that bind to target receptors present on the surface of tumor cells thereby inhibiting tumor growth.

As a drug class, tumor-targeting mAbs has transformed oncology treatment and represent some of the most effective and top selling therapies on the market. Rituxan (rituximab), Avastin® (bevacizumab) and Herceptin (trastuzumab), have dominated the cancer antibody market, which represented a total sales of approximately USD 27 billion in 2015 (Market Data Forecast, 2016). However, the success of conventional single-target mAbs has been hindered to some degree by limited efficacy, including primary resistance and rapid development of acquired resistance, and by safety and tolerability concerns.

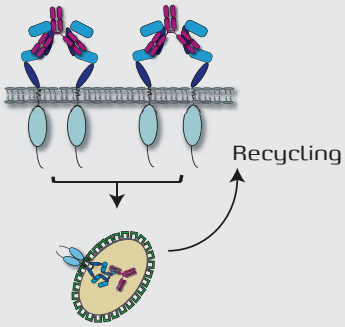
More recently, immuno-oncology has emerged as a promising new field of cancer therapy that aims to enhance antitumor immune responses by, overcoming mechanisms that cancer cells have developed to evade the immune system. Some cancer cells overly express proteins, called immune checkpoints, that apply brakes to the immune system, and enable the tumor cells to evade destruction. Checkpoint inhibitors release these brakes on the immune system thereby allowing the immune system to destroy the tumor. Immune checkpoint inhibitors Keytruda® (pembrolizumab), Opdivo (nivolumab), Tecentriq® (atezolizumab) and Yervoy (ipilimumab) are antibodies targeting some of these immune inhibitory proteins.

Symphogen's mAb mixture approach
Symphogen has a differentiated approach to fighting cancer: mAb mixtures that each contain two or more separate antibodies which bind to selected targets and, if relevant, to non-overlapping sites (epitopes) on selected cancer targets. A mAb mixture is a combination of systematically selected, well-characterized recombinant mAbs, each of which binds to a different binding site on one or more targets. These targets are typically cell-surface receptors or the free-floating ligands, and have been selected for their relevance as clinically validated oncology targets.

A mAb mixture in a single drug product may be comprised of two or more full-length mAbs which, when combined, are designed to provide the product with both specificity and diversity and the potential for synergistic therapeutic effect. This dual receptor binding can result in more effective receptor cross linking, which can lead to more effective inhibition of important drivers of cancer growth than that provided by a single mAb.

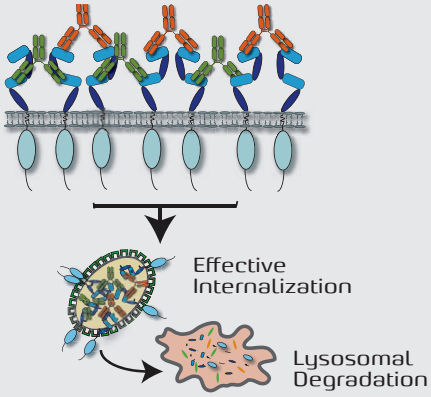
Receptor Tyrosine Kinase (RTK) inhibition
Symphogen's proprietary mAb mixture product candidates are focused on targeting RTKs, cell-surface transmembrane proteins which bind extracellular signalling ligands, such as growth factors (including EGFR), cytokines or hormones. RTKs play a crucial role in mediating normal functions, including cellular proliferation, differentiation, survival, and angiogenesis, while aberrant activation of RTK signaling pathways are associated with pathogenesis and progression of various malignancies, which are commonly understood as cancerous cell growth. RTKs such as EGFR and HER2 are important in the development of malignant cells. Symphogen's mAb mixture product candidates are designed to bind to non-overlapping epitopes on the extra-cellular domain, or ECD, of a particular RTK receptor to induce cross-linking, internalization and degradation of the receptor and thereby block activation associated with cancerous cell growth.

Unlike single mAbs that simply block ligand interactions...



mAb (e.g. cetuximab) Dimerization

... dual targeting of EGFR with Sym004 also leads to rapid, sustained EGFR internalization and degradation



mAb Mixture (Sym004) Cross Linking and Clustering

Limitations of single mAb therapeutics and Symphogen's mAb mixture approach
Symphogen's mAb mixture approach offers one of the most diverse and flexible mAb formats and the closest approximation to a natural antibody response. Single mAbs have significant limitations, which Symphogen's mAb mixtures are designed to overcome:

Limitations of current mAb-based approaches	Symphogen's mAb mixture approach
Poor single mAb-mediated receptor internalization	Rapid and effective mAb-mediated receptor internalization
Limited ability to address biological complexity of tumors	mAb mixtures employ a multi-targeted and/or multiple binding site approach
Single mAbs may induce development of resistance	Novel mechanism of action offers promise to overcome or delay resistance development
Administration of multiple single mAbs is inconvenient and expensive for patients and may not have synergistic effects	Synergistic mAb mixtures offer administrative and pharmaco-economic benefits

Symphogen's differentiated mAb mixture development technology
Developing mAb mixtures requires a specialized approach across multiple disciplines including antibody discovery, target validation, lead selection, identification of synergistic mixtures, cell line generation manufacturing, characterization, preclinical and clinical development, and regulatory approach, as well as a different set of technology solutions compared to developing single mAbs. Symphogen has established the technologies and know-how to produce and characterize mAb mixtures as single drug products using standard large-scale biological manufacturing techniques.

How Symphogen generates mAb mixtures
Antibody mixtures are produced as recombinant monoclonal antibodies, which are typically manufactured individually and mixed in a final product. To identify an optimal mixture, a large repertoire of monoclonal antibodies must be screened to ensure synergistic effect. Symphogen has developed a proprietary functional lead selection technology allowing for the rational, rapid, and systematic identification of lead candidate antibodies, as well as the selection of a spectrum of antibodies for mAb mixtures that are most likely to prove effective. The company's assay technology tests and compares individual mAbs and all possible combinations of these antibodies in functional assays. As evidenced by the partnerships with Shire and Genentech, the company's technology can be used to develop therapies in diverse therapeutic areas including immuno-oncology and infectious diseases. Symphogen's proprietary functional lead selection technology has the ability to rapidly compare and rank individual mAbs and mAb mixtures to determine the optimal size and composition of an antibody drug against a target or infectious disease agent of interest.

Regulatory know-how
Based on data-driven evidence for the company's mAb mixtures, Symphogen has been able to advance its product candidates through clinical trials. Symphogen's one-product mixture approach has been well received by the regulatory agencies, including the FDA, based on the company's understanding and evidence of the synergistic effect coupled with sophisticated product characterization and validation technologies. Symphogen's regulatory track-record and interactions with regulatory agencies is anticipated to facilitate commercialization the company's mAb mixtures as a single drug product, subject to outcome of clinical trials.

Symphogen's product candidates

Symphogen's proprietary pipeline addresses clinically validated targets, is supported by strong preclinical data, and has broad intellectual property protection. It is designed to address today's need for precision medicine.

Symphogen owns global development and commercialization rights to three single-drug mAb mixture product candidates: Sym004, Sym013 and Sym015. Each of these products has the potential to offer a clinical treatment option for cancer patients that is not currently available.

The company's pipeline also includes partnered programs: a clinical stage program directed to an undisclosed infectious disease target that is under clinical development by Genentech, and an immuno-oncology discovery/preclinical program addressing up to six immuno-oncology targets being developed in collaboration with Shire.

Sym004 – A second generation anti-EGFR precision medicine

Symphogen is developing Sym004 as a mAb mixture targeting the EGFR for the treatment of metastatic colorectal cancer (mCRC). Sym004 is also being tested in an investigator initiated trial for adult patients with recurrent glioblastoma (GBM).

EGFR is present in a wide variety of epithelial tumors, including highly common cancers such as colorectal, lung, brain and head and neck cancers. EGFR is a critical receptor for several ligands important for tumor growth. Aberrations of EGFR, including receptor amplification or overexpression of its ligands, have been found to be key drivers of tumor growth and are frequently associated with advanced disease, progression to metastatic disease and a poor prognosis.

Sym004 is a synergistic antibody mixture containing two recombinant mAbs, futuximab and modotuximab, which bind to different, non-overlapping epitopes of EGFR. The company believes that Sym004 induces a unique mechanism of action that is dependent on the presence of both antibodies. Sym004 induces rapid internalization and degradation of the EGFR that leads to down-modulation of EGFR and subsequent inhibition of cancer cell growth.

Sym004 for the treatment of metastatic colorectal cancer (mCRC)

In December 2016, Symphogen completed a large, randomized, sponsored–blinded Phase 2b trial with two different doses of Sym004 and a control arm (investigator's choice of best supportive care including chemotherapy), with 50% improvement in overall survival (OS) as primary endpoint. The trial was initiated in December 2013 by the prior licensee of Sym004, Merck KGaA, and based on preclinical studies indicating that Sym004 may work in mCRC tumors resistant to approved anti-EGFR therapies Erbitux®(cetuximab, marketed by Merck) and/or Vectibix® (panitumumab, marketed by Amgen). As part of a license termination Merck KGaA transferred the trial to Symphogen in February 2015.

Based on the efficacy and tolerability of Sym004 in mCRC patients observed in an earlier completed Phase 1/2 trial in the same patient population, this Phase 2b trial was designed to more extensively evaluate the safety and efficacy of Sym004 in patients with mCRC and acquired resistance to anti-EGFR mAbs. The trial enrolled a total of 254 patients.

While the trial did not meet its primary endpoint, post-hoc analysis of data for population supgroups has revealed compelling and clinically relevant outcomes for a well-defined subgroup of the treated population. The trial results are currently being investigated by the company, and it is initiating dialogue with relevant regulatory agencies to establish the development path for Sym004 as mCRC therapy for patients, who had previously responded to EGFR therapy.

Disease information and treatment options

Colorectal Cancer, or CRC, is the third most frequently diagnosed cancer worldwide in men and the second most diagnosed in women, accounting for 694,000 deaths annually. In 2016, an estimated 525,000 patients will have been newly diagnosed with CRC in the United States, the five major EU countries and Japan combined. A further 319,000 patients will have been diagnosed in China (Global Data, 2015).

Curative surgical treatment is only possible in the early stages of the disease, and if the malignancy has not spread beyond the regional lymph nodes. Eventually, 50% of all patients with CRC will relapse and die due to metastatic disease within five years after being diagnosed with CRC. In the United States, anti-EGFR antibodies are most frequently used as a third line monotherapy or in combination with chemotherapy. The therapeutic approach may be slightly different in the European Union.

Sym004 competition

The 2016 market for mCRC targeted therapies is estimated at USD 5.6 billion, dominated by Avastin® (bevacizumab), which have annual worldwide sales of approximately USD 3.0 billion, and anti-EGFR mAbs, including Erbitux® (cetuximab) and Vectibix® (panitumumab), which have annual worldwide sales of approximately USD 2.0 billion, according to Global Data 2015.

In 2014 and 2015, respectively, two new late stage mCRC therapies were launched in the United States and selected countries in Europe: Lonsurf® (trifluridine and tipiracil) and Stivarga® (regorafenib). Market approval of Lonsurf® was based on results from a Phase 3 clinical trial with overall survival (OS) as the primary endpoint. Results showed a median OS for patients treated with Lonsurf® plus best supportive care (BSC) of 7.1 months and 5.3 months for patients treated with BSC plus placebo, i.e. an improvement of 1.8 months.

Market approval of Stivarga® was based on a Phase 3 clinical trial where patients were randomised with Stivarga® plus BSC, or placebo plus BSC. The results showed a median OS of 6.4 months in Stivarga®-administered patients, compared with 5.0 months in placebo-administered patients, i.e. an improvement of 1.4 months.

Development plan for Sym004
Based on the data from the completed Phase 2b trial in 3rd/4th line mCRC patients, Symphogen has decided to focus the further development of Sym004 on 3rd/4th line treatment of mCRC. Consequently, on-going trials in 2nd line mCRC therapy in combination with FOLFIRI, mCRC patients with EGFR-ECD mutation, and in Squamous Non-Small Cell Lung Cancer (SqNSCLC) will be discontinued.

Sym004 for the treatment of glioblastoma
Glioblastoma is a highly aggressive malignant primary brain cancer; it is the most common and aggressive type of primary brain tumor in humans. It accounts for 52% of all primary brain tumor cases and 20% of all intracranial tumors. The median progression-free survival for patients treated with surgery followed by radiation and temozolomide is under 7 months. Median overall survival is under 15 months. No effective therapy exists following recurrence. EGFR is amplified in 35% to 50% of primary GBM tumors. By removing the EGFR receptors from the surface of the tumor cell, Sym004 is well positioned to provide a new treatment option for glioblastoma patients.

Glioblastoma is a relatively rare disease with a high unmet medical need, making glioblastoma an attractive market opportunity for a more effective therapy that provides improved life span.

The drug treatable population (Decision Resources, Nov. 2015) in the US and European Union is expected to develop as follows:

US & EU Major markets total	2014	2019	2024	Growth % 2014–2024
First-line glioblastoma	26,960	29,160	31,250	1.5
Second-line glioblastoma	18,110	19,610	21,030	1.5
Third-line glioblastoma	8,930	9,680	10,400	1.5

Symphogen has currently one investigator-initiated clinical Phase 2 trial of Sym004 in glioblastoma ongoing, with the primary objective to assess the efficacy of Sym004 in terms of six-month progression-free survival. This trial was initiated in February 2016.

To Symphogen's knowledge, there are currently three other products in Phase 3 clinical trials for glioblastoma: nivolumab, a PD-1 therapy that is being developed by Bristol-Meyers Squibb for both newly diagnosed and recurrent glioblastoma, ICT107, an immunotherapy that is being developed by Immunocellular Therapeutics for newly diagnosed glioblastoma, and VB-111, a gene therapy that is being developed by VBL Therapeutics for use in recurrent glioblastoma.

Sym013 – A first-in-class multi-targeting antibody mixture directed against EGFR, HER2 and HER3

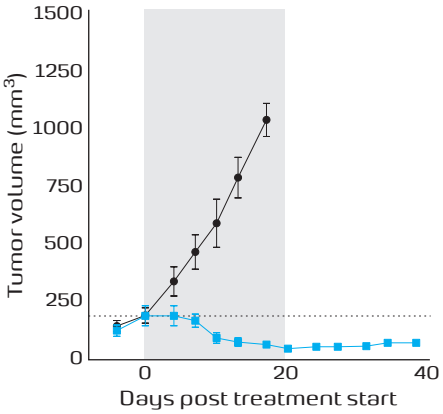
Symphogen's pan-HER candidate, Sym013, is the first product known to address tumor heterogeneity and plasticity (compensatory receptor up-regulation). Sym013 represents a novel drug candidate with six antibodies - two targeting each of the EGFR, HER2 and HER3 receptors, and thus it fully utilizes the strengths of Symphogen's multitargeting mAb mixture platform. Administration of Sym013 is associated with rapid elimination of all three targets and consequently lead to a total "horizontal" blockade of HER oncogenic signaling. The mechanism of action for Sym013 is associated with anti-tumor activities as evidenced in several preclinical models of epithelial tumors.

Sym013 effectively suppresses tumor growth in multiple preclinical models

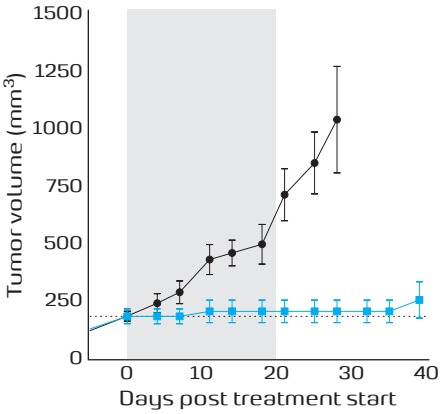
Sym013 (pan-HER) effectively suppresses tumor growth in multiple pre-clinical PDX (patient-derived xenograft) cancer models. Data indicated by black lines show increases in tumor size without treatment with Sym013 and data indicated by blue lines show how treatment with Sym013 suppresses or even reduces tumor size over time.

Pan-HER in vivo efficacy in PDX cancer models

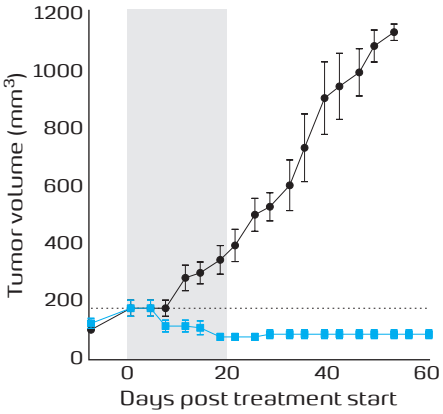
Head & Neck PDX



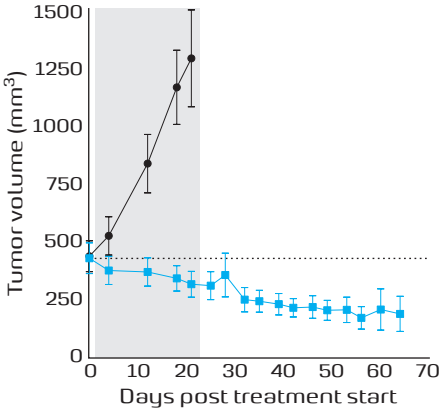
Lung PDX



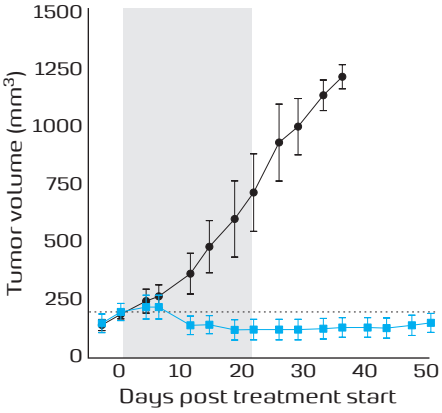
Pancreatic PDX



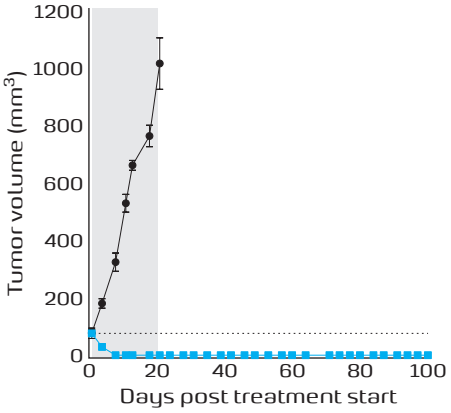
Colorectal PDX



Ovarian PDX



Breast PDX



There is substantial preclinical and clinical evidence that mutation, over-expression, amplification or activation of EGFR, HER2 and HER3, or ligand over-expression, play important roles in the development, progression and acquired resistance of many human epithelial cancers. Symphogen expects that a mixture of pan-HER targeting antibodies will be more capable of dealing with tumor plasticity and tumor heterogeneity than existing targeted therapies, both in terms of receptor dependency and the development of acquired resistance due to receptor tyrosine kinase up-regulation, cross-talk or increased ligand production.

A Phase 1 trial investigating the safety, tolerability and antitumor activity of multiple doses of Sym013 in patients with advanced epithelial malignancies was initiated in November 2016.

Sym013 competition
There are a number of multi-HER small molecule inhibitors on the market, including Tykerb (lapatinib) and Gliotrif (afatinib). Other late stage molecules include neratinib in currently pre-registration for breast cancer and dacomitinib in Phase 3 trials in NSCLC. Small molecule HER inhibitors are not capable of directly inhibiting HER3 due its lack of kinase activity. To the company's 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.

Sym015 – A MET inhibitor with differentiated mechanism of action

Sym015 is a novel combination of two antibodies directed at the elimination of MET receptor, a tyrosine kinase receptor believed to regulate multiple cellular processes that stimulate cell proliferation, invasion and angiogenesis. In January 2016, Symphogen filed an IND for this program, and is currently sponsoring an open-label, multicenter Phase 1a/2a trial investigating the safety, tolerability and antitumor activity of multiple doses of Sym015. Symphogen has completed enrolment of Phase 1 dose escalation and Sym015 was well tolerated, and the company identified a dosage and schedule for a Sym015 trial expansion, or basket trial, for patients with MET amplified tumors.

Sym015 competition
There are currently no approved therapeutics specifically for the targeted treatment of patients with MET-amplified solid tumor malignancies. The non-selective MET inhibitors CometriQ (cabozantinib) and Xykori (crizotinib) are currently approved but are expected to have different efficacy and side effect profiles than more selective MET antibody compounds. Compounds targeting the MET pathway currently under evaluation in advanced clinical trials include the small-molecule tyrosine-kinase inhibitors tivantinib and the MET bivalent antibody emibetuzumab in Phase 2 clinical trials in gastric cancer and NSCLC.

Immuno-oncology research and development program

In 2014, Symphogen expanded its research activities in the immuno-oncology area by employing antibody generation technology against a number of targets believed to be important to the immune system's role in the establishment and progression of cancers. The company has focused its internal activities in this area by creating mixtures of antibodies against multiple immuno-oncology targets with the goal of obtaining signals of activities initially in patients who did not benefit from single-target therapy. The benefits of combining individual mAbs in immuno-oncology product candidates are primarily due to pharmacokinetics (complementary drug interaction), pharmaco-economics (reduced cost per dosage) and ease of administration (easier patient compliance and satisfaction), rather than the synergies that have been demonstrated in our proprietary RTK clinical programs.

Intellectual property

Symphogen actively seeks to protect the intellectual property and proprietary information and technology that it believes is important to its business, which includes seeking and maintaining patents covering its proprietary technology, product candidates, proprietary processes and any other inventions that are commercially and/or strategically important to its business development.

As of December 31, 2016, Symphogen owned a total of 17 patent families in which the company owned 12 granted patents in the United States, six in Europe and a number of patents in other jurisdictions. Symphogen currently has 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).

Partnerships

Research, option and license agreement with Shire
In January 2016, Symphogen announced an exclusive research, option, and license agreement with Baxalta Incorporated and Baxalta GmbH, which have since been acquired by Shire, and granted Shire an option to obtain, upon the achievement of certain development milestones, an exclusive, worldwide license under Symphogen's technology to develop, make, and commercialize antibody monotherapies directed at certain agreed oncology targets and pharmaceutical products containing those antibodies. The Shire Agreement covers three pre-agreed targets, and provides Shire with the option to include additional three targets, as well as the opportunity to negotiate to commercialize any licensed product mixed together with other products or therapies. Symphogen received an upfront payment of DKK 1.2 billion under the agreement and is eligible for potential additional milestone payments of up to DKK 10 billion plus royalties on worldwide sales. Symphogen expects to file the first IND related to the Shire collaboration in 2017.

Collaboration and license agreement with Genentech
In 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 exceeding DKK 700 million upon the successful achievement of certain research and development milestones, as well as royalties on worldwide sales. In 2016, Genentech completed a Phase 1 trial with a Symphogen-derived antibody.

2016 financial review and 2017 outlook

5-year summary for the Symphogen group (DKK thousands)	2016	2015	2014	2013	2012
Statement of profit or loss					
Revenue	214,235	48,526	98,742	74,988	180,026
Research and development expenses	(507,636)	(337,177)	(189,232)	(147,151)	(230,778)
Administrative expenses	(140,894)	(67,673)	(42,122)	(56,087)	(72,803)
Operating loss	(434,295)	(356,324)	(132,612)	(128,250)	(123,555)
Net financial items	14,823	(9,638)	4,640	7,592	2,364
Loss for the year	(414,940)	(360,147)	(122,564)	(119,486)	(119,964)
of which share-based expenses account for	(90,547)	(20,742)	(5,870)	(19,584)	(39,603)
Balance sheet					
Total non-current assets	172,543	53,605	56,952	40,243	22,776
Cash	695,065	64,271	28,015	42,773	47,889
Marketable securities	238,278	217,527	174,553	283,662	202,431
Total assets	1,124,036	362,719	279,990	388,734	293,196
Shareholders' equity at year-end	(90,430)	232,094	221,894	337,941	234,080
Statement of cash flow					
Cash flows from operating activities	666,920	(259,197)	(99,633)	(98,771)	(46,205)
Cash flows from investing activities	(38,397)	(52,496)	86,128	(104,392)	(157,586)
Hereof investment in property, plant and equipment	(19,272)	(8,511)	24,376	24,832	8,701
Cash flows from financing activities	1,244	347,505	(1,657)	198,227	238,205
Net cash flow for the year	629,767	35,811	(15,162)	(4,935)	34,413
Financial Ratios					
Equity ratio (%)	(8)	64	79	87	80
Average number of employees	**111**	**99**	**104**	**101**	**92**

Definition of financial ratios:
Equity ratio: Shareholders' equity / Total assets x 100

Key figures and financial ratios have been calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Finance Society.

Statement of profit or loss and Statement of comprehensive income
Symphogen reported a net loss after tax of DKK 414.9 million in 2016, compared to a net loss of DKK 360.1 million in 2015. The net loss excluding share-based payments totaled DKK 324.4 million in 2016, compared to a net loss excluding share-based payments of DKK 339.7 million in 2015. The development comprises an increase in revenue of DKK 165.7 million, an increase in operating expenses of DKK 173.9 million excluding share-based payments, an increase in net financial items of DKK 24.5 million and a decrease in income tax benefit of DKK 1.3 million.

Revenue
Symphogen recognized revenue of DKK 214.2 million in 2016 compared to revenue of DKK 48.5 million in 2015. Revenue in 2016 consisted of services provided under the collaboration agreement with Shire. Revenue in 2015 consisted of services provided under the collaboration agreement with Merck KGaA and a milestone payment from Genentech.

Operating expenses
Research and development expenses increased by DKK 170.5 million, or 51%, from DKK 337.2 million in 2015 to DKK 507.6 million in 2016. Excluding share-based compensation expenses, research and development expenses increased by DKK 157.3 million, or 47%, mainly due to higher clinical activities on Sym004 and start up of two Phase 1 clinical trials on Sym013 and Sym015.

Administrative expenses increased by DKK 73.2 million, or 108%, from DKK 67.7 million in 2015 to DKK 140.9 million in 2016, mainly due to an increase in the expensed fair value cost of share-based compensation of DKK 72.4 million compared to DKK 15.7 million in 2015 and higher activites in 2016 compared to 2015 in the office in New Jersey. Excluding share-based compensation expenses, administrative expenses increased by DKK 16.6 million, or 32%. Overall, administrative expenses accounted for 22% of Symphogen's total operating expenses in 2016, compared to 17% in 2015. Excluding share-based compensation expenses, administrative expenses accounted for 12% of Symphogen's total operating expenses in 2016, compared to 14% in 2015. For further details, please refer to note 2.6 in the consolidated financial statements.

The average number of employees increased from 99 in 2015 to 111 in 2016.

Net financial items
Net financial items amounted to income of DKK 14.8 million in 2016 compared to expenses of DKK 9.6 million in 2015. Financial income increased by DKK 27.5 million, from DKK 13.4 million in 2015 to DKK 40.9 million in 2016. Financial expenses increased by DKK 3.0 million, from 23.0 million in 2015 to DKK 26.0 million in 2016. The increase in net financial income of DKK 24.5 million was primarily due to a currency option applied for hedging of currency exposure yielding an income of DKK 16.5 million, increase in foreign exchange changes of DKK 4.3 million and a decrease in unrealized and realized loss on marketable securities of DKK 6.4 million compared to 2015.

Income taxes
The loss for the year includes an income tax benefit for the year of DKK 5.5 million deriving from the Danish tax credit scheme for research and development expenses. Beyond this, Symphogen has deferred tax assets of DKK 413.6 million, which are not recognized in the balance sheet, since it has not been established with sufficient certainty if the tax assets can be offset against future taxable income.

Allocation of loss
The Board of Directors proposes that the loss for the year of DKK 414.9 million be carried forward to next year.

Balance sheet
Total non-current assets amounted to DKK 172.5 million at year-end 2016 compared to DKK 53.6 million at year-end 2015. The increase of DKK 118.9 million was mainly due to tax prepayment of DKK 80.0 million and a prepayment to a manufacturing partner of DKK 27.0 million. The net carrying amount of property, plant and equipment totaled DKK 53.0 million at December 31, 2016, as compared to DKK 46.9 million at December 31, 2015. The increase of DKK 6.0 million was mainly related to investments in refurbishment and laboratory equipment.

Cash, cash equivalents and marketable securities amounted to DKK 933.3 million at December 31, 2016, as compared to DKK 281.8 million at December 31, 2015. The increase of DKK 651.5 million was primarily due to the upfront payment of DKK 1,197.7 million from Shire less the negative cash flow from operating activities.

Total assets were DKK 1,124.0 million at year-end 2016 compared to DKK 362.7 million at year-end 2015.

Statement of cash flow
Cash flows from operating activities amounted to DKK 666.9 million in 2016 compared to a negative cash flow of DKK 259.2 million in 2015. The positive development was driven by the upfront payment of DKK 1,197,7 million received as part of the collaboration agreement with Shire. In the Annual Report 2015, the company expected negative cash flows from operating activities in 2016 of DKK 450-500 million excluding the upfront payment of DKK 1,197.7 million. Adjusted for the upfront payment, Symphogen realized a negative cash flow from operating activities of DKK 530.8 million. The negative development compared to the expectations was primarily due to higher than expected clinical development activities in respect of Sym004, Sym013 and Sym015 in 2016.

Cash flows from investing activities amounted to a negative cash flow of DKK 38.4 million in 2016 compared to a negative cash flow of DKK 52.5 million in 2015. The decrease of DKK 14.1 million reflects a decrease in proceeds from sales of marketable securities in 2016 compared to 2015 of DKK 24.9 million, offset by an increase in investment in property, plant and equipment of DKK 10.8 million.

Cash flows from financing activities amounted to DKK 1.2 million in 2016 compared to DKK 347.5 million in 2015. The decrease of DKK 346.3 million was primarily due to proceeds from the issue of new preferred I shares of DKK 347.5 million in 2015, whereas only few new shares as a result of exercise of warrants were issued in 2016.

Statement of changes in equity
Shareholders' equity decreased from DKK 232.1 million at December 31, 2015, to DKK -90.4 million at December 31, 2016. Please refer to the statement of changes in equity for further details.

Related party transactions
Symphogen's related parties comprise the subsidiaries 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. Please refer to note 5.3 of the consolidated financial statements for more information about related party transactions.

Environmental impact
Symphogen does not issue separate environmental reports, since Symphogen's current activities are deemed to have a very limited impact on the environment.

As Symphogen does not carry on industrial commercial production, discharges into the air, soil and water are limited. The company's research and development activities are carried on from state-of-the-art laboratories facilities in Ballerup, Denmark, which are designed to reduce any environmental impact. Furthermore, Symphogen has implemented policies for the handling of waste materials from its laboratory facilities in accordance with regulatory requirements.

Symphogen considers it important to maintain a good working environment and to meet regulatory requirements regarding the way the workplace is designed. This also includes the psychological and physical work environment. In 2016, Symphogen reported no industrial accident compared to one in 2015. The reported absence due to illness was 2.6% in 2016 compared to 2.5% in 2015.

Outlook for 2017 and financing
Further development of the Sym004 program following the finalization of the Phase 2b trial in 3rd/4th line mCRC will be an important determinant in Symphogen's operations towards development of its proprietary oncology pipeline. Symphogen looks to continue Sym004 program in mCRC and GBM as the data are analyzed and presented to relevant authorities.

Both our Sym013 (pan-HER) and Sym015 (MET) programs are expected to continue the ongoing Phase 1 trials following successful IND filings in 2016.

The strategic collaboration agreement with Shire will continue and allow Symphogen and Shire to explore Symphogen's technology within the I-O field. It is expected that the collaboration will generate several clinical candidates going forward.

Through the DKK 503 million convertible debt facility and the DKK 1.2 billion upfront payment from Shire, Symphogen has secured a strong balance sheet to further advance its pipeline.

Symphogen expects continued high activity related to its development of antibody mixtures and expects to incur a negative operating cash flow of approx. DKK 650 million and have cash resources and marketable securities, including its debt facility, of approx. DKK 650 million by the end of 2017. This includes the expected utilization of DKK 373 million of the DKK 503 million convertible debt facility to fund future operations.

Risk management

Symphogen is exposed to various risks, which may have a significant impact on its business if not properly mitigated. Symphogen frequently performs risk assessments with external partners including insurance, financial and legal advisors to maintain an up-to-date, balanced view of business-related risks. Symphogen performs an evaluation of the scientific, commercial and financial risks on a periodic basis. Below is a summary of some of Symphogen's key risk areas and how such risks are addressed.

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

Technology risks
The technology risks associated with the development of antibody mixtures are primarily related to manufacturing, characterization and regulatory approval of these products. Symphogen has developed a unique manufacturing platform for consistent batch-to-batch production of antibody mixtures as well as characterization technologies, which address the increased complexity of its products, to satisfy the regulatory agencies. Further, Symphogen has an ongoing dialogue with the regulatory agencies in the US and Europe to define the data requirements in support of its products. Symphogen has significantly mitigated the technology risk in relation to its technology platforms through the successful completion of the scale-up and manufacturing of clinical materials, the successful completion of human clinical trials in the US and Europe and by establishing a regulatory path for future activities through extensive dialogue with the regulatory authorities in the US and Europe.

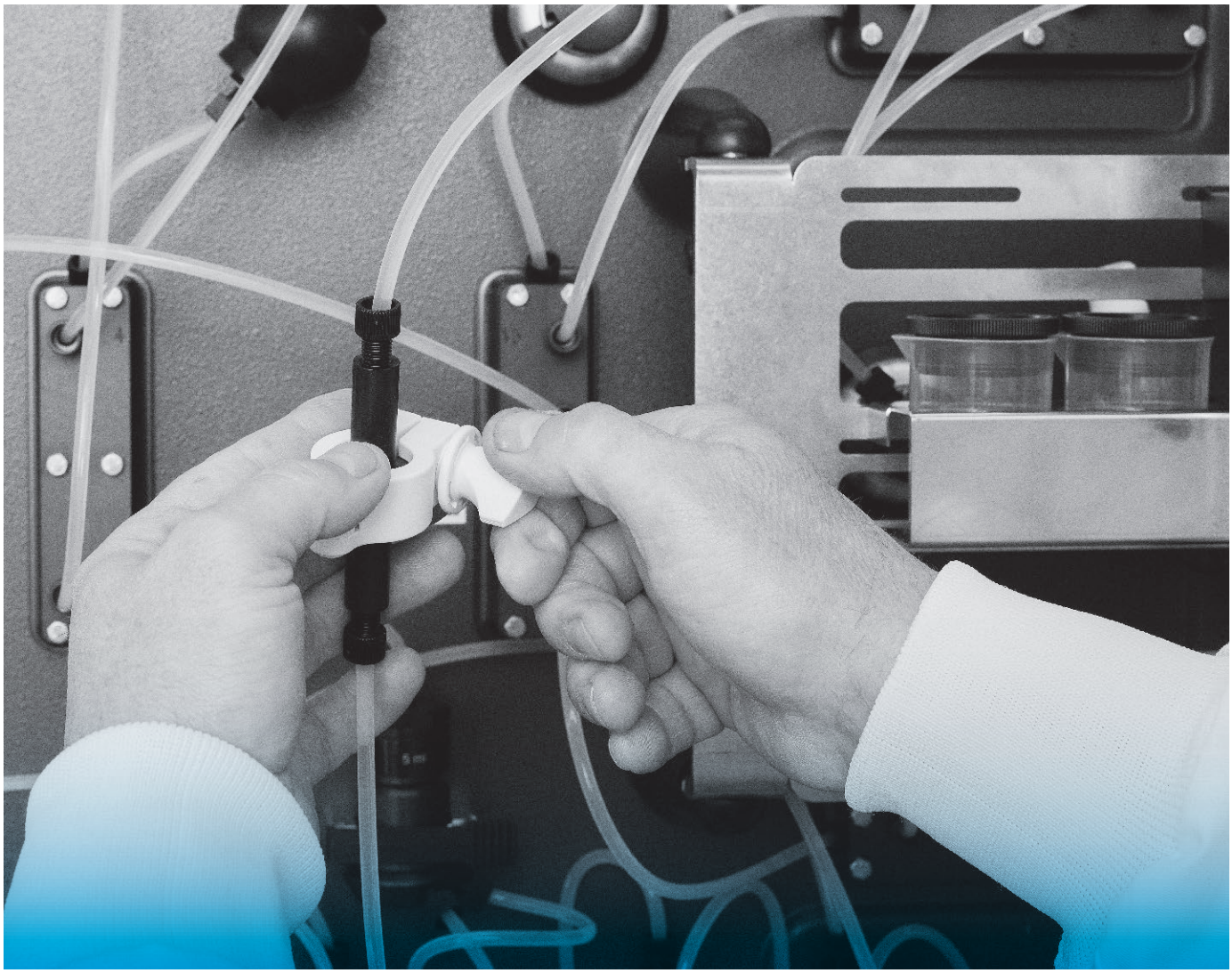
Development risks
The creation and development of therapeutic products within the biotechnology and pharmaceutical industry is subject to considerable risks. Since everything is rarely known about the nature of diseases or the way new potential therapeutic products can affect the disease process, a significant number of products do not successfully reach the marketplace. Any product undergoing pre-clinical or clinical development is subject to an inherent development risk, which includes factors such as timelines and quality of clinical suppliers and the availability of suitable patients to be enrolled in the clinical trials. Further, the outcome of pre-clinical as well as clinical studies is never certain, and the subsequent ability to obtain regulatory approval of the products is never guaranteed. It can fail even at advanced stages of development.

Symphogen is developing antibody therapeutics which, as a therapeutic class, has enjoyed not only significant sales in recent years but also a higher approval success rate than other therapeutic classes. In addition to this, Symphogen seeks to lower the risk by developing a diverse portfolio of products, including several products against validated targets, thus increasing the chances of success and diversifying the development risk.

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

Commercial risks
Symphogen is subject to commercial risks of a diverse nature, including market size and competition for Symphogen's products in development, the ability to attract the interest of potential partners, development time and cost of development programs, and patent protection. Commercial risks are addressed by developing a portfolio of product candidates which will enhance commercial opportunities and reduce Symphogen's reliance on individual products.

Furthermore, Symphogen pursues, where relevant, a partnering strategy, which contributes to reducing the commercial risks. Symphogen actively seeks partnerships with biotech and pharmaceutical companies through several types of collaborations including, among others, research and development agreements. In such agreements, Symphogen licenses development and marketing rights to a product identified by Symphogen under research sponsored by the partner, and product licensing agreements where Symphogen licenses development and marketing rights to a product, which has been identified and developed by Symphogen, in return for research funding, upfront and milestone payments, and royalties on product sales. The selected structure depends on, among other things, the market structure and the estimated risk, and time and costs for developing the product. Symphogen believes that this strategy offers a reduced exposure on each project and provides the possibility to add critical additional competences such as clinical development and marketing competences to Symphogen, thereby reducing the burden on Symphogen.



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

The Board of Directors has adopted a treasury policy for the management of the Symphogen's cash and cash equivalents, including marketable securities. This treasury policy describes, among other elements, which marketable securities investments can be made and that the investments must be handled and managed by professional investment departments. Furthermore, the treasury policy provides guidelines on the use of financial instruments. The Board of Directors reviews the document at least once a year to ensure that the guidelines are sound and in line with the company's operations.

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

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

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

Organization and human resources

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, QA, HR, IT, finance and administration.

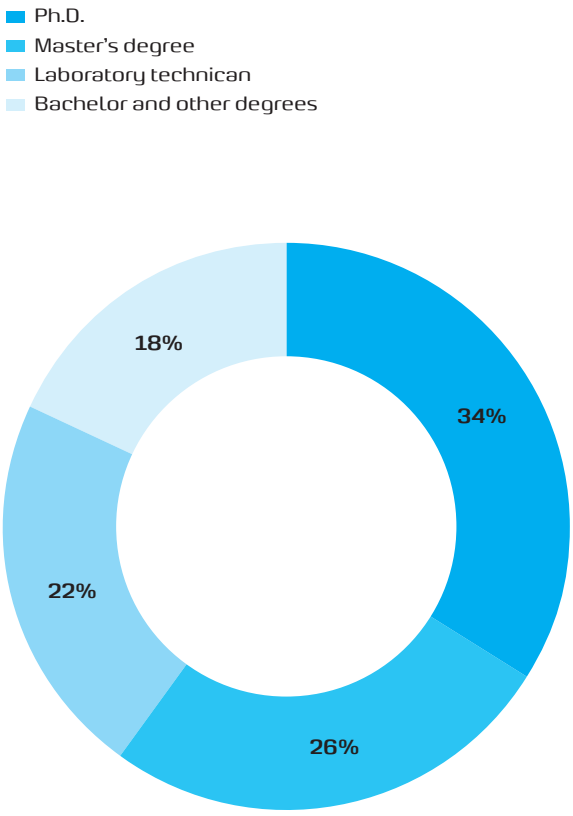
Symphogen strives to attract and retain the most qualified people to fulfill the company's vision to develop and offer truly innovative antibody mixture products to patients by addressing several targets in one single drug product. At Symphogen, the vision and core values are aimed at guiding employees in their everyday work. Skill, knowledge, experience and employee motivation are essential to Symphogen, and the ability to organize the highly skilled and very experienced employees at all levels in the organization into interactive teams is a key factor in achieving the company's goals and ensuring the future success of Symphogen.

The average number of employees increased from 99 in 2015 to 111 in 2016, and the number of employees at December 31 increased from 89 in 2015 to 124 in 2016. At the end of 2016, 99 people, or 80% of the employees, were engaged in research and development activities, compared to 69 people, or 77% of the employees in 2015.

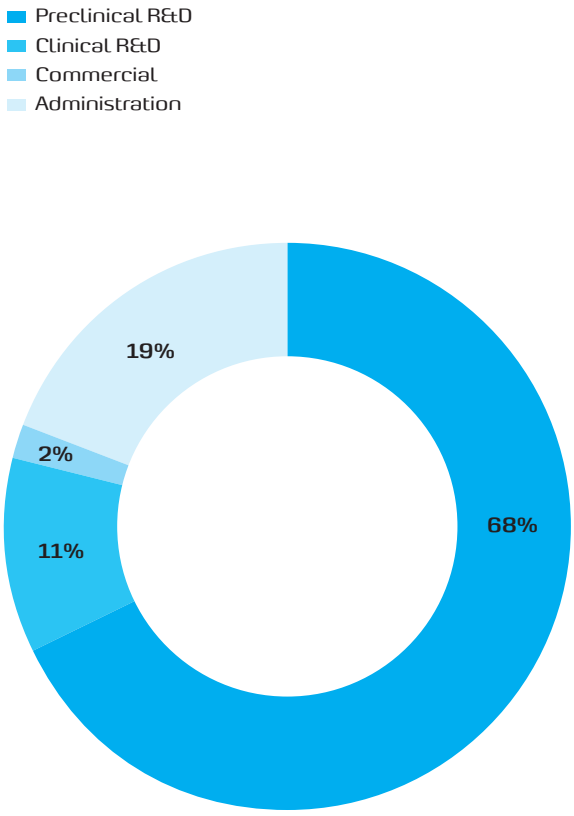
The technical demands of biotechnology require a high educational level of Symphogen's employees.

At the end of 2016, 42 employees, or 34%, held a Ph.D. or a doctor's degree. In addition, 32 employees, or 26%, held a master's degree. At the end of 2015, 32 employees, or 36%, held a Ph.D. or a doctor's degree. In addition, 16 employees, or 18%, held a master's degree.

Educational background



Breakdown by function



Corporate governance

Corporate governance is the system by which companies are directed and controlled. Symphogen adheres to the majority of the Danish Corporate Governance Recommendations, with the following exceptions:

- The Board of Directors has not established a nomination committee.
- The shareholders have appointed the CEO as a member of the Board of Directors.

Shareholders
Shareholders have ultimate authority over the company and exercise their right to make decisions at general meetings in person, by proxy or by correspondence. At the annual general meeting, shareholders approve the annual report and also elect board members and the independent auditor. Symphogen's 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 the company and its strategy. Symphogen's 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 in Symphogen.

Board of Directors
Symphogen has a two-tier management structure consisting of a Board of Directors and an Executive Management. The two bodies are separate, and only the CEO serves as a member of both. Elected board members serve a one-year term and are eligible for re-election. The Board of Directors currently consists of nine members, including the CEO. Currently, one board member is female and five of the nine shareholder-elected board members are non-Danes.

Symphogen's Board of Directors holds both ordinary and extraordinary meetings during the year. During 2016, the Board of Directors held 5 meetings one of which was a combined strategy seminar and board meeting.

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 which may be of interest to the Board of Directors, 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 also 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 appointment of auditors.

The Audit Committee also reviews Symphogen's 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 Symphogen's 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 advice the Board of Directors on scientific, regulatory and development activities that are critical for Symphogen's programs and technology. The Development Committee supports the Board of Directors in setting and monitoring goals and objectives for Symphogen's research and development activities and prioritizing activities. The Development Committee reviews Symphogen's 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 Symphogen's 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 Symphogen's executive compensation programs are suited to attract, retain and motivate executive officers and align the interests of key leadership with the long-term interest of Symphogen's shareholders. The Remuneration Committee also monitors any extraordinairy severance terms associated with members of management or staff leaving the company.

Remuneration
Symphogen aims to attract, retain and motivate talented individuals. Remuneration rewards short- and long-term performance and is aligned with shareholder interests. Symphogen has issued guidelines for compensation, "Compensation Guidelines", which govern the remuneration to Symphogen's 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 and cash-based and equity-based incentives. The equity-based incentives applicable to Symphogen's Board of Directors, Executive

Management, employees and certain consultants must in no event exceed 15% of the calculated, fully diluted share capital. Please refer to note 5.1 of the consolidated financial statements for more details on remuneration.

Board of Directors' remuneration
The remuneration of Symphogen's Board of Directors comprises a fixed base fee and a multiplier of the fixed base fee for the Chairmanship and members of Symphogen's 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. The Chairman is granted warrants as part of his services to reflect his special qualifications and relevance to Symphogen. Independent board members are for each year in service offered to purchase warrants corresponding to a maximum of 0.1% of the outstanding shares.

Executive Management's remuneration
The remuneration of Symphogen's 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. Variable cash-based remuneration must in no event exceed six months' fixed base salary. Symphogen may terminate employment by giving executive officers up to 12 months' notice. Executive officers may terminate their employment by giving Symphogen six months' notice. In addition to 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 pension contributions in the event of a merger, acquisition or takeover of Symphogen.

Management structure

Executive Management

Martin Olin
M.Sc., MBA (Danish, born May 1969)
Chief Executive Officer

20 years of executive experience in the pharmaceutical and biotech industry. Before joining Symphogen, Mr. Olin was a senior partner with SLS Invest, a Scandinavian based healthcare focused private equity fund. Prior to joining SLS Invest Mr. Olin held managerial positions in Novo Nordisk including Finance Director, EMEA. Mr. Olin served on the board of Symphogen from 2001 – 2008 and joined as a Chief Financial Officer in 2012. Since September 2016, CEO of Symphogen. Mr. Olin is a Board member of Symphogen and also serves on the board of Ascendis Pharma (public company). Mr. Olin serves as a member of the Lifescience Growth Team appointed by the Danish Government in 2016.

Jesper Bramming
M.Sc. Economics (Danish, born December 1960)
Chief Financial Officer

Joining Symphogen in 2016, Mr. Bramming came from the CMC Biologics group where he was Chief Financial Officer and a member of the group Management Team. Before joining CMC Biologics, Mr. Bramming was Chief Financial Officer at Nets Holding A/S. Prior to that, he held positions in the A.P. Moller – Maersk group – in group Finance and as CFO of Maersk Oil & Gas and Svitzer. Prior to these assignments, Bramming held a number of top positions in banking and investment management in leading European firms. He holds Board seats as Chairman of Rejsekort A/S, and as director of Danske Invest Management. He holds a Master of Economics from the University of Copenhagen, and is an alumni of Columbia University's Senior Executive Management Program and is CFA charter holder.

Gayle Mills
MBA (American, born August 1954)
Chief Business Officer

Prior to joining Symphogen in 2011, Ms. Mills most recently held the position of Chief Business Officer at ROXRO Pharma where she oversaw business operations leading to the successful FDA approval of ROXRO's analgesic, SPRIX® and the subsequent acquisition of the company by Luitpold Pharmaceuticals, a subsidiary of Daiichi Sankyo. Prior to that, Ms. Mills was SVP of Business Development at Abgenix, Inc., a successful antibody discovery and development company acquired by Amgen. Ms. Mills' accomplishments include consummation of a wide range of significant licensing, co-development and corporate acquisition transactions.

Ivan D. Horak
MD, FACP (American, born February 1951)
Chief Scientific Officer and Medical Officer

Prior to joining Symphogen in 2011, 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 and several book chapters within the fields of hematology, oncology, and immunology and has served on the editorial boards of several scientific journals. Dr. Horak is a board-certified oncologist. He is a Fellow of the American College of Physicians and a member of the American Association for Cancer Research (AACR), the American Society of Hematology (ASH), and the American Society Clinical Oncology (ASCO).

Mads Laustsen
M.Sc. (Danish, born March 1957)
Chief Manufacturing Officer

Mr. Laustsen has more than 25 years of international experience within biologics development and manufacturing from CMC Biologics, Novozymes, Zymogenetics and Novo. Mr. Laustsen co-founded CMC Biologics where he was the Chief Executive Officer and Chief Science Officer prior to joining Symphogen. Until March 1, 2017 Mr. Laustsen was a board member of CMC Biologics. Furthermore, he holds numerous patents related to biologics manufacturing and is on the Advisory Board of Institute of System Biology at the Danish Technical University.

Board of Directors

Göran A. Ando
MD
Chairman of the Board of Directors

Dr. Ando was CEO of Celltech group plc, UK, until 2004. He joined Celltech from Pharmacia, now Pfizer, where he was Executive Vice President and President of R&D with additional responsibilities for manufacturing, IT, business development and Mergers & Acquisitions from 1995 to 2003. From 1989 to 1995, Dr. Ando was Medical Director, moving to Deputy R&D Director and then R&D Director of Glaxo group, UK. He was also a member of the Glaxo group Executive Committee. Dr. Ando serves as Chairman of Novo Nordisk A/S, and as board member of Novo A/S, Molecular Partners AG, EUSA Pharma and ICMEC (International Centre for Missing and Exploited Children). He also serves as a Senior Advisor to Essex Woodlands Health Ventures UK Ltd. Dr. Ando is a Specialist in General Medicine and is a Founding Fellow of the American College of Rheumatology in the U.S. Dr. Ando served as Chairman of Symphogen's Remuneration Committee and as a member of Symphogen's Development Committee.

Jeppe Christiansen
M.Sc.

Mr. Christiansen holds a M.Sc. (Economy) from the University of Copenhagen. Jeppe Christiansen is Chief Executive Officer of Maj Invest A/S, of which he is also a co-founder and Maj Invest Holding A/S. Mr. Christiansen is member of the Executive Management of Maj Invest Equity A/S, Denmark and Vice Chairman of Maj Bank A/S. From 1986 to 1988, he worked as an economist in Sparekassen SDS. He came to LD Pensions in 1988 where he became Head of Fund Management and later Executive Vice President responsible for investments. From 1998 to 2004, Mr. Christiansen worked as Director in Danske Bank, responsible for international equity investments and corporate clients. Mr. Christiansen is Chairman of the of Board Haldor Topsøe A/S, Vice Chairman of the Board of Novo Nordisk A/S, and a member of the board of directors of Novo A/S, Kirkbi A/S, Det Kgl. Vajsenhus and Emlika ApS. Mr. Christiansen served as Chairman of Symphogen's Audit Committee and as a member of Symphogen's Remuneration Committee.

Kirsten Drejer
M.Sc., Ph.D.
Co-founder, and CEO of Symphogen from 2000-2016

30 years of experience in the pharmaceutical and biotech industry. Before joining Symphogen, Dr. Drejer held several scientific and managerial positions in Novo Nordisk including four years as Director of Diabetes Discovery, and three years as Corporate Facilitator. Since 2000, co-founder and CEO of Symphogen until September 2016. Dr. Drejer is a Board member of Symphogen, The Fund for Industrial Growth and was previously a board member of The Danish National Advanced Technology Foundation and Danisco A/S until its acquisition by Dupont in 2011. She is on the Advisory Boards of DI (Confederation of Danish Industry) capital's Board; The Faculty of Pharmaceutical Sciences, University of Copenhagen and the CBS Entrepreneurship Advisory Board, and a member of the Executive Management group VL-42 and The Danish Academy of Technical Sciences. She is a NOME mentor in Nordic Mentor Network for Entrepreneurship. She was awarded the 'BiotechBuilder of the Year' prize in 2003, 'Entrepreneur of the Year, Biotech' in 2007, and portrayed as top women in biotech 2013 by Fierce Biotech.

Ron Eastman
MBA

Mr. Eastman, Managing Director of Essex Woodlands, has over 35 years of experience in building healthcare businesses. Mr. Eastman began his career at American Cyanamid company, where he spent 15 years managing pharmaceutical products, divisions and subsidiaries in the US and overseas. Since then, Mr. Eastman has helped build three private healthcare companies - Geron, HCORP, and Rinat Neuroscience. Under his leadership, Geron became a cutting-edge biotech company, which grew from a venture-backed startup to a publicly traded pioneer in the fields of regenerative medicine and cancer. HCORP quickly established itself as the technology and market leader in the emerging field of hospital-based, interactive patient services and was sold to a diversified competitor. At Rinat, Mr. Eastman led the effort to build the first company dedicated to discovering and developing large molecule drugs for treating nervous system disorders. Rinat was acquired by Pfizer for USD 500 million in 2006. Mr. Eastman serves on the boards of Corium International, EluSys Therapeutics Inc., IntegenX Inc., and Revance Therapeutics Inc. He holds a Bachelor of Arts from Williams College and a Master of Business Administration degree from Columbia University. Mr. Eastman served as a member of Symphogen's Remuneration Committee.

Christoffer Søderberg
M.Sc.

Mr. Søderberg is a Senior Director in Novo Large Investments, leading investment processes and taking part in managing and developing the portfolio of investments. Prior to joining Novo A/S, he was a Senior Principal at the Boston Consulting group (BCG) leading the Copenhagen Private Equity and Principal Investors practice area. Prior to joining BCG, Mr. Søderberg worked at Falck A/S as Global Head of group Strategy and M&A, and most recently as CFO of Falck Assistance. Prior to joining Falck, he worked as a Director at Carnegie Investment Banking focusing on buy- and sell-side M&A. Mr. Søderberg holds a BSc in International Business and an MSc in Finance and Accounting from the Copenhagen Business School. Mr. Søderberg served as a member of Symphogen's Audit Committee.

Jeffrey H. Buchalter
MBA

Mr. Buchalter has over 30 years experience in the bio/pharmaceutical industry. His experience combines strong corporate leadership allied to an extensive background in medical/clinical research with multinational organizations. He brings extensive commercial and drug development experience in oncology and other therapeutic areas. Jeffrey has been recognized for his work, receiving the Joseph F. Buckley Memorial Award from the American Cancer Society for commitment to cancer control and involvement in the oncology pharmaceutical field. He has also been a Collaborating Partner in the President's National Dialogue on Cancer and acted as Chairman of the Board of Directors to the National Childhood Cancer Foundation in the United States. Jeffrey received Bachelor Degrees in both Science and Finance from Seton Hall University and a Master of Business Administration in Marketing from Temple University. Jeffrey H. Buchalter served on Symphogen's Development Committee and as a member of Symphogen's Audit Committee.

John B. Landis
Ph.D.

Dr. Landis joined the Bioanalytical Systems Inc. (BASi) Board of Directors in November 2009 and was elected Chairman of the Board on February 11, 2010. Dr. Landis previously served as Senior Vice President of Pharmaceutical Sciences of Schering-Plough Corporation, from 2003 until his retirement in 2008. Dr. Landis led the global pharmaceutical sciences function of pharmacy, analytical chemistry, process chemistry, biotechnology, quality assurance, clinical supplies and devices. Dr. Landis holds Ph.D. and M.S. degrees in Analytical Chemistry from Purdue University and a B.S. degree in Chemistry from Kent State University. Dr. Landis served as Chairman of Symphogen's Development Committee.

Anthony Tolcher
MD, FRCPC, FACP

Dr. Tolcher is a medical oncologist with over 20 years' experience in early drug development and clinical trials. He has been involved in many of the initial studies of new agents that were subsequently FDA approved for the treatment of cancer including Keytruda® (pembrolizumab), Kadcyla® (trastuzumab emtansine), Stivarga® (regorafenib), Marqibo® (liposomal vincristine), Jevtana® (cabazitaxel), Kyprolis® (carfilzomib), Iressa® (gefitinib), Tarceva® (erlotinib), and Halaven® (eribulin). He has chaired the Developmental Therapeutics Review Committee for the American Association of Clinical Oncology Annual Scientific Program and is on many pharmaceutical company scientific advisory boards. Dr. Tolcher is the president and co-founder of the START clinic in Texas, the US. Dr. Tolcher served as a member of Symphogen's Development Committee.

Martin Olin
M.Sc., MBA
Chief Executive Officer
Reference is made to the section "Executive Management".

Name (male/female)	First elected	Term	Nationality	Born	Independent	Committee membership
Göran Ando (m)	2011	2016	Swedish	March 1949	Not independent	Remuneration Committee (chairman) and Development Committee (member)
Jeppe Christiansen (m)	2011	2016	Danish	November 1959	Not independent	Audit Committee (chairman) and Remuneration Committee (member)
Kirsten Drejer (f)	2000	2016	Danish	March 1956	Independent	
Ron Eastman (m)	2015	2016	American	April 1952	Not independent	Remuneration Committee (member)
Christoffer Søderberg (m)	2016	2016	Danish	June 1978	Not independent	Audit Committee (member)
Jeffrey H. Buchalter (m)	2016	2016	American	July 1957	Independent	Development Committee (member) and Audit Committee (member)
John B. Landis (m)	2011	2016	American	August 1952	Independent	Development Committee (Chairman)
Anthony Tolcher (m)	2013	2016	American	October 1961	Independent	Development Committee (member)
Martin Olin (m)	2016	2016	Danish	May 1969	Not independent	

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, 2016.

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, 2016, 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, 2016.

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.

March 27, 2017

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**	**Martin Olin**

Independent Auditors' 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, 2016, 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, 2016 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, 2016 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 judgement 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, March 27, 2017

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

Christian Schwenn Johansen
State Authorized Public Accountant

Lars Hansen
State Authorized Public Accountant


V9-O
Frac
Out10
Out9
Out8
Out7
Buff
V9-IS
S2
S1
Buff
S7
26feb2015
HBL1
pH 4.8


20mM NaAcetate, 500mM NaCl
20-2-2015
pH 4,93
IBJ

Definitions

3rd/4th line therapy
Treatment that is given when both initial treatment (first-line therapy) and subsequent treatments (second- or third-line therapy) have failed to produce an adequate response in a patient

Antibody
A circulating immune system molecule (protein) produced by B cells which specifically recognizes and binds foreign molecules entering into the body (antigens).

Antigen
The foreign substance which elicits an immune response and which is recognized by antibodies. One antigen may contain several regions where different antibodies may bind (epitopes).

Breakthrough therapy designation
If a drug is designated as breakthrough therapy, FDA will expedite the development and review of such drug. It may be provided to drugs intended to treat a serious or life threatening disease or condition, and where preliminary clinical evidence indicates substantial improvement over existing therapies

CMC
Chemistry, Manufacturing and Controls issues and requirements to documentation and the manufacturer of pharmaceutical products at set by regulatory agencies.

EGFR
Epidermal growth factor receptor (also EGFR; ErbB-1; HER1) is a member of the ErbB or HER family of receptors. Mutations that lead to EGFR over expression (known as up regulation) or over activity have been associated with a number of cancers, including lung cancer and colon cancer.

Epitope
A molecular region on the surface of an antigen capable of eliciting an immune response and of combining with the specific antibody produced by such a response.

FDA
U.S. Food and Drug Administration.

HER family receptors
A subfamily of four closely related receptor tyrosine kinases: EGFR (HER1; ErbB-1), HER2/c-neu (ErbB-2), Her3 (ErbB-3) and Her4 (ErbB-4).

IND
Investigational New Drug. A permission to ship and test an experimental drug in the U.S. before a marketing application has been approved. The FDA reviews and approves the IND application for safety, before the drug enters clinical trial trials.

Ligand
A substance that forms a complex with a biomolecule to serve a biological purpose. In a narrower sense, it is a signal triggering molecule, binding to an epitope on a receptor, and may be a peptide (short protein) or other small molecule, such as a neurotransmitter, a hormone, a pharmaceutical drug, or a toxin.

Metastatic cancer
When a cancer spreads (metastasizes) from its original site to another area of the body, it is termed metastatic cancer.

Mixture of monoclonal antibodies
A mixture of monoclonal antibodies with different variable regions produced by genetic engineering in separate batches and subsequently mixed.

Monoclonal antibodies (mAbs)
Completely identical antibodies, all reacting with the same antigen at the same binding site (epitope).

Pan-HER
A mixture of humanized antibodies targeting three key receptors of the HER family (EGFR, HER2 and HER3).

Receptor
A protein molecule, embedded in either the plasma membrane or the cytoplasm of a cell, to which one or more specific kinds of ligands may attach. Many functions of the human body are regulated by these receptors responding uniquely to specific ligands.

Recombinant
Produced by genetic engineering.

Recombinant antibody mixtures
A mixture of monoclonal antibodies with different variable regions produced by genetic engineering.

RTK
Receptor Tyrosine Kinase.

Consolidated Financial Statements

Introduction

The notes in this annual report have been divided into six sections: Basis of preparation, Revenue and expenses, Operating assets and liabilities, Capital structure and financial matters, Corporate governance and Other disclosures. The accompanying notes in the six sections are an integral part of the consolidated financial statements.

The notes have been structured to provide an enhanced understanding of each accounting area, by describing relevant accounting policies and key accounting estimates and judgments in the notes to which they relate. The descriptions of accounting policies in the notes form part of the overall description of accounting policies.

The symbols PL BS CF EQ show which amounts in the notes can be found in the consolidated statement of profit or loss, consolidated balance sheet, consolidated statement of cash flows and the consolidated statement of changes in equity, respectively. The purpose of this structure and symbols is to provide the reader with a clearer understanding of Symphogen's financial statements.

Table of contents

Primary statements

Sections in the consolidated financial statements

Consolidated statement of profit or loss for the year ended December 31

DKK thousands	Note	2016	2015
Revenue	2.1 / 2.2	**214,235**	48,526
Research and development expenses	2.3 / 2.5	(507,636)	(337,177)
General and administrative expenses	2.4 / 2.5	(140,894)	(67,673)
Operating expenses		**(648,530)**	(404,850)
Operating loss		**(434,295)**	(356,324)
Financial income	4.6	40,858	13,361
Financial expenses	4.6	(26,035)	(22,999)
Net loss before tax		**(419,472)**	(365,962)
Income tax benefit	6.1	4,533	5,815
Net loss		**(414,940)**	(360,147)
Attributable to:			
Shareholders of Symphogen A/S		(414,940)	(360,147)

Consolidated statement of other comprehensive income for the year ended December 31

DKK thousands	2016	2015
Net loss	**(414,940)**	(360,147)
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	135	580
Total comprehensive income	**(414,805)**	(359,567)
Attributable to:		
Shareholders of Symphogen A/S	(414,805)	(359,567)

Consolidated balance sheet as at December 31

DKK thousands	Note	2016	2015
Assets			
Property, plant and equipment	3.1	52,971	46,925
Leasehold deposits		6,703	6,680
Receivables	3.3	112,868	-
Total non-current assets	2.2	**172,543**	**53,605**
Receivables	3.3	18,151	27,317
Marketable securities	4.5	238,278	217,527
Cash and cash equivalents		695,065	64,271
Total current assets		**951,494**	**309,114**
Total assets		**1,124,036**	**362,719**
Shareholders' equity and liabilities			
Share capital	4.2	15,200	14,903
Other reserves		1,851,096	1,850,013
Accumulated deficit		(1,956,726)	(1,632,823)
Total shareholders' equity	EQ	**(90,430)**	**232,094**
Deferred revenue	2.1	719,845	-
Total non-current liabilities		**719,845**	**-**
Deferred revenue	2.1	263,629	-
Trade payables		29,424	24,018
Other payables	3.4	201,568	106,607
Total current liabilities		**494,621**	**130,625**
Total liabilities		**1,214,466**	**130,625**
Total shareholders' equity and liabilities		**1,124,036**	**362,719**

Consolidated statement of cash flow for the year ended December 31

DKK thousands	Note	2016	2015
Net loss for the year	PL	**(414,940)**	**(360,147)**
Adjustments for non-cash items	3.6	95,731	23,505
Changes in net working capital	3.5	1,091,318	66,742
Changes in non-current receivables		(26,993)	-
Changes in non-current financial assets – Leasehold deposits		(24)	(40)
Cash flow from operating activities before financial items and tax		**745,092**	**(269,940)**
Interest received		5,962	4,771
Interest paid		(3,167)	(95)
Income taxes paid/received, net		(80,967)	6,067
Cash flow from operating activities		**666,920**	**(259,197)**
Investment in property, plant and equipment	3.1	(19,273)	(8,683)
Proceeds from disposal of property, plant and equipment		1	172
Purchase of marketable securities		(211,412)	(774,211)
Proceeds from sale of marketable securities		192,287	730,226
Cash flow from investing activities		**(38,397)**	**(52,496)**
Proceeds from issuance of shares	4.2	-	347,461
Proceeds from exercise of warrants	EQ	1,244	44
Cash flow from financing activities		**1,244**	**347,505**
Changes in cash and cash equivalents		**629,767**	**35,811**
Cash and cash equivalents at the beginning of the period		64,271	28,015
Exchange rate adjustments on cash and cash equivalents		1,027	445
Cash and cash equivalents at the end of the period	BS	**695,065**	**64,271**

Consolidated statement of changes in equity

DKK thousands	Note	Share capital	Other reserves: Share premium	Other reserves: Foreign currency translation reserve	Accumulated deficit	Total
January 1, 2015		13,014	1,503,253	565	(1,294,938)	221,894
Net loss for the year					(360,147)	(360,147)
Other comprehensive income				580		580
Transactions with owners:						
Shares issuance for cash	4.2	1,868	345,592			347,460
Exercise of warrants for cash		21	23			44
Share-based expenses	2.5 / 2.6				22,263	22,263
December 31, 2015		**14,903**	**1,848,868**	**1,145**	**(1,632,823)**	**232,094**
Net loss for the year					(414,940)	(414,940)
Other comprehensive income				135		135
Transactions with owners:						
Exercise of warrants for cash		297	947			1,244
Share-based expenses	2.5 / 2.6				91,036	91,036
December 31, 2016		**15,200**	**1,849,816**	**1,280**	**(1,956,726)**	**(90,430)**

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 are useful and relevant in understanding the financial statements, including changes in accounting policies and disclosures during the year and standards that have been adopted by the EU, which Symphogen has not adopted. Furthermore, this section includes disclosures regarding significant events after the reporting period closing date.

1.1 / Accounting policies

Symphogen is a biopharmaceutical company within the field of recombinant antibody mixtures for therapeutic use. Symphogen is dedicated to bringing innovative products to the market, creating optimally selected antibody mixtures that address single or multiple targets in a single drug product.

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

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

Significant accounting policies related to specific financial statement line items are included in the notes related to these items. The following notes include item specific accounting policies that form part of the complete description of Symphogen's accounting policies.

§ 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 and liabilities

Section 4 – **Capital structure and financial matters**

4.2 / Share capital
4.5 / Marketable securities
4.6 / Financial income and expenses

Section 6 – **Other disclosures**

6.1 / Taxation

The consolidated financial statements and the financial statements for the parent company for the year ended December 31, 2016 were authorized for approval at the Annual General Meeting to be held on April 27, 2017, with a resolution of the Board of Directors on March 27, 2017.

Basis of preparation
The consolidated 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 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 statement 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 prevailing at the date of the transaction.

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 average exchange rates for the month prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that foreign operation is recognized in the statement of profit or loss.

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

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

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

Cash flows from financing activities
Cash flows from financing activities comprise cash flows from proceeds from capital increases including exercise of warrants.

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

1.2 / Key accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions 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. 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below.

Symphogen based its assumptions 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.

Key accounting estimates and judgments

Section 2 – **Revenue and expenses**	**Estimate**	**Judgment**
2.1 / **Revenue**	√	√
2.3 / **Research and development expenses**	√	√
2.6 / **Share-based compensation**	√	-

Section 3 – **Operating assets and liabilities**	**Estimate**	**Judgment**
3.4 / **Other payables and liabilities**	√	-

Section 6 – **Other disclosures**	**Estimate**	**Judgment**
6.1 / **Taxation**	-	√

Judgments include matters such as identifying individual components in multi-element collaboration agreements, the determination of whether collaboration agreements should be considered joint arrangements or joint operations, whether development activities qualify for capitalization and whether net taxable losses meet the recognition criteria for deferred tax assets. Estimates focus on areas such as estimated expenses of share-based compensation and estimation of clinical research trial accruals.

1.3 / Changes in accounting policies and disclosures

The IASB has issued a number of new or amended standards and interpretations that are not mandatory for the consolidated financial statements for 2016, 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.

- IFRS 9 "Financial Instruments", with effective date January 1, 2018. Symphogen has assessed the impact of the standard and expect that it will not have any significant impact on the consolidated financial statements.

- IASB has issued IFRS 15 "Revenue from contracts with customers", with effective date January 1, 2018. The comprehensive revenue recognition standard developed jointly by the FASB and the IASB will supersede nearly all IFRS and IFRS guidance on revenue recognition.

  As Symphogen has not historically had recurring revenue streams but rather non-recurring income from collaboration agreements, e.g. in 2015 with Merck and Genentech and in 2016 with Shire (previously Baxalta), management has taken the approach to consider the implementation of the new IFRS 15 revenue recognition standard on a contract by contract basis as opposed to a process-based approach.

  While Symphogen has not yet decided on the transition method, Symphogen does not expect a significant impact of IFRS 15 on the statement of profit or loss or balance sheet.

- IFRS 16 "Leases" with effective date January 1, 2019. The change in lease accounting requires capitalization of the majority of Symphogen's operating lease agreements (primarily related to the domicile), representing up to 10% of total assets, which will have an impact on Symphogen's assets, and a corresponding impact on liabilities. The change will have a minor impact on net profit.

1.4 / Subsequent events

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

2 / Revenue and expenses

Section 2 covers note disclosures which provide 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.

Symphogen's operating loss for the year was driven by the research and development activities, which was only partly offset by revenue from collaboration partners. Symphogen's earnings fluctuate between periods as revenue comprises license fees, milestone payments and recognition of upfront payments in relation to development work under Symphogen's collaboration agreements.

2.1 / Revenue

DKK thousands	Note	2016	2015
Recognition of upfront payment		214,235	-
License fees		-	6,217
Milestone revenue		-	42,309
Total revenue	PL	**214,235**	**48,526**
Revenue split by collaboration partner			
Shire		214,235	-
Merck		-	6,217
Genentech		-	42,309
Total revenue	PL	**214,235**	**48,526**
Deferred revenue recognized on the balance sheet			
Deferred revenue split by collaboration partner			
Shire		983,474	-
Other collaboration partners		-	-
Total deferred revenue at December 31	BS	**983,474**	**-**
At 1 January		-	-
Upfront payment received during the year		1,197,709	-
Recognized in the statement of profit or loss		(214,235)	-
Total deferred revenue at December 31	BS	**983,474**	**-**
Current		263,629	-
Non-current		719,845	-
Total deferred revenue at December 31	BS	**983,474**	**-**

On December 28, 2015, Symphogen and Shire entered a strategic collaboration within Immuno-Oncology with effect from 2016 and onwards. On January 6, 2016, Symphogen received DKK 1,198 million (EUR 161 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. Symphogen's efforts under the agreement require additional resources and competencies, which have been acquired during 2016. As a result of the collaboration with Shire, Symphogen has incurred additional research and development expenses in 2016, and Symphogen's financial position in 2016 has been positively impacted by the receipt of the upfront payment. The collaboration agreement with Shire is considered a joint operation as defined in IFRS 11 "Joint Arrangements". 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.

Symphogen does have certain obligations under the collaboration agreements that need to be fulfilled to enable the upfront payments to be recognized as revenue. The deferred revenue does not represent cash owed to our collaboration partners.

§ Accounting policies

Revenue consists of revenue from collaboration agreements, comprising recognition of revenue from upfront payments, milestone revenue, option fees, license fees, royalty and compensation for research and development services rendered to third parties.

Revenue from the sale of licenses where Symphogen provides a perpetual right to the license without any further services to be delivered is recognized at the time of transfer, unless part of or all the payments are contingent of future events. If Symphogen provides a time limited right to use the license, revenue is recognized over the period of the license right.

Research and development services rendered to third parties under collaboration agreements are accounted for as separately identifiable components. Such components are accounted for separately if they are clearly distinct or capable of being distinct and the fair value of the considerations can be measured reliably.

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.

Revenue from research and development services, including reimbursement revenue, is recognized in the statement of profit or loss if the general recognition criteria are met, i.e. that the service concerned has been provided, that the amount can be determined reliably and that the amount can be expected to be received. Payments that are attributable and subject to subsequent research and/or development services are recognized as deferred revenue and will subsequently be recognized as revenue over the expected contract term.

Non-refundable upfront payments are recognized as revenue at the date of assignment of rights if such payments relate to a sale of intellectual property rights and if such payments are not related to Symphogen's future performance obligations and/or the exercise of the acquired intellectual property rights.

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.

Classification
When accounting for collaboration agreements, judgment is made concerning the classification of such agreements, e.g. in regards to whether the agreement is considered a joint arrangement or 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 work are initially recognized as deferred income and recognized and allocated as revenue over the planned research and development period. This judgment and estimate is made when entering the agreement and is based on development budgets and plans. The planned development period is assessed on an ongoing basis. If the expected development 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. In the beginning of 2016, Symphogen received an upfront payment of DKK 1,197.7 million from Shire. In 2016, Symphogen has recognized DKK 214.2 million of revenue for research and development work under the collaboration agreement with Shire. For the year ended December 31, 2015, Symphogen had not recognized any revenues from future payments under the collaboration agreement with Shire, as neither Symphogen or Shire had performed under the agreement in 2015.

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.

2.2 / Information about geographical areas

DKK thousands	Note	2016 Revenue	2016 Non-current assets	2015 Revenue	2015 Non-current assets
Denmark		-	171,373	-	53,074
Ireland		214,235	-	-	-
Germany		-	-	6,217	-
USA		-	1,170	42,309	531
Total	PL BS	**214,235**	**172,543**	48,526	53,605

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. Accordingly, it has been concluded that it is not relevant to include segment disclosures in the financial statements as the group business activities are not organized based on differences in related product candidates or geographical areas.

2.3 / Research and development expenses

DKK thousands	Note	2016	2015
Employee benefit expenses	2.5	114,070	79,265
External expenses		381,405	246,870
Depreciation	3.1	12,161	11,042
Total	PL	**507,636**	337,177

§ 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 investigational new drug (IND), biologics license application (BLA) or equivalent clinical-enabling activities for such product candidates. All research expenses are expensed in the year in which they are incurred.

Governmental grants received regarding research activities are deducted from research expenses.

The development activities cover the activities following the filing of an IND, BLA 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, in view of the general risk related to the development of pharmaceutical products, such reasonable evidence cannot be obtained at the present

time, and all development expenses are therefore expensed as incurred. 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 and the expenses are expensed as incurred.

External expenses
External research and development expenses for services related to clinical trials are incurred 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 ratably recognized over the estimated service period.

Cost reimbursements
Costs reimbursements which are received under the contractual agreements are recognized in the statement of profit or loss on a systematic basis over the periods in which the related expenses for which it is intended to compensate are expensed.

Costs reimbursements are netted against the expenses to which the reimbursements relate, i.e. research and development expenses and administrative expenses, to the extent all risks related to the expenses are borne by the counterparty to the contractual agreement.

No cost reimbursements were recognized in 2016. In 2015, Symphogen received DKK 2.7 million of cost reimbursements under the contractual agreement with Merck.

Government grants
The group receives government grants from the Innovation Fund Denmark and from the Danish Ministry of Science for employment of Ph.D. students. Government grants are recognized at the time when a final and firm right to the grant has been obtained and to the extent that the entity has obtained reasonable assurance to comply with the conditions attaching to them and the grants will be received. Grants related to expenses incurred are set off against the related expenses for which the grants are intended to compensate. Government grants based on cost reimbursement are recognized under research and development expenses.

Symphogen received DKK 0.6 million of grants from the Danish Ministry of Science for employment of Ph.D. students in 2016 (2015: DKK 0.9 million) and DKK 1.6 million of grants from the Innovation Fund Denmark (2015: 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.

2.4 / General and administrative expenses

DKK thousands	Note	2016	2015
Employee benefit expenses	2.5	108,260	48,974
External expenses		31,586	17,838
Depreciation	3.1	1,048	861
Total	PL	**140,894**	67,673

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.

2.5 / Employee benefit expenses

DKK thousands	Note	2016	2015
Wages and salaries		112,256	101,112
Share-based compensation expenses	2.6	91,036	22,263
Income from sale of warrants	2.6	(490)	(1,521)
Defined contribution plans		1,055	879
Other social security expenses		1,438	1,147
Other staff expenses		5,272	4,359
Severance payments		11,761	-
Total		**222,330**	**128,239**
Research and development expenses	2.3	114,070	79,265
General and administrative expenses	2.4	108,260	48,974
Total		**222,330**	**128,239**
Average number of full time employees		**111**	**99**
Number of employees at end of period:			
Denmark		111	80
USA		13	9
Total employees at end of period		**124**	**89**
Number of employees at end of period split on function:			
Research and development		99	69
General and administrative		25	20
Total employees at end of period		**124**	**89**

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 external consultants under various share-based compensation 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.

2.6 / Share-based compensation

Warrant program
Symphogen has established share-based incentive programs for members of the Board of Directors, members of the Executive Management, other executives, employees and certain external consultants in the form of warrants. 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.

The Board of Directors is authorized to issue 4,064,575 class K warrants after October 21, 2015 of which it had granted 2,768,400 class K warrants at December 31, 2016. The outstanding authorization of 1,296,175 class K warrants is subject to the limitation that the total amount of outstanding warrants to members of the Board of Directors, Executive Management and employees may not exceed 15% of the calculated fully diluted shares outstanding.

The fair value at the grant date for all warrants awarded in 2016 was DKK 70.9 million (2015: DKK 45.2 million). Expenses related to warrants granted in 2016 totaled DKK 64.8 million (2015: DKK 13.9 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 2016 was DKK 91.0 million compared to DKK 22.3 million in 2015. The expenses of warrants is significantly impacted in 2016 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 are significantly impacted by accelerated warrant expenses due to the retirement of the former CEO.

Symphogen had a total of 4,979,858 warrants outstanding at December 31, 2016 equivalent to 16.7% of the outstanding shares on a calculated fully diluted basis of which 14.2% were outstanding to the Board of Directors, Executive Management and employees. Symphogen had a total of 3,789,463 warrants outstanding at December 31, 2015 equivalent to 18.1% of the outstanding shares on a calculated fully diluted basis of which 14.6% 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, 2015	**119,865**	**1,335,000**	**341,850**	**757,920**	**2,554,635**	**107**
Granted	115,489	1,150,000	80,000	-	1,345,489	94
Exercised	-	-	(8,600)	(12,425)	(21,025)	2
Transferred between categories	-	-	(78,025)	78,025	-	107
Cancelled	-	-	-	(2,175)	(2,175)	174
Expired	-	-	-	(87,461)	(87,461)	1
Outstanding at December 31, 2015	**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**

* 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.

Outstanding warrants as at December 31

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

2015				
Outstanding program 2005	D	-	1	-
Outstanding program 2005	D	111,000	1	1
Outstanding program 2006	D	256,666	6	1
Outstanding program 2007	D	255,579	8	2
Outstanding program 2008	D	144,768	19	3
Outstanding program 2009	D	59,461	30	4
Outstanding program 2009	B	176,900	85	4
Outstanding program 2010	D	117,085	30	5
Outstanding program 2010	B	9,100	120	5
Outstanding program 2011	H	375,565	186	6
Outstanding program 2012	H	498,400	186	7
Outstanding program 2013	H	54,000	186	8
Outstanding program 2014	H	6,250	186	7
Outstanding program 2014	H	379,200	186	9
Outstanding program 2015	K	21,180	82	6
Outstanding program 2015	K	23,824	82	7
Outstanding program 2015	K	31,443	82	8
Outstanding program 2015	H	150,000	186	9
Outstanding program 2015	K	39,042	82	9
Outstanding program 2015	K	1,080,000	82	9
Outstanding at December 31, 2015		**3,789,463**	**105**	

§ 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 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 such as:

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

Valuation assumptions for Warrants Granted in 2016 and 2015
The fair value at the grant date is measured using the average exercise price, the term of the warrants and the following significant assumptions:

	2016	2015
Expected future dividend per share	0	0
Volatility	68.70%	50.85%
Annual risk-free interest rate	(0.02)%	0.97%
Average share-price at grant year	DKK 82	DKK 129

In 2015, the average share price of DKK 129 at grant year was affected by a) Symphogen closing a convertible debt facility of DKK 503 million (EUR 67.5 million) through a commitment from existing shareholders and b) Symphogen increasing its share capital:

a) Each of the facility providers may (acting individually) exercise an unconditional right to invest their commitment in the first tranche, being EUR 25.0 million into convertible preferred shares at DKK 82 per share of nominally DKK 1 prior to the group utilizing the facility.
b) Symphogen increased its share capital on 2 February 2015 by issuing 1,868,068 convertible preferred class I shares at DKK 186 per share of nominally DKK 1 each.

In 2016, the average share price of DKK 82 at grant year was determined based on the above mentioned convertible debt facility and considering other relevant facts and circumstances.

3 / Operating assets and liabilities

This section covers disclosures which provide 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.

3.1 / Property, plant and equipment

2016 DKK thousands	Leasehold improvements	Laboratory equipment	Other equipment	Total
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)
Carrying amount at December 31	**17,442**	**29,144**	**6,385**	**52,971**

2015 DKK thousands				
Cost at January 1	16,044	83,561	15,973	115,579
Additions during the year	544	4,725	3,414	8,683
Disposals during the year	-	(1,411)	(560)	(1,971)
Exchange rate adjustment	-	-	-	-
Cost at December 31	16,588	86,876	18,826	122,291
Depreciation at January 1	(643)	(52,216)	(12,402)	(65,261)
Depreciation for the year	(1,869)	(8,205)	(1,829)	(11,903)
Depreciation reversed on disposals during the year	-	1,257	542	1,799
Exchange rate adjustment	-	-	(1)	(1)
Depreciation at December 31	(2,512)	(59,164)	(13,690)	(75,366)
Carrying amount at December 31	**14,076**	**27,712**	**5,137**	**46,925**

Depreciation included in the statement of profit or loss

DKK thousands	2016	2015
Research and development expenses	12,161	11,042
General and administrative expenses	1,048	861
Total depreciation included in the statement of profit or loss	**13,209**	**11,903**

§ Accounting policies

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

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

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

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.

3.2 / Operating leases

Symphogen 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 thousands	2016	2015
Commitments under operating leases at December 31		
Within 1 year	15,091	14,655
From 1 to 5 years	57,005	53,724
After 5 years	30,223	38,638
Total commitments under operating leases at December 31	**102,318**	**107,017**

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

DKK thousands	2016	2015
Operating lease expenses in the statement of profit or loss		
Research and development expenses	12,529	11,965
General and administrative expenses	2,314	2,205
Total operating lease expenses in the statement of profit or loss	**14,843**	**14,170**

§ 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 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 after twelve months after the reporting period. When Symphogen entered into the leasehold agreement, a deposit payment was made.

3.3 / Receivables

DKK thousands	Note	2016	2015
Prepayment to manufacturing partner		2,793	-
Derivative financial instruments	4.3	-	1,314
Tax receivables	6.1	5,500	5,875
VAT receivables		4,223	4,912
Receivables from collaboration partners		-	6,217
Other receivables		3,766	4,678
Prepayments		1,869	4,320
Total current receivables at December 31	BS	**18,151**	27,317
Tax prepayment	6.1	80,000	-
Tax receivables	6.1	5,875	-
Prepayment to manufacturing partner		26,993	-
Total non-current receivables at December 31	BS	**112,868**	-

§ 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.

Derivatives are measured at fair value as at inception of the contract. Subsequently derivatives are measured at fair value.

3.4 / Other payables and liabilities

DKK thousands	Note	2016	2015
Research and development clinical trial payables		155,172	60,907
Employee cost liabilities		30,083	28,146
Other liabilities		16,313	17,554
Total other payables and liabilities at December 31	BS	**201,568**	**106,607**

Following the results of the Sym004 Phase 2b trial, Symphogen has in December 2016 decided to discontinue two related trials. The decision has led to the expensing of all expected costs relating to the closing of the discontinued trials in 2016 totaling DKK 60.4 million as additional payables related to research and development clinical trials compared with 2015. In January 2017, Symphogen further decided to discontinue the Sym004 trial in Lung cancer.

The additional increase in liabilities related to research and development clinical trials of DKK 33.9 million was due to higher level of activities in 2016 compared to 2015. The payables related to Sym004 increased by DKK 37.3 million. The increase in payables related to Sym004 was partly offset by a minor decrease in payables related to Sym013 and Sym015 of DKK 7.3 million compared to 2015. Finally, payables related to the Shire projects increased by DKK 3.9 million.

In 2007, Symphogen was awarded a grant by the US National Institute of Allergy and Infectious Disease (NIAID) and the National Institutes of Health (NIH). Symphogen has received USD 4.6 million from this grant. Payments received from the grant were recognized as cost reduction when the actual expenses were incurred. The grant amount received in excess of costs incurred has been recorded on the balance sheet under other liabilities. At December 31, 2016, Symphogen had recorded DKK 3.1 million (2015: DKK 3.0 million) under other liabilities.

§ 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.

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 exists 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.

3.5 / Changes in net working capital

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 as follows:

DKK thousands	Note	2016	2015
Change in prepayment to manufacturing partner (current)	3.3	(2,793)	-
Change in other receivables	3.3	913	1,840
Change in receivables from collaboration partner	3.3	6,217	(6,217)
Change in VAT receivables	3.3	689	352
Change in prepayments	3.3	2,451	(1,758)
Change in trade payables		5,406	(1,332)
Change in deferred revenue	2.1	983,474	-
Change in research and development clinical trials payables	3.4	94,264	60,907
Change in employee cost liabilities	3.4	1,937	6,070
Change in other liabilities	3.4	(1,240)	6,881
Change in net working capital	CF	**1,091,318**	**66,742**

3.6 / Adjustments for non-cash items

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 as follows:

DKK thousands	Note	2016	2015
Reversals of non-cash items in the statement of profit or loss:			
Income tax benefit	6.1	(4,533)	(5,814)
Depreciation	3.1	13,209	11,903
Net write-down of disposed/sold equipment		21	11
Interest income	4.6	(5,898)	(5,494)
Interest expenses	4.6	3,815	687
Share-based compensation expenses	2.5	91,036	22,263
Unrealized capital gains/losses, marketable securities		(1,350)	1,838
Unrealized exchange rate gains/losses, marketable securities		(277)	(827)
Changes in non-cash balance sheet items:			
Derivative financial instruments	3.3	1,314	(1,314)
Non-cash accrued interest, net		(713)	131
Other adjustments:			
Exchange rate adjustments		(895)	121
Total adjustments for non-cash items	CF	**95,731**	**23,505**

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 and partnership collaborations.

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 2,367 million in equity capital, including convertible preference shares but excluding convertible debt facility.

In October 2015, Symphogen secured a convertible debt facility of DKK 503 million (EUR 67.5 million) from its existing investors. The facility is available in three tranches of (i) DKK 186 million (EUR 25 million), (ii) DKK 186 million (EUR 25 million) and (iii) DKK 131 million (EUR 17.5 million). In addition, Symphogen has received significant funding from its partnering activities with pharmaceutical companies, most recently in 2016 with the collaboration agreement with Shire. Furthermore, as a source of financing, Symphogen has received grants from the U.S. Government and the Danish National Advanced Technology Foundation.

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, 2016 and 2015.

4.2 / Share capital

On December 31, 2016, the share capital of Symphogen comprised 15,200,225 shares with a nominal value of DKK 1 each. Each share entitles the holder to cast one vote at general meetings in Symphogen.

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 2016 (DKK'000)	Share capital 2015 (DKK'000)	Change 2015 -2016 (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	951,122	1.00	951	654	297	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	0	0	-		8th
Class I	2,966,285	1.00	2,966	2,966	-		1st
Class J	-	-	-	-	-	b)	
Class K	-	-	-	-	-	c)	
Total	**15,200,225** d)		**15,200**	14,903	**297**		

a) Exercise of warrants – refer to note 2.6.
b) In October 2015, Symphogen closed a convertible debt facility of DKK 503 million (EUR 67.5 million) through a commitment from existing shareholders. The facility is available in three tranches of: DKK 186 million (EUR 25.0 million), DKK 186 million (EUR 25.0 million) and DKK 130 million (EUR 17.5 million) drawable upon completion of certain milestones. Each of the facility providers may (acting individually) exercise an unconditional right to invest their commitment in the first tranche, being DKK 186 million (EUR 25.0 million) into preferred class J shares at DKK 82 per share of nominally DKK 1 prior to the group utilizing the facility.
c) In October 2015, Symphogen created a new preferred class K shares to be allocated to the subscription for class K shares under the 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 shall not have 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.

Loss of subscribed share capital
At year-end, 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 Director will give an account of the company's financial position and propose appropriate measures to re-establish the share capital.

§ 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. As at December 31, 2016 and 2015, Symphogen's convertible preference shares do not have liability components. Management assesses the nature of the embedded instrument does not lead to a debt classification.

4.3 / Financial risks

Symphogen is exposed to multiple financial risks due to its operations. The financial risks primarily include 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.

The financial risk exposures are described in further detail below:

Risk exposure	Impact	Comments	Risk Management
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.
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.
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.
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 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, 2016, other things being equal, a 1% increase in the interest rate will have a positive effect of DKK 3.5 million on Symphogen's portfolio of marketable securities (2015: DKK 3.4 million). Similarly, a 1% decrease in the interest rate will have a negative effect of DKK 3.5 million on Symphogen's portfolio of marketable securities (2015: DKK 3.4 million).

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 to 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.

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.

The maturity analysis of financial liabilities as at December 31:

2016 (DKK thousands)	Less than 1 year	1-5 years	>5 years	Total
Financial liabilities				
Trade payables	29,424	-	-	29,424
Other payables	200,539	716	313	201,568
Total financial liabilities	**229,963**	**716**	**313**	**230,992**

2015 (DKK thousands)				
Financial liabilities				
Trade payables	24,018	-	-	24,018
Other payables	105,399	716	492	106,607
Total financial liabilities	**129,417**	**716**	**492**	**130,625**

The financial liabilities include estimated or contractual interest rate payments.

Foreign currency risks
The group's currency exposure arises from revenue transactions, 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, refer to note 4.6.

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

	2016		2015	
DKK thousands	Contract amount at year-end	Fair value at year-end	Contract amount at year-end	Fair value at year-end
Hedging activities				
Currency put option (USD)	-	-	916,988	1,314
Total hedging activities	**-**	**-**	**916,988**	**1,314**

4.4 / 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 238.3 million as at December 31, 2016 (DKK 217.5 million at December 31, 2015). The fair value has been determined using quoted market data.

Financial instruments measured on level 2
Symphogen has no derivatives at December 31, 2016. The fair value of the derivative amounted to DKK 1.3 million as at December 31, 2015. Management has estimated the fair value using valuation techniques in the form of option valuation models.

The fair value of financial instruments measured on level 3
Symphogen does not have such instruments as of December 31, 2015 and 2016.

Categories of financial assets and liabilities

DKK thousands	Note	2016	2015
Financial assets by category			
Financial assets measured at fair value			
Marketable securities	4.5	238,278	217,527
Derivative financial instruments, currency option	4.3	-	1,314
Total financial assets measured at fair value		**238,278**	**218,841**
Loans and receivables measured at amortized cost			
Other receivables, excluding derivatives and prepayments	3.3	13,488	21,682
Leasehold deposits		6,703	6,680
Total loans and receivables		**20,192**	**28,362**
Financial liabilities by category			
Financial liabilities measured at amortized cost			
Trade payables		29,424	24,018
Other liabilities	3.4	171,485	78,461
Total financial liabilities		**200,909**	**102,479**

4.5 / Marketable securities

DKK thousands	Market value 2016	Share %	Market value 2015	Share %
DKK denominated instruments:				
Fixed-rate marketable securities	169,494	71%	108,827	50%
Floating-rate marketable securities	49,883	21%	86,161	40%
DKK portfolio	**219,377**	**92%**	**194,988**	**90%**
USD denominated instruments:				
Fixed-rate marketable securities	8,869	4%	6,492	3%
Floating-rate marketable securities	-	-	4,560	2%
USD portfolio	**8,869**	**4%**	**11,052**	**5%**
EUR denominated instruments:				
Fixed-rate marketable securities	4,113	2%	4,058	2%
Floating-rate marketable securities	5,919	2%	7,429	3%
EUR portfolio	**10,032**	**4%**	**11,487**	**5%**
Total marketable securities	**238,278**	**100%**	**217,527**	**100%**
Adjusted portfolio duration (years)	1.47		1.58	

§ Accounting policies

Marketable securities are measured at fair value 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.

4.6 / Financial income and expenses

DKK thousands	Note	2016	2015
Financial income			
Interest income, bank		142	83
Foreign exchange gains		20,447	6,064
Interest on marketable securities		5,756	5,411
Realized and unrealized gains on marketable securities at fair value		2,255	1,802
Realized gains on derivative financial instruments		12,258	-
Total financial income	PL	**40,858**	**13,361**
Financial expenses			
Interest expenses, other payables		(3,815)	(687)
Foreign exchange loss		(16,541)	(6,453)
Realized and unrealized losses on marketable securities at fair value		(4,364)	(10,273)
Realized and unrealized loss on derivative financial instruments		(1,315)	(5,585)
Total financial expenses	PL	**(26,035)**	**(22,999)**
Net financial items		**14,823**	**(9,638)**

§ 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.

5 / Corporate governance

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

5.1 / Remuneration to the Board of Directors and Executive Management

DKK thousands	2016	2015
Remuneration to the Executive Management		
Wages and salaries	20,450	21,218
Share-based compensation expenses*	78,652	17,137
Defined contribution plans	501	383
Other social security expenses	338	320
Severance payments	11,761	-
Total remuneration to the Executive Management	**111,702**	**39,058**
Remuneration to the Board of Directors		
Wages and salaries	2,025	2,914
Share-based compensation expenses*	10,793	4,537
Income from sale of warrants	(490)	(1,521)
Total remuneration to the Board of Directors	**12,328**	**5,930**

The Executive Management comprised five members in both 2015 and 2016.

* The total net expense of DKK 90.5 million regarding share based compensation in 2016 (2015: DKK 22.3 million) was 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, the company 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.

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, 2016	December 31, 2015
Kirsten Drejer	240,000	120,000
Board of Directors in total	**240,000**	**120,000**

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

Number of warrants held	January 1, 2015	Granted	Acquired	December 31, 2015	Granted*	Acquired	Exercised	December 31, 2016
Göran Ando	119,865	-	-	119,865	187,605	-	-	307,470
Jeppe Christiansen	-	-	48,527	48,527	-	14,903	-	63,430
John B. Landis	-	-	48,527	48,527	-	14,903	-	63,430
Kirsten Drejer	560,000	600,000	-	1,160,000	590,000	-	(120,000)	1,630,000
Board of Directors in total	**679,865**	**600,000**	**97,054**	**1,376,919**	**777,605**	**29,806**	**(120,000)**	**2,064,330**
Martin Olin	275,000	125,000	-	400,000	275,000	-	-	675,000
Gayle Mills	200,000	100,000	-	300,000	200,000	-	-	500,000
Ivan D. Horak	200,000	200,000	-	400,000	200,000	-	-	600,000
Mads Laustsen	100,000	125,000	-	225,000	100,000	-	-	325,000
Executive Management in total	**775,000**	**550,000**	**-**	**1,325,000**	**775,000**	**-**	**-**	**2,100,000**

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

5.3 / Related party transactions

Symphogen's related parties comprise the subsidiaries 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, no other significant transactions have taken place with the Board of Directors or the Executive Management during 2016 and 2015.

The group's transactions with other related parties

DKK thousands	2016	2015
Transactions with related parties (expenses):		
Lease of domicile building from DEAS A/S, owned by the shareholder PKA	14,815	13,058
Cooperation with START where Dr. Anthony Tolcher is the President and co-founder of Clinical Research at START, Texas, USA	393	88
Balances with related parties at year-end (asset):		
None	-	-

In 2013, Symphogen 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. 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.

5.4 / Fees to auditors appointed at the annual general meeting

DKK thousands	2016	2015
Ernst & Young		
Audit services	3,182	251
Other assurance engagements	285	46
Tax and VAT services	130	42
Other non-audit services	1,927	341
Total	**5,525**	**680**

In 2016, expenses related to audit services increased significantly due to Symphogen's preparations for a potential future capital event.

6 / Other disclosures

The notes to the consolidated financial statements are grouped into sections which underpin the business and its activities. 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.

6.1 / Taxation

Income taxes in the statement of profit or loss

DKK thousands	Note	2016	2015
Current tax benefit on net loss		92,230	85,912
Adjustment to prior years		(321)	125
Tax credit research and development expenses		5,500	5,875
Changes in deferred tax		(71,079)	(81,247)
Other non-deductible expenses, incl. share-based compensation		(21,797)	(4,850)
Total income tax benefit for the period	PL	**4,533**	**5,815**
Reconciliation of effective tax rate to Danish statutory tax rate			
Net loss before tax	PL	(419,472)	(365,962)
Corporate income tax rate in Denmark		22%	23.5%
Computed income tax benefit		**92,284**	**86,001**
Tax effect of:			
Effect of (higher)/lower tax rates in foreign subsidiaries		(54)	(89)
Adjustment to prior years		(321)	125
Other non-deductible expenses, incl. share-based compensation		(21,797)	(4,850)
Deferred tax asset not recognized		(65,579)	(75,372)
Total income tax benefit for the period	PL	**4,533**	**5,815**
Deferred tax in the balance sheet			
Tax deductible losses		414,523	348,580
Other temporary differences		(966)	(987)
		413,556	347,593
Deferred tax asset not recognized		(413,556)	(347,593)
Carrying amount included on balance sheet		**-**	-

On December 31, 2016, Symphogen had net tax loss carry-forwards in Denmark of DKK 1,884 million (2015: DKK 1,586 million) for income tax purposes, all of which can be carried forward according to Danish Corporate Income Tax Act.

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

§ 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.

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 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, 2016 and 2015, 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 assesses that income arising from the agreement should be taxed likewise. Symphogen has paid the calculated tax of the prepayment to avoid interest charge due, should the Danish tax authorities not concur with this judgment. It is Symphogen's assessment, that the Danish tax authorities most likely concur with the judgment. Consequently, the tax payment is included in the accounts as a receivable.

6.2 / Contingent assets and liabilities

Contingent assets and liabilities

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

Financial Statements for Symphogen A/S

Table of contents

Primary statements

Sections in the financial statements

Statement of profit or loss for the year ended December 31

DKK thousands	Note	2016	2015
Revenue	2.1 / 2.2	215,902	49,509
Research and development expenses	2.3 / 2.5	(509,948)	(340,255)
General and administrative expenses	2.4 / 2.5	(140,615)	(66,359)
Operating expenses		**(650,563)**	**(406,613)**
Operating loss		**(434,661)**	**(357,103)**
Financial income	4.2	40,868	13,345
Financial expenses	4.2	(26,128)	(23,054)
Net loss before tax		**(419,920)**	**(366,813)**
Income tax benefit	6.1	5,500	6,000
Net loss		**(414,420)**	**(360,813)**
Attributable to:			
Shareholders of Symphogen A/S		(414,420)	(360,813)

Statement of other comprehensive income for the year ended December 31

DKK thousands	2016	2015
Net loss	**(414,420)**	**(360,813)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
None	-	-
Total comprehensive income	**(414,420)**	**(360,813)**
Attributable to:		
Shareholders of Symphogen A/S	(414,420)	(360,813)

Balance sheet as at December 31

DKK thousands	Note	2016	2015
Assets			
Property, plant and equipment	3.1	51,932	46,521
Investments in group companies	3.5	1,981	1,981
Leasehold deposits		6,573	6,553
Receivables	3.3	112,868	-
Total non-current assets	2.2	**173,354**	**55,055**
Receivables	3.3	17,972	27,262
Marketable securities		238,278	217,527
Cash and cash equivalents		688,081	58,578
Total current assets		**944,331**	**303,366**
Total assets		**1,117,685**	**358,421**
Shareholders' equity and liabilities			
Share capital		15,200	14,903
Other reserves		1,849,816	1,848,868
Accumulated deficit		(1,959,296)	(1,635,912)
Total shareholders' equity	EQ	**(94,281)**	**227,859**
Deferred revenue	2.1	719,845	-
Total non-current liabilities		**719,845**	**-**
Deferred revenue	2.1	263,629	-
Trade payables		29,196	23,750
Other payables	3.4	199,295	106,812
Total current liabilities		**492,121**	**130,562**
Total liabilities		**1,211,966**	**130,562**
Total shareholders' equity and liabilities		**1,117,685**	**358,421**

Statement of cash flow for the year ended December 31

DKK thousands	Note	2016	2015
Net loss for the year	PL	(414,420)	(360,813)
Adjustments for non-cash items	3.7	94,498	23,171
Changes in net working capital	3.6	1,089,004	65,500
Changes in non-current receivables		(26,993)	-
Changes in non-current financial assets – Leasehold deposits		(20)	86
Cash flow used in operating activities before financial items and tax		**742,068**	**(272,056)**
Interest received		5,962	4,751
Interest paid		(3,260)	(151)
Income taxes paid/received, net		(80,000)	6,250
Cash flow used in operating activities		**664,770**	**(261,206)**
Investment in property, plant and equipment		(18,415)	(8,201)
Proceeds from disposal of property, plant and equipment		1	172
Purchase of marketable securities		(211,412)	(774,211)
Proceeds from sale of marketable securities		192,287	730,226
Cash flow used in investing activities		**(37,539)**	**(52,014)**
Proceeds from issuance of shares		-	347,461
Proceeds from exercise of warrants	EQ	1,244	44
Cash flow from financing activities		**1,244**	**347,505**
Changes in cash and cash equivalents		**628,476**	**34,286**
Cash and cash equivalents at the beginning of the period		58,578	24,279
Exchange rate adjustments on cash and cash equivalents		1,027	13
Cash and cash equivalents at the end of the period	BS	**688,081**	**58,578**

Statement of changes in equity

DKK thousands	Note	Share capital	Share premium	Accumulated deficit	Total
January 1, 2015		13,014	1,503,253	(1,297,362)	218,905
Net loss for the year				(360,813)	(360,813)
Other comprehensive income					-
Transactions with owners:					
Shares issuance for cash		1,868	345,593		347,461
Exercise of warrants for cash		21	23		44
Share-based expenses	2.5			22,263	22,263
December 31, 2015		**14,903**	**1,848,868**	**(1,635,912)**	**227,859**
Net loss for the year				(414,420)	(414,420)
Other comprehensive income					-
Transactions with owners:					
Exercise of warrants for cash		297	947		1,244
Share-based expenses	2.5			91,036	91,036
December 31, 2016		**15,200**	**1,849,816**	**(1,959,296)**	**(94,281)**

1 / Basis of preparation

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 an unlisted limited liability company incorporated and domiciled in Denmark.

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

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.

2 / Revenue and expenses

2.1 / Revenue

DKK thousands	Note	2016	2015
Recognition of upfront payment		214,235	-
License fees		-	6,217
Milestone revenue		-	42,309
Revenue from group companies		1,668	983
Total revenue	PL	**215,902**	**49,509**
External revenue split by collaboration partner			
Shire		214,235	-
Merck		-	6,217
Genentech		-	42,309
Total external revenue		**214,235**	**48,526**
Deferred revenue recognized on the balance sheet			
Deferred revenue split by collaboration partner			
Shire		983,474	-
Other collaboration partners		-	-
Total deferred revenue at December 31	BS	**983,474**	**-**
At 1 January		-	-
Upfront payment received during the year		1,197,709	-
Recognized in the statement of profit or loss		(214,235)	-
Total deferred revenue at December 31	BS	**983,474**	**-**
Current		263,629	-
Non-current		719,845	-
Total deferred revenue at December 31	BS	**983,474**	**-**

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

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

2.2 / Information about geographical areas

DKK thousands	Note	2016 Revenue	2016 Non-current assets	2015 Revenue	2015 Non-current assets
Denmark		-	173,354	-	55,055
Ireland		214,235	-	-	-
Germany		-	-	6,217	-
USA		1,668	-	43,292	-
Total	PL BS	**215,902**	**173,354**	49,509	55,055

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

2.3 / Research and development expenses

DKK thousands	Note	2016	2015
Employee benefit expenses	2.5	97,400	65,744
External expenses		400,591	263,528
Depreciation	3.1	11,956	10,982
Total	PL	**509,948**	340,255

2.4 / General and administrative expenses

DKK thousands	Note	2016	2015
Employee benefit expenses	2.5	103,612	43,820
External expenses		35,996	21,696
Depreciation	3.1	1,007	843
Total	PL	**140,615**	66,359

2.5 / Employee benefit expenses

DKK thousands	Note	2016	2015
Wages and salaries		92,654	83,628
Share-based compensation expenses		91,036	22,263
Income from sale of warrants		(490)	(1,521)
Defined contribution plans		667	606
Other social security expenses		484	562
Other staff expenses		4,899	4,026
Severance payments		11,761	-
Total		**201,012**	**109,564**
Research and development expenses	2.3	97,400	65,744
General and administrative expenses	2.4	103,612	43,820
Total		**201,012**	**109,564**
Average number of full time employees		**99**	**93**
Number of employees at end of period:			
Denmark		111	80
Total employees at end of period		**111**	**80**
Number of employees at end of period split on function:			
Research and development		88	62
General and administrative		23	18
Total employees at end of period		**111**	**80**

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.

3 / Operating assets and liabilities

3.1 / Property, plant and equipment

2016 DKK thousands	Leasehold improvements	Laboratory equipment	Other equipment	Total
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)
Carrying amount at December 31	**17,442**	**29,144**	**5,346**	**51,932**

2015 DKK thousands				
Cost at January 1	16,044	83,561	15,973	115,579
Additions during the year	544	4,725	2,932	8,201
Disposals during the year	-	(1,411)	(560)	(1,971)
Exchange rate adjustment	-	-	-	-
Cost at December 31	16,588	86,876	18,344	121,809
Depreciation at January 1	(643)	(52,216)	(12,402)	(65,261)
Depreciation for the year	(1,869)	(8,205)	(1,751)	(11,825)
Depreciation reversed on disposals during the year	-	1,257	542	1,799
Exchange rate adjustment	-	-	-	-
Depreciation at December 31	(2,512)	(59,164)	(13,612)	(75,287)
Carrying amount at December 31	**14,076**	**27,712**	**4,732**	**46,521**

Depreciation

Depreciation included in the statement of profit or loss	**2016**	**2015**
Research and development expenses	11,956	10,982
General and administrative expenses	1,007	843
Total depreciation included in the statement of profit or loss	**12,963**	**11,825**

3.2 / Operating leases

Symphogen 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 thousands	2016	2015
Commitments under operating leases at December 31		
Within 1 year	13,945	13,666
From 1 to 5 years	55,577	53,438
After 5 years	30,223	38,638
Total commitments under operating leases at December 31	**99,745**	**105,742**

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

DKK thousands	2016	2015
Operating lease expenses in the statement of profit or loss		
Research and development expenses	11,740	11,684
General and administrative expenses	2,117	2,112
Total operating lease expenses in the statement of profit or loss	**13,857**	**13,796**

3.3 / Receivables

DKK thousands	Note	2016	2015
Prepayment to manufacturing partner		2,793	-
Derivative financial instruments		-	1,314
Tax receivables		5,500	5,875
VAT receivables		4,223	4,912
Receivables from collaboration partners		-	6,217
Other receivables		3,766	4,677
Prepayments		1,690	4,266
Total current receivables at December 31	BS	**17,972**	**27,262**
Tax prepayment		80,000	-
Tax receivables		5,875	-
Prepayment to manufacturing partner		26,993	-
Total non-current receivables at December 31	BS	**112,868**	**-**

3.4 / Other payables and liabilities

DKK thousands	Note	2016	2015
Research and development clinical trial payables		155,172	60,907
Employee cost liabilities		27,015	23,792
Other liabilities		16,239	17,552
Payables to group companies		869	4,562
Total other payables and liabilities at December 31	BS	**199,295**	**106,812**

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

3.5 / Investments in group companies

DKK thousands	Note	2016	2015
Cost at January 1		1,981	1,981
Cost at December 31	BS	**1,981**	**1,981**

Subsidiaries	Registered office	Ownership interest (%)	Share capital (USD	Equity (USD thousands)	Net profit (USD thousands)
Symphogen Inc.	Delaware, US	100	0.01	827	(83)

§ 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.

3.6 / Changes in net working capital

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 as follows:

DKK thousands	Note	2016	2015
Change in prepayment to manufacturing partner (current)	3.3	(2,793)	-
Change in other receivables	3.3	911	1,814
Change in receivables from collaboration partner	3.3	6,217	(6,217)
Change in VAT receivables	3.3	689	352
Change in prepayments	3.3	2,576	(1,705)
Change in trade payables		5,446	(1,602)
Change in deferred revenue	2.1	983,474	-
Change in research and development clinical trials payables	3.4	94,264	60,907
Change in employee cost liabilities	3.4	3,223	2,915
Change in payables to group companies	3.4	(3,693)	2,157
Change in other liabilities	3.4	(1,312)	6,878
Change in net working capital	CF	**1,089,004**	**65,500**

3.7 / Adjustments for non-cash items

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 as follows:

DKK thousands	Note	2016	2015
Reversals of non-cash items in the statement of profit or loss:			
Income tax benefit	6.1	(5,500)	(6,000)
Depreciation	3.1	12,963	11,825
Net write-down of disposed/sold equipment		21	11
Interest income	4.2	(5,897)	(5,474)
Interest expenses	4.2	3,908	743
Share-based compensation expenses	2.5	91,036	22,263
Unrealized capital gains/losses, marketable securities		(1,350)	1,838
Unrealized exchange rate gains/losses, marketable securities		(277)	(827)
Changes in non-cash balance sheet items:			
Derivative financial instruments	3.3	1,314	(1,314)
Non-cash accrued interest, net		(713)	131
Other adjustments:			
Exchange rate adjustments		(1,008)	(25)
Total adjustments for non-cash items	CF	**94,498**	**23,171**

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 4.5 in the consolidated financial statements.

4.1 / Financial assets and liabilities

Fair value measurement
Symphogen A/S 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 238.3 million as at December 31, 2016 (DKK 217.5 million at December 31, 2015). The fair value has been determined using quoted market data.

Financial instruments measured on level 2
Symphogen A/S has no derivatives at December 31, 2016. The fair value of the derivative amounted to DKK 1.3 million as at December 31, 2015. Management has estimated using valuation techniques in the form of option valuation models.

The fair value of financial instruments measured on level 3
Symphogen does not have such instruments as of December 31, 2015 and 2016.

Categories of financial assets and liabilities

DKK thousands	Note	2016	2015
Financial assets by category			
Financial assets measured at fair value			
Marketable securities		238,278	217,527
Derivative financial instruments, currency option		-	1,314
Total financial assets measured at fair value		**238,278**	**218,841**
Loans and receivables measured at amortized cost			
Other receivables, excluding derivatives and prepayments	3.3	13,489	21,681
Leasehold deposits		6,573	6,553
Total loans and receivables		**20,062**	**28,235**
Financial liabilities by category			
Financial liabilities measured at amortized cost			
Trade payables		29,196	23,750
Other liabilities	3.4	171,411	78,459
Total financial liabilities		**200,607**	**102,209**

4.2 / Financial income and expenses

DKK thousands	Note	2016	2015
Financial income			
Interest income, bank		141	63
Foreign exchange gains		20,457	6,067
Interest on marketable securities		5,756	5,411
Realized and unrealized gains on marketable securities at fair value		2,255	1,802
Realized gains on derivative financial instruments		12,258	-
Total financial income	PL	**40,868**	**13,343**
Financial expenses			
Interest expenses, other payables		(3,815)	(668)
Foreign exchange loss		(16,541)	(6,453)
Realized and unrealized losses on marketable securities at fair value		(4,364)	(10,273)
Realized and unrealized loss on derivative financial instruments		(1,315)	(5,585)
Interest expenses to group companies		(93)	(75)
Total financial expenses	PL	**(26,128)**	**(23,054)**
Net financial items		**14,740**	**(9,711)**

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.

5.1 / Related party transactions

Symphogen's related parties comprise the subsidiaries 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.

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, no other significant transactions have taken place with the Board of Directors or the Executive Management during 2016 and 2015.

Categories of financial assets and liabilities

DKK thousands	2016	2015
Transactions with subsidiaries:		
Service fee income	1,668	983
Service fee costs	28,462	24,512
Interest expenses, intercompany balance	93	75
Transactions with related parties (expenses):		
Lease of domicile building from DEAS A/S, owned by the shareholder PKA	14,815	13,058
Cooperation with START where Dr. Anthony Tolcher is the President and co-founder of Clinical Research at START, Texas, USA	393	88
Balances with subsidiaries at year-end:		
Intercompany payable	869	4,562
Balances with related parties at year-end:		
None	-	-

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 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.

6 / Other disclosures

6.1 / Taxation

Income taxes in the statement of profit or loss

DKK thousands	Note	2016	2015
Current tax benefit on net loss		92,382	86,201
Adjustment to prior years		-	125
Tax credit research and development expenses		5,500	5,875
Changes in deferred tax		(71,079)	(81,247)
Other non-deductible expenses, incl. share-based compensation		(21,303)	(4,955)
Total income tax benefit for the period	PL	**5,500**	**6,000**
Reconciliation of effective tax rate to Danish statutory tax rate			
Net loss before tax	PL	(419,920)	(366,813)
Corporate income tax rate in Denmark		22%	23.5%
Computed income tax benefit		**92,382**	**86,201**
Tax effect of:			
Adjustment to prior years		-	125
Other non-deductible expenses, incl. share-based compensation		(21,303)	(4,955)
Deferred tax asset not recognized		(65,579)	(75,372)
Total income tax benefit for the period	PL	5,500	6,000
Deferred tax in the balance sheet			
Tax deductible losses		414,523	348,580
Other temporary differences		(966)	(987)
		413,556	347,593
Deferred tax asset not recognized		(413,556)	(347,593)
Carrying amount included on balance sheet		**-**	-

On December 31, 2016, Symphogen A/S had net tax loss carry-forwards in Denmark of DKK 1,884 million (2015: DKK 1,586 million) for income tax purposes, all of which can be carried forward without limitation.

Tax for the year also includes a tax credit for research and development at the applicable tax rate if Symphogen is deemed to qualify for the tax credit 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.

Contacts

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E-mail subscription service
Symphogen invites all shareholders and other stakeholders to register for our e-mail service to receive notification of press releases when released. This can be done by sending an e-mail to info@symphogen.com requesting to be added to our mailing list.

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Forward looking statements
This annual report contains forward looking statements. The words "believe", "expect", "anticipate", "intend" and "plan" and similar expressions identify forward looking statements. Actual results or performance may differ materially from any future results or performance expressed or implied by such statements. The important factors that could cause Symphogen's actual results or performance to differ materially include, among others, risks associated with product discovery and development, uncertainties related to the outcome and conduct of clinical trials including unforeseen safety issues, uncertainties related to drug manufacturing, the company's inability to attract and retain suitably qualified personnel, the unenforceability or lack of protection of Symphogen's patents and proprietary rights, the company's relationships with affiliated entities, changes and developments in technology which may render the company's product candidates obsolete, and other factors. For a further discussion of these risks, please refer to the section "Risk Management" in this annual report. Symphogen does not undertake any obligation to update or revise forward looking statements in this annual report nor to confirm such statements in relation to actual results, unless required by law.

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