Annual Report 2019

Creating novel antibody therapeutics

Inspired by nature
Led by science
Driven by people

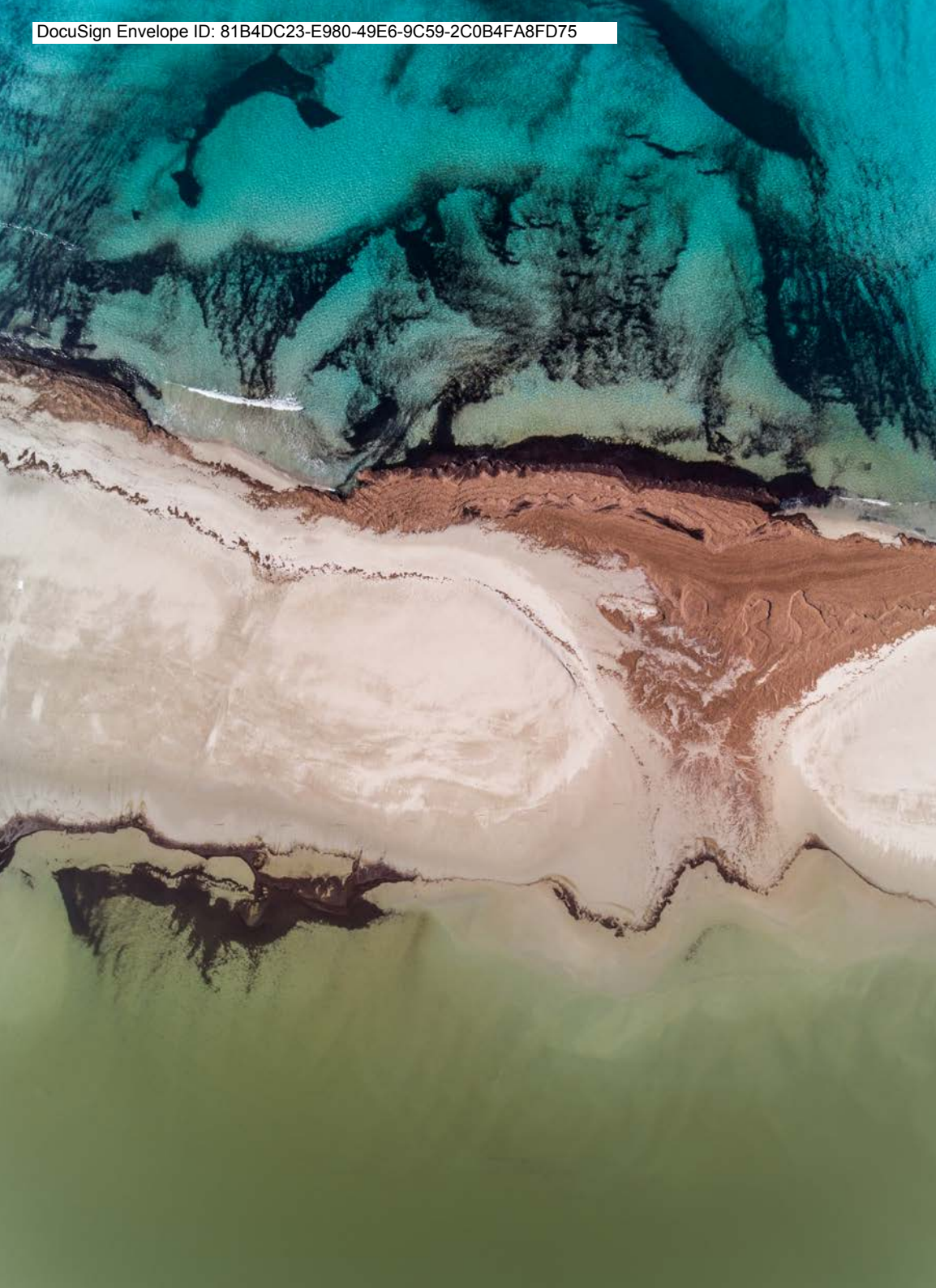
Approved at Symphogen's Annual General Meeting on June 3, 2020

Chairman:

Thomas Holst Laursen

symphogen

Symphogen A/S CVR no. 10 01 32 67



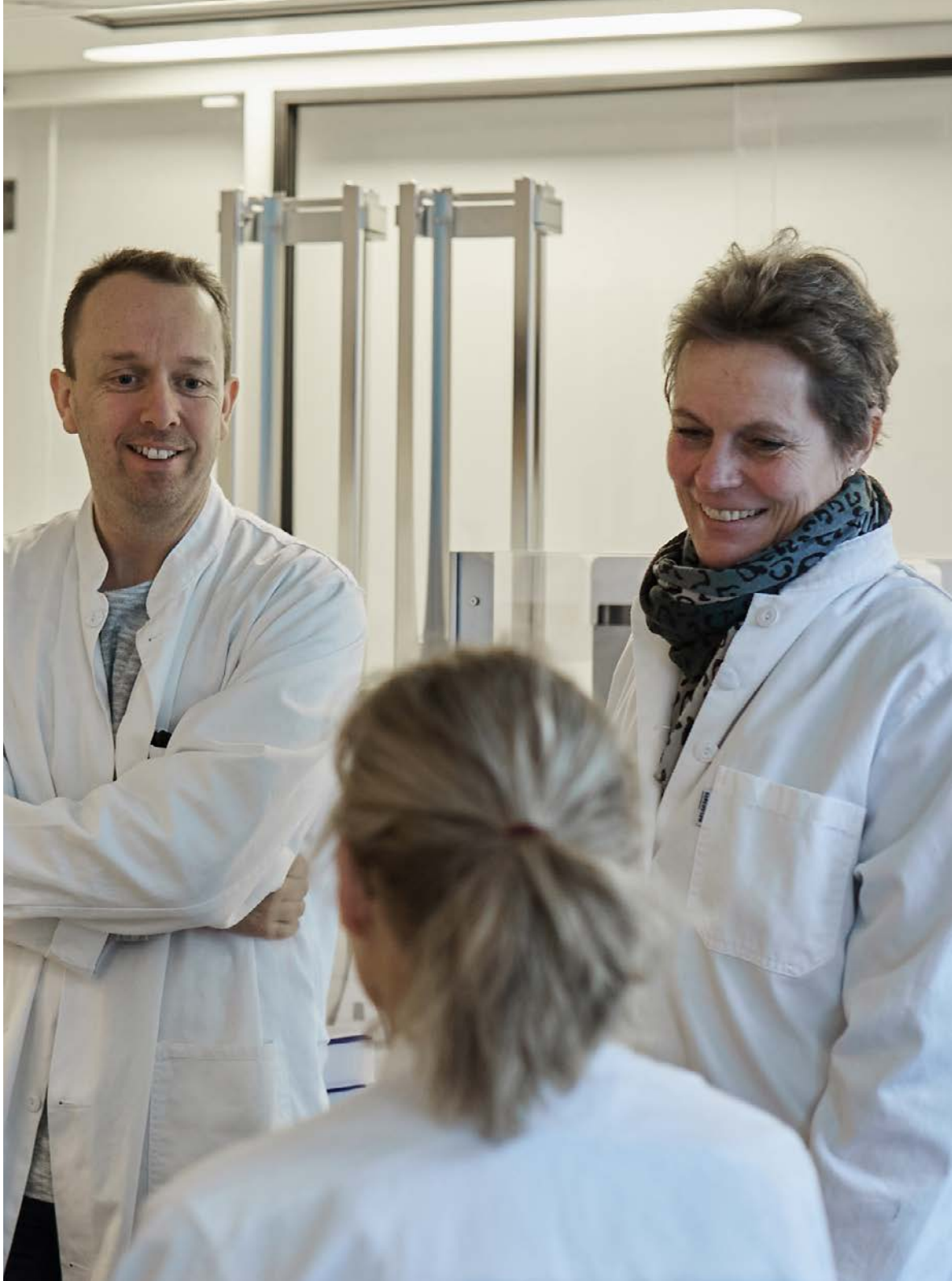
Symphogen in brief

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

Symphogen is a privately-owned biotech company focused on oncology and immuno-oncology. We have a highly efficient antibody discovery and research platform supported by comprehensive early development capabilities. Our antibody platform delivers antibodies with unique functionalities providing best or first in class potential.

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

Contents



Company update from the Board of Directors and Chief Executive Officer

In 2019, we focused on fully utilizing the strengths of our antibody platform and integrated research and development capabilities in the earlier phases of drug development. Our heritage of identifying and developing antibodies for combination therapies remains the center of our strategy.

Our most advanced program, Sym004, has completed Phase 2b in late stage Metastatic Colorectal Cancer (mCRC) and earlier clinical trials in indications such as head and neck cancer, esophageal cancer and glioblastoma. We are exploring partnering opportunities for further clinical development and commercialization of Sym004.

In line with our strategy, we plan to complete the on-going Phase 2a trial of Sym015 in MET-amplified and METexon14-deleted non-small cell lung cancer (NSCLC) patients in 2020 and seek partnering for further clinical development and commercialization. Sym015 has a strong scientific rationale and constitutes an attractive niche indication opportunity with a potential orphan drug development path.

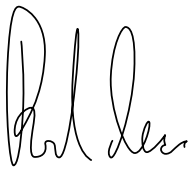
Our strategic immuno-oncology collaboration with Servier comprising six programs remains a major focus and continues to show promising results. Sym021 (targeting PD1) is being investigated in Phase 1 trials in combination with respectively Sym022 (targeting LAG3) and Sym023 (targeting TIM3). In addition, three Phase 1 trials with each of the individual antibodies are also in progress. Further, three pre-clinical programs, Sym024, Sym025 and Sym026, are on track for IND fillings in 2020 and beyond.

We advanced our immuno-oncology pipeline of best or first in class antibodies, including antibodies directed at FLT3, AXL and CD40. The productivity of our antibody discovery process is evidenced by the size and diversity of the repertoires of high-quality antibodies from multiple species generated for our partners and our internal research pipeline. Our discovery platform includes the ability to generate antibodies derived from a number of sources including humans, transgenic animals and wild-type animals. Our work employing wild-type chickens for example has yielded the first entry into man, with extremely high affinity chicken antibody as evidenced by Sym021 targeting PD1. Our platform may also be used for indications outside of cancer, and we are actively pursuing partnerships in oncology and in other disease areas.

Corporate matters

We have completed the adjustment of our organization and have consolidated management of clinical activities in Denmark jointly with other development functions, such as regulatory and clinical affairs, statistics, data management and pharmacovigilance activities. Consequently, the US office was closed as of Q3 2019. Due to the refocusing of the company, we unfortunately also had to part with employees in Denmark. Management would like to thank all employees for their engagement and invaluable contributions to the advancement of our research and clinical activities.

Finally, on behalf of our major shareholders who have been loyal and very committed to Symphogen for almost 20 years, the Board initiated a process of exploring our strategic options, including spinoffs or a potential sale of the company. As a result of these measures, on March 19, 2020, shareholders entered into a share purchase agreement with Servier whereby Servier assumes control over Symphogen A/S. By end-2019, our cash and cash equivalents including marketable securities amounted to DKK 199,8 million.



Bernhard Ehmer
Chairman of the Board

Martin Olin
Chief Executive Officer

Clinical development projects

By end-2019, five clinical development projects were ongoing: Sym021-023 conducted in collaboration with Servier, Sym009 being developed by Genentech, and our proprietary program Sym015. One Symphogen program Sym004 is currently not in active development but positioned for partnering.

Sym004 During 2019 the clinical databases, reports and trial master files for all Symphogen-led trials with Sym004 were completed. The program is available for partnering with completed Phase 2b data in patients with late stage mCRC that have acquired resistance to anti-EGFR antibody therapies.

In the investigator-led trial in glioblastoma, the last patient finalized the trial in December 2019.

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

Mechanism of action

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

Proprietary assets

Oncology projects	TARGET	STATUS
Sym004	EGFR	Phase 3 ready Further development subject to partnering
Sym015	MET-amplified and METex14del	Phase 2a ongoing Partnering activities on-going

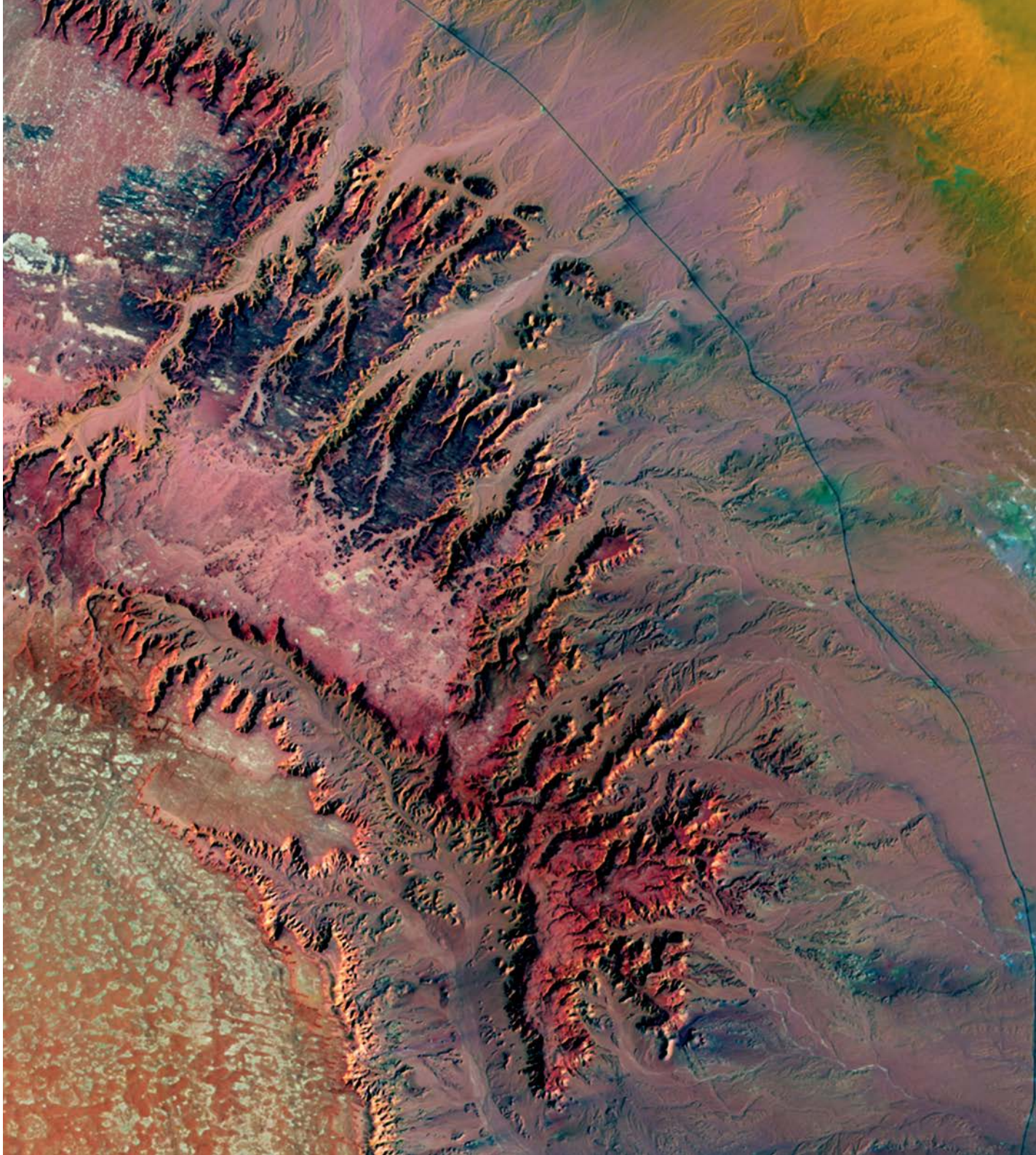
Sym015 Scientific publications and presentations

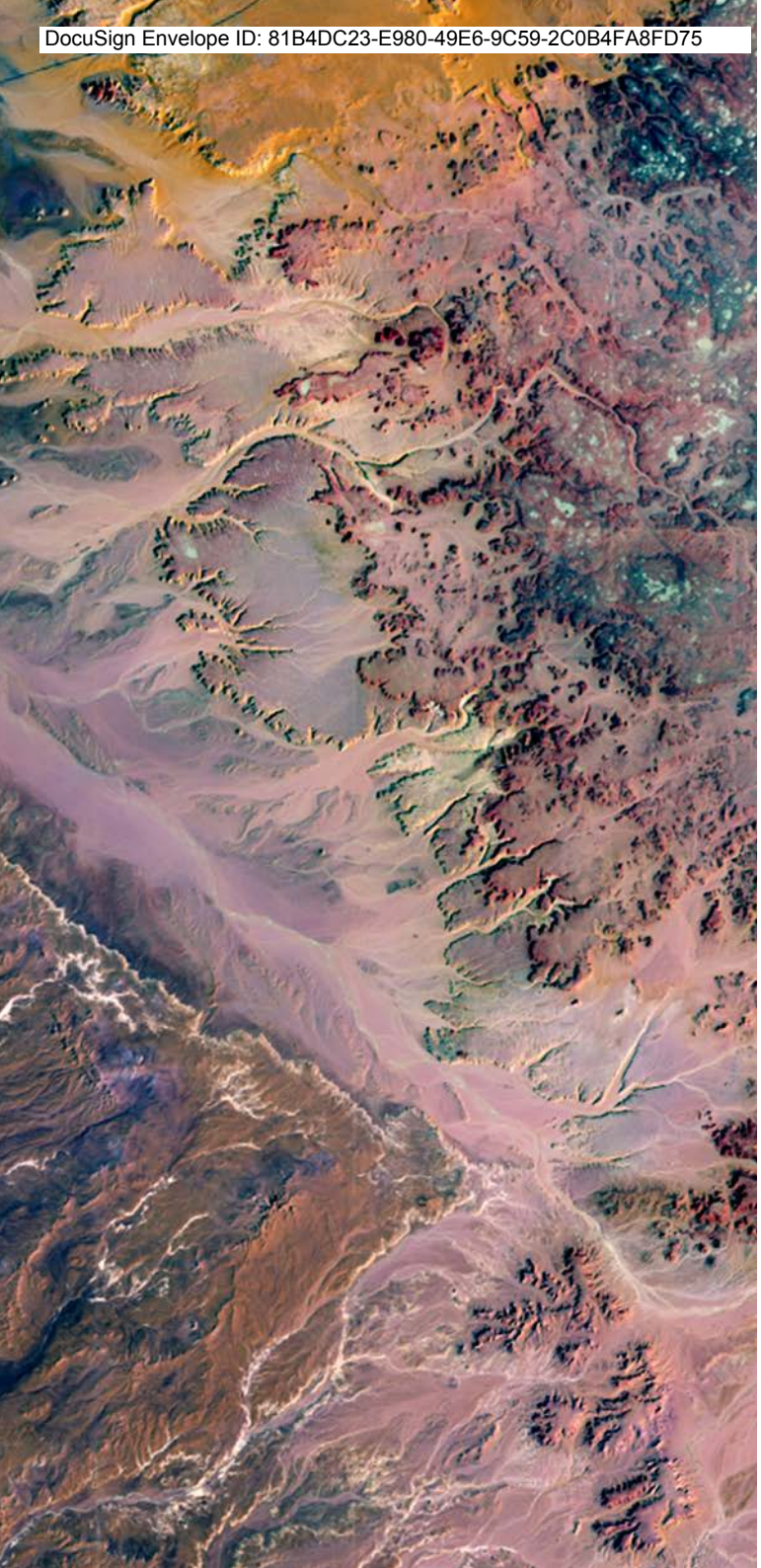
Poulsen et al, Sym015: A Highly Efficacious Antibody Mixture against MET-Amplified Tumors, Clin Cancer Res. 2017 Oct 1;23(19):5923-5935.

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

Camidge D.R et al., Phase 1a/2a Trial of Sym015 - a MET Antibody Mixture - in Patients with Advanced Solid Tumors. Abstract ESMO 2019 Congress, 27. September - 01. October, Barcelona, Spain.

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





Partnerships

The partnerships with Servier and Genentech

Servier collaboration and license agreement:

Sym021 Sym021 targets PD1. It is the first chicken-derived antibody against PD1 to enter clinical development.

Sym022 Sym022 targets LAG3. It is a fully human antibody generated in transgenic rats.

Sym023 Sym023 targets TIM3. It is a unique, fully human antibody, generated in transgenic rats.

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

Preclinical models have shown that combinations of Sym021, Sym022 and Sym023 provide better anti-tumor effects compared to each product candidate administered on its own. Symphogen intend to use these product candidates in a variety of doublet or triplet combinations. These programs are directed towards use in patients with locally advanced/unresectable or metastatic solid tumor malignancies or lymphomas that are refractory to available therapy or for which no standard therapy is available.

The goal of the clinical strategy is, to move combinations of the PD1, LAG3 and TIM3 leads as quickly as possible to Phase 2a ready status while also providing enough safety data to support future Phase 2 trials. Each drug lead is being evaluated as a monotherapy in Phase 1 dose escalation trials, before combinations are evaluated.

The monotherapy trials are close to completion and the doublet escalation trials are on track for finalization in the first half of 2020. Plans for doublet expansion trials in several indications are planned for initiation in 2020.

The three targets Sym024, Sym025 and Sym026 are all moving forward according to plan. The next projected IND filing is expected in 2020.

Development projects in cooperation with Servier and Genentech

Partnered assets	Immuno-oncology projects	TARGET	STATUS
SERVIER	Sym021	PD-1 Solid tumors or lymphomas	Phase 1 monotherapy and in combination with Sym022 or Sym023 ongoing
SERVIER	Sym022	LAG-3 Solid tumors or lymphomas	Phase 1 ongoing
SERVIER	Sym023	TIM-3 Solid tumors or lymphomas	Phase 1 ongoing
SERVIER	Sym024	Not disclosed n.a.	Preclinical, IND enabling studies
SERVIER	Sym025	Not disclosed n.a.	Discovery
SERVIER	Sym026	Not disclosed n.a.	Discovery
	Infectious disease projects		
Genentech	Sym009	Staphylococcus aureus MRSA / MSSA	Phase 1b ongoing

Genentech collaboration

Infectious diseases and other applications of Symphogen technology

Symphogen's technology for generating and identifying functional human antibodies may also be applied to disease areas outside of cancer. Examples includes, but are not limited to, autoimmune and infectious disease and we have identified large repertoires of antibodies against various viruses and bacteria.

As a validation of our ability to apply the antibody technology to disease areas outside of cancer, in 2008 we entered into a collaboration and license agreement with Genentech Inc., a member of the Roche Group, for the identification of antibody therapeutics against undisclosed infectious disease targets. Under the terms of the agreement, Genentech made an upfront payment to us as well as an equity investment in Symphogen. To date we have received several milestone payments based on the development progress of Sym009. We are eligible for additional milestone payments up to USD 92 million (approx. DKK 614 million) upon the successful achievement of certain research and development milestones, as well as single-digit royalties on worldwide sales.

Sym009 in Phase 1b trial

Under the terms of the Genentech collaboration, Genentech is sponsoring the development of Sym009, originally discovered by isolating antibodies from individuals exposed to S. aureus using our patented Symplex® technology. A phase 1b clinical trial evaluates DSTA4637S, an investigational medicine containing Sym009 conjugated to an antibiotic agent, for the potential treatment of serious infections caused by Staphylococcus aureus (S. aureus) infections. The trial was initiated in July 2017 and clinically finalized in August 2019. Symphogen expects to receive high-level feedback on the next steps early 2020.

Our scientific approach is at the core of future cancer therapies

Research and preclinical development capabilities

Our research activities are focused on identifying novel therapeutic antibodies with ability to mobilize the immune system to fight tumors.

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

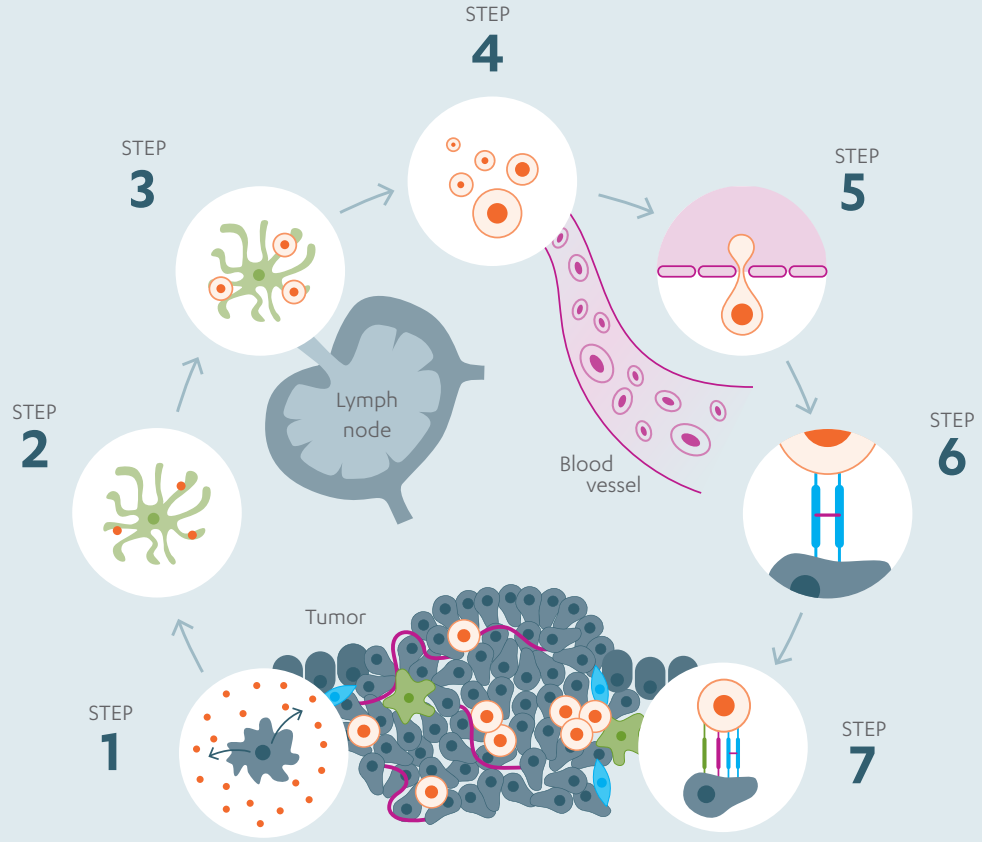
Failure in just one of these critical steps will often prevent the immune system from mounting an anti-tumor immune response and lead to uncontrolled tumor growth. The first generation of immune therapies such as anti-PD1/PDL1 and/or anti-CTLA4 antibodies have addressed failures in some of these steps (3 and 7) and have provided significant and long-term clinical benefit to patient groups across multiple cancer indications. However, most patients fail to respond or will develop resistance to these immuno-oncology therapies.

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

Our research strategy is divided into two differentiated approaches.

The first approach aims at identifying antibodies with ability to enhance the number and function of antigen presenting cells. Many tumors have no,or very low, existing cancer immunity due to disruption of one or more of steps 1-3 of the cancer immunity cycle. These tumors hide from the immune system and can grow and develop without the immune system ever recognizing it. Antigen presenting cells such as dendritic cells are "experts" in taking up tumor antigens and presenting them to the T-cells and hence key for mounting anti-tumor immune responses.

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



Step 1 and 2

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

Step 3

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

Step 4 and 5

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

Step 6 and 7

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

During 2019 we have advanced our FLT3 (Sym027), AXL(Sym028) and CD40 (Sym029) dendritic cell programs from discovery to pre-clinical development.

Our second approach aims at identifying antibodies capable of enhancing the anti-tumor activity of innate immune killer cells. Tumors developing resistance to first generation immuno-oncology therapies by downregulating a group of cell surface proteins known as major histocompatibility complex class I or MHC I. These proteins are required for the T-cells to recognize tumor cells and kill them (Step 6 and 7 of the cancer immunity cycle). In the absence of MHC I and T-cell killing, the second arm of the immune system, the innate immune system, becomes important. Cells of the innate immune system, such as macrophages, natural killer cells and neutrophils, do not have the same restriction for tumor cell killing as T-cells. During 2019 we have generated antibodies against several first in class targets and progressed these towards functional leads.

With these ongoing research programs, we maintain a strong and promising early pipeline of proprietary antibodies aimed at enhancing the antitumor activity of innate immune cells.

State-of-the-art antibody discovery platform

Over the years, we have continuously improved our antibody discovery platform so that it today stands out as state-of-the-art and highly competitive. The platform is based on natural immune responses, which we believe have an unparalleled capacity for antibody diversification and at the same time employ natural tolerance mechanisms to optimize affinity while conserving specificity.

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

During 2019 we have successfully continued optimization of our antibody discovery platform with a focus on speed, throughput and costs.

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

The antibody discovery platform is highly flexible and similarly suitable for indications outside of cancer, as demonstrated in our infectious disease partnership with Genentech. We are actively pursuing partnerships to fully utilize our unique and effective integrated R&D.

Competitive timelines to IND by an integrated approach to drug development

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

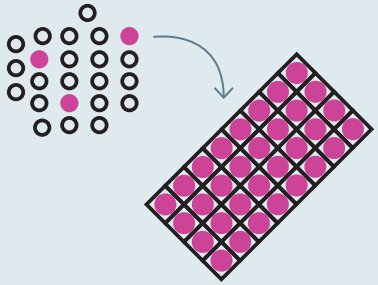
Outline of the key steps of our Symplex® antibody discovery platform

STEP 1

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

STEP 2

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

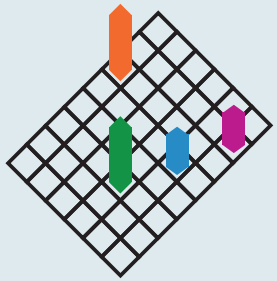


STEP 3

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

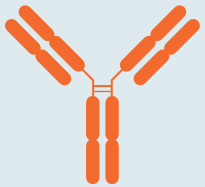
STEP 4

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



STEP 5

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

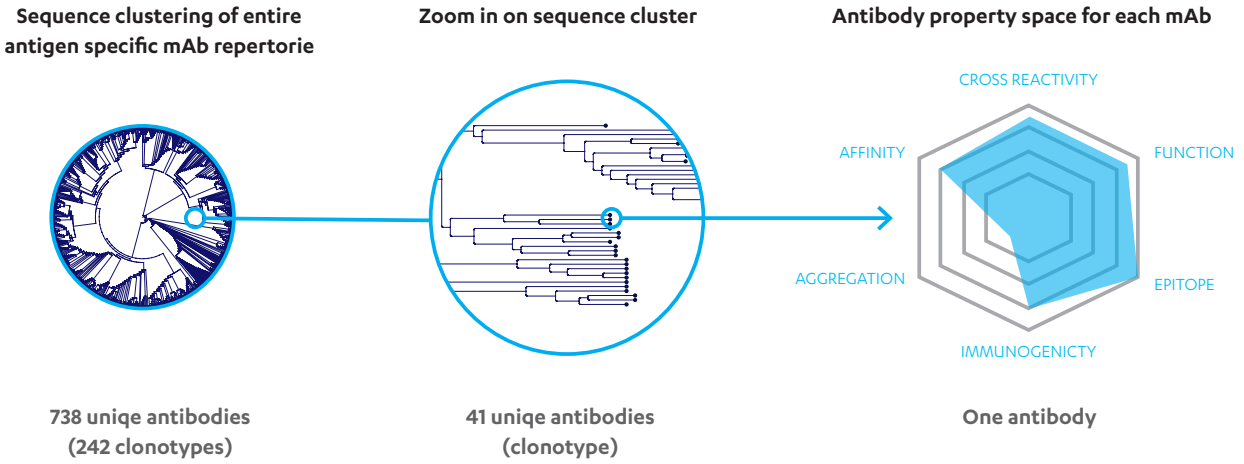


Once the lead is selected, pre-clinical development is based on a solid, standardized platform where only minor adaption is typically needed, a balanced out-sourcing approach using strategic CMO and CRO partners and a cross-functionally aligned development plan, where critical path activities are staggered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

Intellectual property

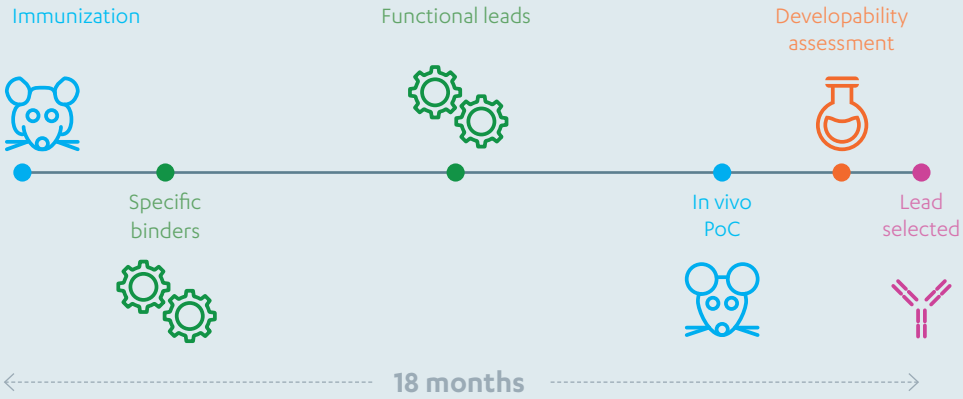
We actively seek to protect the intellectual property and proprietary information and technology that we believe is important to our business, which includes seeking and maintaining patents covering our proprietary technology, product candidates, proprietary processes and any other inventions that are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

High Dimensional Analysis of Antibody Repertoires

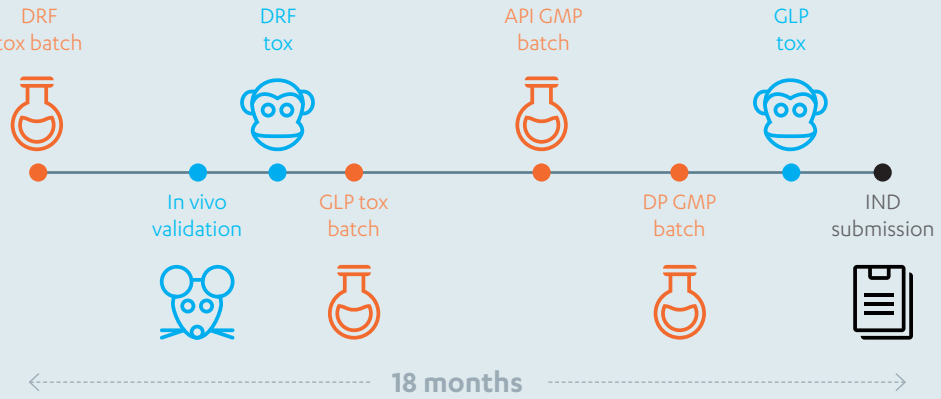


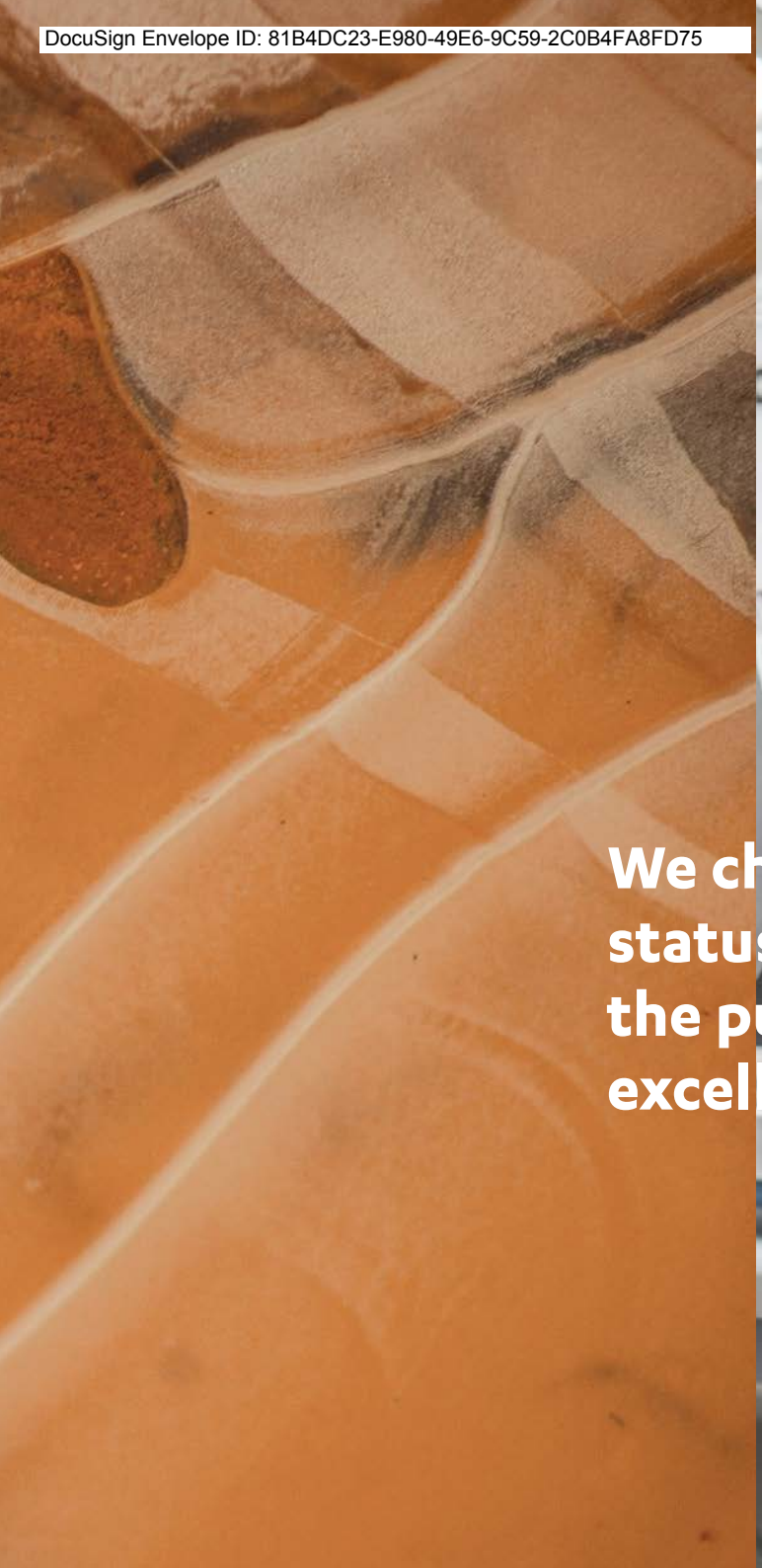
Symplex® delivers very large antigen specific antibody repertoires as demonstrated by the sequence cluster diagram to the left of 738 unique antibodies against a challenging target. Using high throughput screening methods, each antibody is annotated in a six-dimensional space enabling rapid identification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

Immunization to lead



Lead to IND





We challenge status quo in the pursuit of excellence

Consolidated key figures and ratios

DKK'000	2019	2018	2017	2016	2015
Income statement					
Revenue	167,113	170,763	290,709	214,235	48,526
Research and development expenses	(288,434)	(461,020)	(369,162)	(507,636)	(337,177)
General and administrative expenses	(84,547)	(87,929)	(70,627)	(140,894)	(67,673)
Operating result	(205,868)	(378,186)	(149,081)	(434,295)	(356,324)
Net financial items	(114,440)	(74,981)	(1,780)	14,823	(9,638)
Net loss	(315,121)	(447,721)	(145,481)	(414,940)	(360,147)
– of which share-based expenses account for	(44,786)	(14,851)	(10,499)	(90,547)	(20,742)
Statement of financial position					
Total non-current assets	183,297	209,223	83,908	172,543	53,605
Cash and cash equivalents	90,644	132,020	496,144	695,065	64,271
Marketable securities	109,197	241,567	290,638	238,278	217,527
Total assets	408,334	623,831	995,844	1,124,036	362,719
Total shareholders' equity	(468,430)	(657,508)	(225,991)	(90,430)	232,094
Cash flow statement					
Cash flow from operating activities	(358,271)	(391,743)	(488,935)	666,920	(259,197)
Cash flow from investing activities	128,621	34,496	(59,741)	(38,397)	(52,496)
Hereof investment in property, plant and equipment	(3,420)	(13,515)	(8,454)	(19,272)	(8,511)
Cash flow from financing activities	186,193	(10,087)	372,516	1,244	347,505
Net cash flow for the year	(43,457)	(367,333)	(176,161)	629,767	35,811
Financial ratios					
Equity ratio (%)	(115%)	(105%)	(23%)	(8%)	64%
Average number of employees	108	129	112	111	99

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

2019 financial review

The financial review is based on the consolidated financial information for the year ended December 31, 2019, with comparative figures for the same period last year followed by management's comments to the development. We reported a net loss after tax of DKK 315.1 million in 2019, compared to a net loss after tax of DKK 447.7 million in 2018. The development is explained below.

DKK'000	2019	2018	Net Change	% Change	Management's comments
Statement of profit or loss					
Revenue	167,113	170,763	(3,650)	(2)%	In 2019 and 2018, revenue solely comprised revenue from services rendered under the collaboration agreement with Servier.
Research and development expenses	(288,434)	(461,020)	172,586	(37)%	Of the DKK 172.6 million decrease in research and development expenses, DKK 158.7 million relates to lower external costs mainly due to lower activity in manufacturing DKK 39 million and clinical development DKK 104 million and lower employee benefit expenses DKK 19.4 million but partly offset by higher share based compensation DKK 6.4 million. Overall, Research and development expenses accounted for 77.3% of our total operating expenses in 2019, compared to 84.0% in 2018.
General and administrative expenses	(84,547)	(87,929)	3,382	(4)%	Of the DKK 3.4 million decrease in general and administrative expenses, an impact of DKK 27.0 million relates to decreased external costs mainly due to the preparation of an initial public offering in 2018 and lower activity in 2019 but partly offset by increased share-based compensation expenses (DKK 23.6 million). Overall, general and administrative expenses accounted for 22.7% of our total operating expenses in 2019, compared to 16.0% in 2018. Without share-based expenses general and administrative expenses accounted for 15.8% of our total operating expenses in 2019, compared to 14.7% in 2018.
Total operating expenses	(372,981)	(548,949)	175,968	(32)%	
– of which share-based expenses account for	(44,786)	(14,851)	(29,935)	202%	The share-based payment expense in 2019 consisted of 12.0 million, or 26.8% for individuals employed with research and development and 32.8 million, or 73.2% for Executive Management, Board of Directors and individuals employed in administrative functions.
Net financial items	(114,440)	(74,981)	(39,459)	53%	The decrease in net financial items was caused by an increase in expenses on the convertible debt instrument of net DKK 32.5 million and lower interest and fair value adjustment on marketable securities in 2019 DKK 7.8 million due to a general lower cash position. This was partly offset by an increase in the effect from change in fair value of conversion option of DKK 7.7 million. Furthermore, net financial items in 2019 included a net income from changes in foreign exchange rates of DKK 1.2 million, compared with a net income of DKK 8.0 million in 2018 primarily on Symphogen's USD cash position.
Income tax	5,187	5,446	(258)	(5)%	There has been no material change in income tax compared with last year. Tax for the year includes a tax credit for research and development at the applicable tax rate under the Danish Corporate Income Tax Act amounting to DKK 5.5 million in both 2019 and 2018.
Net loss	(315,121)	(447,721)	132,600	(30)%	

DKK'000	2019	2018	Net Change	% Change	Management's comments
Balance Sheet					
Total non-current assets	183,297	209,223	(25,926)	(12)%	The decrease of DKK 25.9 million was mainly due to changes in Property, plant and equipment DKK 21.7 million and lower receivables DKK 4.2 million.
Cash	90,644	132,020	(41,376)	(31)%	The net decrease in cash of DKK 41.3 million, is a result of Symphogen's operating activities amounting to DKK 358.3 combined with investments in property, plant and equipment of DKK 3.4 million and repayment of leasing liabilities of DKK 11.9 million and part of the convertible loan DKK 11.2 million, partly offset by proceeds from issue of shares and exercise of warrants DKK 209.3 million and by net proceeds from sale of marketable securities DKK 131.9 million. Furthermore, Symphogen's cash and cash equivalents increased by DKK 2.1 million as a result of development in the USD currency exchange rate on Symphogen's USD cash position.
Marketable securities	109,197	241,567	(132,370)	(55)%	In 2019, Symphogen reduced the portfolio of low-risk marketable securities as part of Symphogen's treasury management.
Total assets	408,334	623,831	(215,497)	(35)%	
Shareholders' equity at year end	(468,430)	(657,508)	189,078	(29)%	The decrease was due to the negative net result for the year of DKK 315.1 million, partly offset by issuance of shares by conversion of convertible debt facility DKK 250.8, capital increase by issuance of shares for cash DKK 16.0 million, capital increase by utilization of L warrants for cash DKK 195.0 million and grant of share-based payments awards of DKK 44.8 million. Refer to note 4.2 in the consolidated financial statements for further information about the management's proposed appropriate measures to re-establish Symphogen's share capital.
Cash flow statement					
Cash flow from operating activities	(358,271)	(391,743)	33,472	(9)%	The decrease in negative cash flow from operating activities were mainly driven by lower level of activities and no costs for IPO in 2019.
Cash flow from investing activities	128,621	34,496	94,125	273%	The increase of DKK 94.2 million mainly relates to an increase in cash flow from sale of marketable securities of DKK 83.8 and lower investments in property, plants and equipment DKK 10.1 million.
Cash flows from financing activities	186,193	(10,087)	196,280	(1,946)%	The increase mainly relates to utilization of L-warrants DKK 195.0 million and issuance of shares DKK 16.0 million which was partly offset by repayment of convertible debt facility DKK 11.2 million.
Net cash flow for the year	(43,457)	(367,333)	323,976	(88)%	

Corporate governance

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

At an ordinary general meeting on May 29, 2019 the share capital was restructured and consists of three share classes with different rights regarding proceeds and distributions. For information on the share capital, see note 4.2 of the consolidated financial statement.

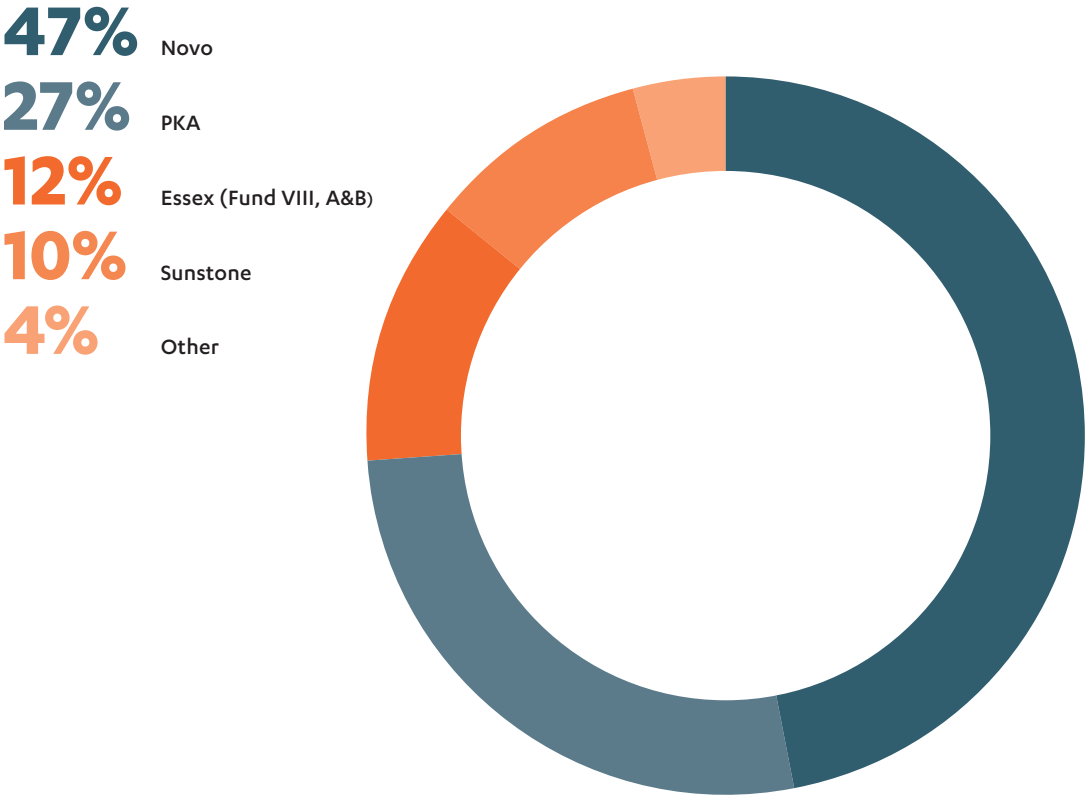
The shareholder distribution as at December 31, 2019 is summarized in the graf.

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

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

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

Symphogen's shareholder distribution – 2019



We strive to make unique discoveries

Risk management

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

Scientific risks
Symphogen distinguishes between two kinds of scientific risks: technology risks and development risks. Technology risks include risks related to our technology platforms not delivering 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 anti-bodies are primarily related to manufacturing, characterization and regulatory approval of these products. We have developed a unique manufacturing platform for consistent batch-to-batch production of antibodies. Further, we have an ongoing dialogue with the regulatory agencies in the US and Europe and key opinion leaders and scientific experts to define the data requirements in support of our product candidates.

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

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

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

Financial risks
Symphogen is exposed to certain financial risks, 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 4.4 of the consolidated financial statements for a more detailed description of financial risks as well as note 1.5 regarding subsequent events.

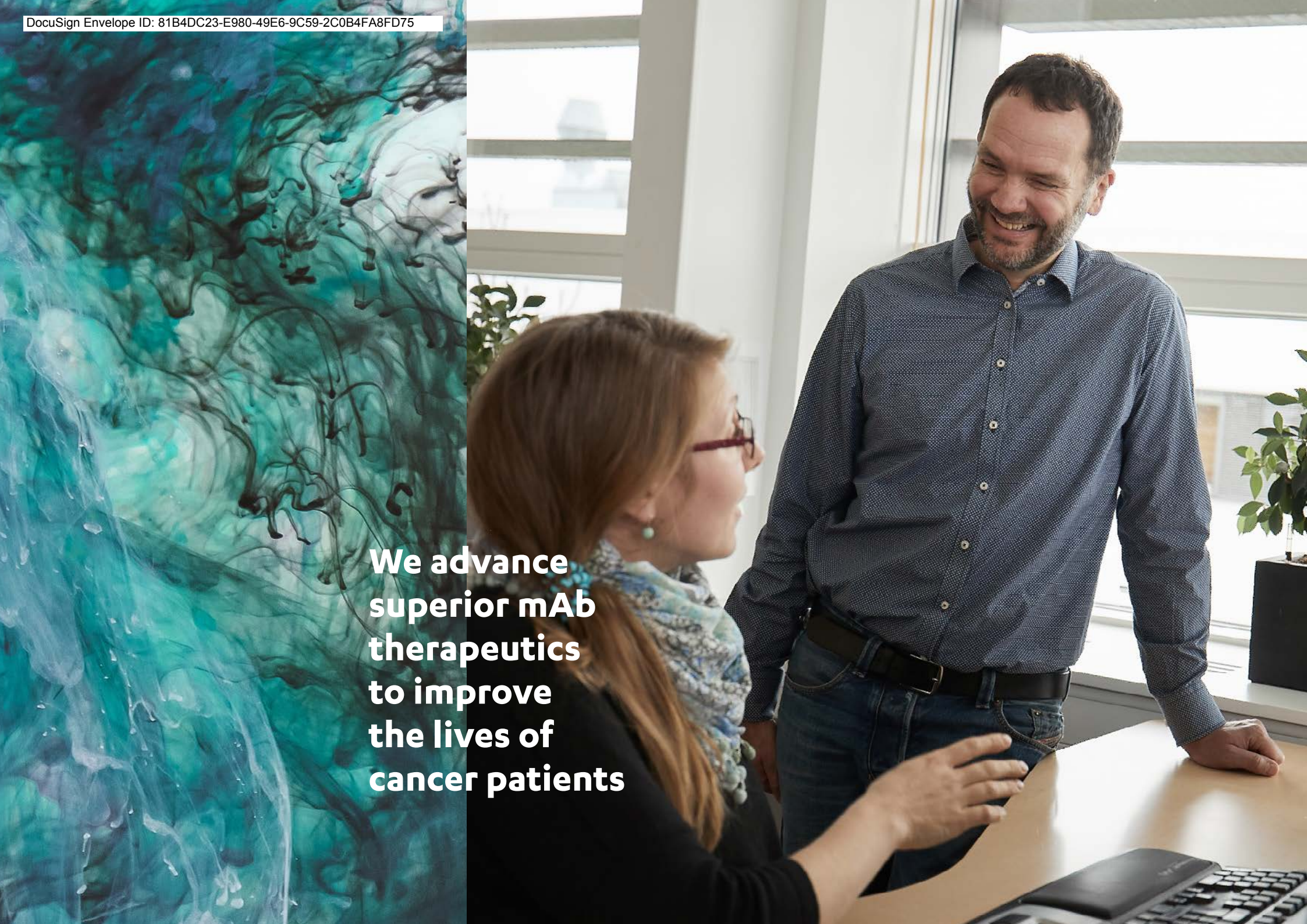
The Board of Directors has adopted a treasury policy for the management of Symphogen's cash and cash equivalents, including marketable securities. This treasury policy describes, among other elements, which marketable securities investments can be made and that the investments must be handled and managed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

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

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

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

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



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

Employees and Corporate Social Responsibility

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

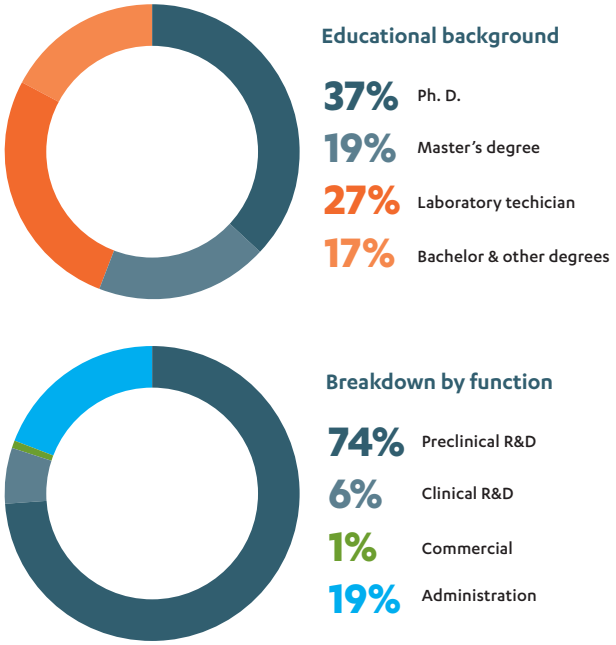
The primary focus for our CSR efforts is our employees. We have no formal corporate CSR policy but specific guidelines for e.g. employee health and safety and conduct towards health care professionals. We have implemented policies for the handling of waste from our laboratory facilities in accordance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

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

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

Further, the line organization is supported by specialists and service functions such as business development, quality assurance, human resources, information technology, finance, and administration. As of December 31, 2019, we had 95 employees.

Key HR indicators	2019	2018
Full-time employees at the end of the year	95	125
Employees holding a scientific, advanced degree, Ph.D., or Master, %	51	54
Employees in Research and Development, %	81	82
Average age of workforce, years	47.1	47.0
Male/female gender split (M/F), %	40/60	46/54
Managerial male/female gender split (M/F), %	39/61	48/52
Seniority, years	6.1	4.7



Senior management

Martin Olin
Chief Executive Officer

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

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

Karin Garre
Chief Operating Officer, appointed on February 1, 2019

Karin Garre, MD, is a Danish-national, born in 1957. She joined Symphogen in 2018. As Chief Operating Officer she is heading the Project & Portfolio, Clinical, Regulatory, Bioassay and Quality functions.

Before joining Symphogen, Karin Garre held managerial and executive leadership positions in the Danish Health care sector and in international pharmaceutical and biotech companies such as Novo Nordisk, Nycomed, Neurosearch and Genmab.

Lisbet Løschenkohl
SVP, HR, appointed on February 1, 2018

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

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

Rikke Bolding Jensen
SVP, CMC, appointed on May 1, 2019

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

Before joining Symphogen, Rikke Bolding Jensen served in CMC development and project management positions in pharma and biotech companies such as Nycomed, Takeda and Maxygen.

Mikkel Wandahl Pedersen
SVP and Acting Chief Scientific Officer, appointed May 1, 2019

Mikkel Wandahl Pedersen, PhD, is a Danish national, born in 1973. He joined Symphogen in 2006 and is currently Vice President of Antibody Discovery and Research.

Prior to joining Symphogen, Mikkel Wandahl Pedersen was leader of the Receptor Tyrosine Kinase group at Copenhagen University Hospital and has co-authored more than 40 peer-reviewed publications.

Board of Directors

Bernhard Ehmer, Chairman of the Board
Bernhard Ehmer was the CEO of Biotest AG until April 2019. Prior to this, he worked for the Imclone Group, a wholly owned subsidiary of Eli Lilly, as president of Imclone Systems Corporation in the United States and as managing director in Germany.

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

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

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

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

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

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

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

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

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

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

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

Peter Haahr
Peter Haahr, CFO in Novo Holdings A/S, is responsible for Finance, Legal, Valuation and IT. He currently also serves as Chairman of the board of directors of House Denmark A/S and as Deputy Chairman of the board of directors of NNIT A/S.

Prior to joining Novo Holdings A/S in 2016, Peter Haahr was employed for 16 years with Novo Nordisk in various leadership position in Denmark and internationally and before this, 5 years as equity analyst in various financial institutions.

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

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

Consolidated financial statements

Contents

Primary statements

Sections in the consolidated financial statements

PL

Consolidated statement of profit or loss

For the years ended December 31

Note	DKK'000	2019	2018
2.1 / 2.2	**Revenue**	**167,113**	**170,763**
2.3 / 2.5	Research and development expenses	(288,434)	(461,020)
2.4 / 2.5	General and administrative expenses	(84,547)	(87,929)
	Operating expenses	(372,981)	(548,949)
	Operating loss	**(205,868)**	**(378,186)**
4.7	Financial income	33,792	50,426
4.7	Financial expenses	(148,232)	(125,408)
	Net loss before tax	**(320,308)**	**(453,167)**
6.1	Income tax benefit	5,187	5,446
	Net loss	**(315,121)**	**(447,721)**
	Attributable to:		
	Shareholders of Symphogen A/S	(315,121)	(447,721)

OCI

Consolidated statement of other comprehensive income

For the years ended December 31

Note	DKK'000	2019	2018
PL	**Net loss**	**(315,121)**	**(447,721)**
	Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
	Exchange differences on translation of foreign operations, net of tax of DKK 0	(619)	268
	Total comprehensive income	**(315,740)**	**(447,453)**
	Attributable to:		
	Shareholders of Symphogen A/S	(315,740)	(447,453)

BS

Consolidated balance sheet

As at December 31

Note	DKK'000	2019	2018
	ASSETS		
3.1	Property, plant and equipment	151,712	173,383
	Leasehold deposits	6,775	6,824
3.2	Receivables	24,810	29,016
2.2	**Total non-current assets**	**183,297**	**209,223**
3.2	Receivables	25,195	41,020
4.6	Marketable securities	109,197	241,567
	Cash and cash equivalents	90,644	132,020
	Total current assets	**225,036**	**414,607**
	Total assets	**408,334**	**623,831**
	EQUITY AND LIABILITIES		
4.2 / 1.5	Share capital	3,588	15,404
	Other reserves	456,444	1,851,666
	Accumulated deficit	(928,461)	(2,524,578)
EQ	**Total equity**	**(468,430)**	**(657,508)**
1.5 / 4.3 / 4.8	Convertible debt facility	309,754	-
2.1	Contract liabilities	240,735	387,472
1.3 / 4.8	Lease liabilities	107,236	118,411
	Total non-current liabilities	**657,724**	**505,883**
1.5 / 4.3 / 4.8	Convertible debt facility	-	426,978
2.1	Contract liabilities	146,737	167,113
1.3 / 4.8	Lease liabilities	10,878	11,599
4.4	Trade payables	21,563	41,135
3.3	Other payables	39,860	128,630
	Total current liabilities	**219,039**	**775,456**
	Total liabilities	**876,763**	**1,281,339**
	Total equity and liabilities	**408,334**	**623,831**

CF

Consolidated cash flow statement

For the years ended December 31

Note	DKK'000	2019	2018
PL	**Net loss for the year**	**(315,121)**	**(447,721)**
3.5	Adjustments for non-cash items	175,314	115,439
3.4	Changes in net working capital	(243,203)	(156,819)
	Changes in non-current receivables	4,206	2,386
	Changes in non-current financial assets – leasehold deposits	49	(55)
	Cash flows from operating activities before financial items and tax	(378,755)	(486,771)
	Interest received	3,767	7,931
	Interest paid	(5,345)	(6,078)
	Income taxes paid/received, net	22,062	93,176
	Cash flows from operating activities	**(358,271)**	**(391,743)**
3.1	Investments in property, plant and equipment	(3,420)	(13,515)
	Proceeds from disposal of property, plant and equipment	183	-
	Purchase of marketable securities	-	(87,958)
	Proceeds from sale of marketable securities	131,858	135,969
	Cash flows from investing activities	**128,621**	**34,496**
	Proceeds from issuance of shares in connection with exercise of warrants	-	1,084
4.2 / 4.3	Proceeds from utilization of L warrants	195,000	-
4.2 / 4.3	Proceeds from issuance of J shares	15,983	-
	Transaction costs related to recapitalization	(1,725)	-
4.3 / 4.8	Proceeds from utilization of convertible debt facility	(11,169)	-
4.8	Repayment of leasing liability	(11,896)	(11,171)
	Cash flows from financing activities	**186,193**	**(10,087)**
BS	**Changes in cash and cash equivalents**	**(43,457)**	**(367,333)**
	Cash and cash equivalents, beginning of year	132,020	496,144
	Exchange rate adjustments on cash and cash equivalents	2,081	3,209
	Cash and cash equivalents, year-end	**90,644**	**132,020**

EQ

Consolidated statement of changes in equity

For the years ended December 31

Note	DKK'000	Share capital	Other reserves: Share premium	Other reserves: Foreign currency translation reserve	Accumulated deficit	Total
	Equity at January 1, 2018	**15,224**	**1,850,143**	**350**	**(2,091,708)**	**(225,991)**
PL	Net loss for the year	-	-	-	(447,721)	(447,721)
OCI	Other comprehensive income	-	-	268	-	268
	Transaction with owners:					
	Exercise of warrants for cash	180	904	-	-	1,084
2.5 / 2.6	Share-based compensation expenses	-	-	-	14,851	14,851
	Equity at December 31, 2018	**15,404**	**1,851,047**	**619**	**(2,524,578)**	**(657,508)**
PL	Net loss for the year				(315,121)	(315,121)
OCI	Other comprehensive income			(619)		(619)
	Transaction with owners:					
4.2	Capital decrease to cover accumulated deficit	(15,404)	(1,851,047)		1,866,451	-
	Capital increase by issuance of J shares for cash	146	15,837			15,983
	Issuance of J shares by conversion of convertible debt facility	1,662	163,518			165,180
	Capital contribution		85,594			85,594
	Capital increase by utilization of L warrants for cash	1,779	193,221			195,000
	Transaction costs reg. restructuring		(1,725)			(1,725)
2.5 / 2.6	Share-based compensation expenses				44,786	44,786
	Equity at December 31, 2019	**3,588**	**456,444**	**0**	**(928,461)**	**(468,430)**

Section 1
Basis of preparation

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

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

Note 1.1 Accounting policies

Symphogen is a privately-owned biotech company focused on oncology and immuno-oncology. Symphogen A/S is a limited liability company incorporated and domiciled in Denmark.

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

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

The consolidated financial statements for the year ended December 31, 2019 were authorized for approval at the annual General Meeting to be held on June 3, 2020, with a resolution of the Board of Directors on May 13, 2020.

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

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

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting standards (IFRS) as 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 can 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, even when Symphogen is no longer a parent at the end of the financial year. The financial statements of subsidiaries are prepared for the same accounting period as Symphogen using consistent accounting policies.

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

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

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

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

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

Note 1.1 Accounting policies (continued)

Group companies
The assets and liabilities of foreign operations are translated into the presentation currency at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the monthly average exchange rates, unless the exchange rates fluctuate significantly in which case the exchange rate at the date of transaction is applied. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that foreign operation is recognized in the statement of profit or loss.

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

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

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

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

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

Notes including item specific accounting policies

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

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

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

Section 6 – Other disclosures
6.1 Taxation

Note 1.2 Key accounting estimates and judgments

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

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

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

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

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

Notes including management's estimates and judgments

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

Note 1.3 Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted in the preparation of the annual consolidated financial statements are consistent with those followed in the preparation of Symphogen's annual consolidated financial statements for the year ended December 31, 2018. Symphogen has not early adopted any standards, interpretations or amendments that have been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of Symphogen.

Adoption of new standards

No new standards were adopted in 2019.

Note 1.4 Going concern assumptions

As at December 31, 2019, Symphogen's current liabilities and current assets amounted to DKK 219 million and DKK 225 million, respectively. Thus, Symphogen's current ratio was approximately 1. After the balance sheet date, the shareholders of Symphogen initiated measures to secure that adequate funding is available for the Group to settle its obligations as they fall due twelve months from the end of the reporting period.

Reference is made to note 1.5 containing disclosures related to subsequent events.

After December 31, 2019, the convertible debt facility discussed in note 4.3 changed to a normal loan without conversion rights.

After the balance sheet date, the investors in the convertible debt facility discussed in note 4.3 have as part of entering into a share purchase agreement with Servier agreed that the entire debt facility, including accrued interests and interest make whole premium, converts into new J shares (preferred shares) in connection with completion of the share purchase.

Furthermore, all outstanding Class D warrants and Class L warrants discussed in note 4.2 will be exercised for shares or lapsed, thereby providing the company with not less than DKK 225 million in gross proceeds from such exercised in connection with the closing of the discussion in note 1.5.

Based on these measures and in due consideration that the company is able to down-scale activities during 2020 if needed, management has concluded that there is no significant risk associated with going concern as of the date of these financial statements and that Symphogen's working capital as at December 31, 2019 in combination with the measures taken after the balance sheet date is sufficient to support the Group's operating cash flow needs for the 12 months following the date of these consolidated financial statements.

On this basis, the Board of Directors and management continues to view the Group as a going concern.

Note 1.5 Subsequent events

On June 3, 2020, shareholders holding more than 90% of the shares in Symphogen A/S (in the following referred to "selling shareholders") entered into a share purchase agreement with Servier whereby Servier, due to certain drag-rights in the terms for the warrants issued by Symphogen A/S, assumes - at the time of the closing of the transaction - the control over more than 99% of the share capital in Symphogen A/S and Symphogen A/S become a subsidiary of Servier.

By entering into the share purchase agreement, a binding obligation of Servier to acquire the shares have been established, subject to certain conditions.

Upon the execution of the share purchase agreement, the selling shareholders and investors in the convertible debt facility discussed in note 4.3 agreed to complete a conversion of the entire debt facility, including accrued interests and interest make whole premium, into new J shares (preferred shares). This conversion will take place at a general meeting to be held at immediately before closing. Furthermore, all outstanding Class D warrants and Class L warrants will prior to closing be exercised for shares or lapse.

While the closing of the transaction is not completed yet, the transaction is not subject to any conditions not in all material aspects within the control of the company and its selling shareholders and bondholders. Closing is scheduled to be completed during April 2020.

§

Accounting policies

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

Symphogen will adjust the amounts recognized in its financial statements to reflect any adjusting events after the balance sheet date and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the balance sheet date, Symphogen will not change the amounts recognized in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Section 2
Revenue and expenses

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

Note 2.1 Revenue

Note	DKK'000	2019	2018
	Revenue by type		
	Recognition of revenue from upfront payment received in prior periods	167,113	170,763
PL	**Total revenue**	**167,113**	**170,763**
	Revenue by collaboration partner		
	Servier	167,113	170,763
PL	**Total revenue**	**167,113**	**170,763**
	Revenue by timing of recognition		
	Research and development services transferred over time	167,113	170,763
BS	**Total revenue**	**167,113**	**170,763**
	Contract liabilities recognized on the balance sheet		
	Contract liabilities by collaboration partner		
	Servier	387,472	554,585
BS	**Total contract liabilities at December 31**	**387,472**	**554,585**
	At January 1	554,585	725,348
	Recognized in the statement of profit and loss	(167,113)	(170,763)
BS	**Total contract liabilities at December 31**	**387,472**	**554,585**
	Current	146,737	167,113
	Non-current	240,735	387,472
BS	**Total contract liabilities at December 31**	**387,472**	**554,585**

Note 2.1 Revenue (continued)

Management's commentary

Revenue consists of revenue from collaboration agreements, comprising recognition of revenue from upfront payments and milestone revenue. Symphogen has entered strategic collaboration agreements under which future revenue may also comprise option fees, licenses, royalty and compensation for research and development services rendered to the collaboration partners. In 2019, revenue consisted only of recognition of upfront payment. Revenue decreased with DKK 3.7 million compared to 2018.

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

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

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

DKK'000	2020	2021-2022	Total
Revenue from the Servier contract is expected to be recognized as follows	146,737	240,735	387,472
Total	**146,737**	**240,735**	**387,472**

DKK'000	2019	2020-2022	Total
Revenue from the Servier contract is expected to be recognized as follows	167,113	387,472	554,585
Total	**167,113**	**387,472**	**554,585**

Accounting policies

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

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

Overall accounting for the Servier collaboration agreement

In December 2015, Symphogen and Baxalta entered a strategic collaboration which was subsequently transferred to Shire in 2016 and then in 2018 to Servier. In January 2016, Symphogen received a DKK 1,198 million (USD 175 million) upfront payment under the research, option and license collaboration agreement and will potentially receive milestone payments, option fees, licenses, royalty and compensation for research and development services rendered to Servier. The collaboration agreement with Servier is considered a contract with a customer as defined in IFRS 15. Thus, Symphogen recognizes as revenue from research and development services under the collaboration agreement the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

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

Note 2.1 Revenue (continued)

Summary of key performance obligations related to Servier collaboration agreement

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

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

Overall accounting for the Genentech collaboration agreement

In June 2008, Symphogen entered a strategic collaboration with Genentech for the development of antibody therapeutics against undisclosed infectious disease targets. Under the terms of the agreement, Genentech made an upfront payment to Symphogen as well as an equity investment in Symphogen. Symphogen is eligible for milestone payments upon successful achievement of certain research and development milestones, as well as royalties on world- wide sales. Milestone payments that are attributable to specific milestone events as a result of previous research and/or development activities, e.g. completion of specific development objectives, are recognized as revenue at a point in time when it is highly probable that the milestone has been met and the receipt of revenue is highly probable.

Summary of key performance obligations related to Genentech collaboration agreement

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

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

Note 2.1 Revenue (continued)

Management's judgments and estimates

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

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

Classification

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

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

Recognition of revenue

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

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

Note 2.1 Revenue (continued)

Significant judgments in determining

Performance obligations	The timing of satisfaction of performance obligations	The allocation of transaction price to performance obligations
Provision of research and development services	Upfront payments that are deemed attributable to subsequent research and development services are initially recognized as contract liabilities and recognized as revenue over the planned research and development period based on output method to measure the Company's progress towards complete satisfaction of performance obligations. Symphogen applies the output based method (time elapsed) when determining the timing of satisfaction of performance obligations as the development services are performed by an indeterminate number of acts over the development timeline and accordingly, time elapsed as an output measure is considered to be the unit which most appropriately depicts the transfer of control of services to Servier. Judgments and estimates in respect of output is made when entering the agreement and is based on research and development budgets and plans. The planned service periods (output) and cost to complete for the respective research and development projects are assessed on an ongoing basis. If the expected service period is changed significantly, this will require a reassessment. All Symphogen's revenue-generating transactions have been subject to such evaluation by management. There have been no changes in the planned research in the development period under Servier in 2019.	The consideration transferred at contract inception is consideration payable to Symphogen for performance of development services until defined development status of certain product candidate is achieved.
Out-licensing of patents to Genentech	Variable considerations related to out-licensing of rights to Genentech, such as milestone payments linked to Genentech reaching a particular stage in their product development and/or commercialization of products based on the out-licensed patents, are recognized immediately if it is highly probable that the performance obligations relative to the variable consideration will be met. The milestone events must have real substance and they must represent achievement of specific defined goals.	In the transaction price, Symphogen only includes variable consideration estimated to be highly probable. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of receipt of each variable consideration under the collaboration agreements. Due to the high inherent risk related to drug development, the variable considerations linked to arrangements involving out-licensing of patents to Genentech will not be met until the underlying development/commercial activities are met.

Note 2.2 Information about geographical areas

Note	DKK'000	2019 Revenue	2019 Non-current assets	2018 Revenue	2018 Non-current assets
	Denmark	-	183,297	-	206,579
	USA	-	-	-	2,644
	France	167,113	-	170,763	-
PL BS	**Total**	**167,113**	**183,297**	**170,763**	**209,223**

Management's commentary

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

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

Non-current assets are all located in Denmark in 2019. In 2018 non-current assets in USA relates to the US subsidiary. The US subsidiary was dissolved in September 2019.

Note 2.3 Research and development expenses

Note	DKK'000	2019	2018
2.5	Employee benefit expenses, excluding share-based compensation	89,016	108,452
2.5 / 2.6	Share-based compensation expenses	12,018	5,655
	External expenses	167,735	325,941
3.1	Depreciation	19,665	20,972
PL	**Total research and development expenses**	**288,434**	**461,020**

Management's commentary

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

Intellectual property

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

Accounting policies

Research and development expenses

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

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

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

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

External expenses

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

Management's judgments and estimates

Clinical trial development expenses

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

Note 2.4 General and administrative expenses

Note	DKK'000	2019	2018
2.5	Employee benefit expenses, excluding share-based compensation	31,954	31,251
2.5 / 2.6	Share-based compensation expenses	32,769	9,196
	External expenses	15,645	42,600
3.1	Depreciation	4,179	4,882
PL	**Total general and administrative expenses**	**84,547**	**87,929**

Management's commentary

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

The decrease in external expenses in 2019 of the DKK 27.0 million compared to 2018 was mainly due to 2018 including cost for the preparation for a potential Initial Public Offering. There was no such cost in 2019. Further the level of activities was lower in 2019. The decrease in external expenses was partly offset by the increase in share-based compensation expenses due to an accelerated vesting caused by cancellation of all warrant programs in connection with the recapitalization of Symphogen in May 2019.

Overall, general and administrative expenses accounted for 22.7% of our total operating expenses in 2019 compared to 16.0% in 2018. Without share-based expenses, general and administrative expenses accounted for 15.8% of our total operating expenses in 2019, compared to 14.7% in 2018.

Accounting policies

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

Note 2.5 Employee benefit expenses

Management's commentary

Employee benefits are primarily made up of salaries, share-based compensations and other social security expenses. The cost of these benefits is recognized as an expense. In 2019 the US subsidiary was dissolved, and all employee contracts were terminated.

Accounting policies

Wages and salaries

Wages and salaries, bonuses, pensions, severance payments, social security expenses and other staff expenses are recognized in the year in which the associated services are rendered by employees of Symphogen- Share-based compensation expenses.

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

Note	DKK'000	2019	2018
	Wages and salaries	112,952	130,003
2.6	Share-based compensation expenses	44,786	14,851
	Defined contribution plans	1,008	1,275
	Other social security expenses	1,725	1,707
	Other staff expenses	4,705	6,718
	Severance payments	579	-
	Total	**165,756**	**154,554**
2.3	Research and development expenses	101,033	114,107
2.4	General and administrative expenses	64,723	40,447
	Total	**165,756**	**154,554**
	Average number of full time employees	108	129
	Number of employees at end of period:		
	Denmark	95	113
	USA	-	12
	Total employees at end of period	**95**	**125**
	Number of employees at end of period split on function:		
	Research and development	76	101
	General and administrative	19	24
	Total employees at end of period	**95**	**125**

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

Note 2.6 Share-based compensation

Management's commentary

Warrant program

As a consequence of the recapitalization of Symphogen in May 2019 as discussed in note 4.2 and 4.3 and the reduction of the share capital to zero to cover losses, all warrants issued by the company lapsed and became void in 2019 without further compensation for the participants in the warrant programs.

Historically, prior to May 2019, Symphogen had established share-based incentive programs for members of the Board of Directors, members of the Executive Management, other executives and employees in the form of warrants.

The most recent warrant program was adopted by an extraordinary general meeting of shareholders held on December 30, 2015. Under this program, vested warrants was exercisable for a period of ten years from the grant date, provided that the exercise was carried out in a period of three weeks following the publication of Symphogen's financial statements in each of the respective years or the last 4 weeks prior to the expiration of the exercise period.

Warrants awarded to the Board of directors, the Executive Management and the employees were subject to various vesting terms and conditions. Certain warrants awarded to the Executive Management team were subject to milestones (performance vesting conditions) in relation to the research and development activities of Symphogen.

Note 2.6 Share-based compensation (continued)

Due to the uncertainty of obtaining milestones in relation to research and development activities, Symphogen considered such warrants, subject to milestones, to be vesting when the milestone was met, and this was approved by the Remuneration committee. Warrants, which were not conditional upon achieving of a milestone were subject to completion of a specified service periods. Such warrants vested based on graded vesting profiles and typically subject to 2- or 4-year service periods.

No warrants were awarded in 2019. The fair value at the grant date for all warrants awarded in 2018 was DKK 23.0 million. The value of warrants granted in 2018 and prior, were significantly impacted by the preference terms of the various underlying share classes (refer to note 4.2).

The total expenses in 2019 was DKK 44.8 million compared to DKK 14.9 million in 2018. The share-based compensation expenses in 2019 at DKK 44.8 million is affected by an accelerated vesting caused by cancellation of all warrant programs in connection with the recapitalization of Symphogen in May 2019.

Symphogen had a nil exercisable warrant outstanding at 31 December 2019. Symphogen had a total of 5,221,168 exercisable warrants outstanding at 31 December 2018 equivalent to 15.0% of the outstanding shares on a calculated fully diluted basis. Of these exercisable warrants 6.8% 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, 2018	**1,766,831**	**1,900,000**	**823,725**	**481,124**	**4,971,680**	**109**
Granted	150,043	150,000	79,500	31,264	410,807	82
Exercised	-	-	(1,300)	(9,619)	(10,919)	30
Transferred between categories*	(1,631,763)	(600,000)	(515,000)	2,746,763	-	109
Cancelled	-	-	-	(16,876)	(16,876)	85
Expired	-	-	(3,375)	(130,149)	(133,524)	19
Outstanding at December 31, 2018	**285,111**	**1,450,000**	**383,550**	**3,102,507**	**5,221,168**	**109**
Transferred between categories*	-	-	(57,925)	57,925	-	109
Cancelled	(285,111)	(1,450,000)	(325,625)	(3,160,432)	(5,221,168)	109
Outstanding at December 31, 2019	**0**	**0**	**0**	**0**	**0**	**0**

* In 2018, Symphogen recorded a transfer of warrants between categories e.g. to reflect the retirement of members of the Board of Directors, Executive Management and employees.

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

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

Note	DKK'000	2019	2018
2.3	Research and development expenses	12,018	5,655
2.4	General and administrative expenses	32,769	9,196
	Total share-based compensation expenses included in the statement of profit or loss	**44,787**	**14,851**

Note 2.6 Share-based compensation (continued)

Symphogen had no outstanding warrants as at December 31, 2019.

The following schedule specifies the outstanding warrants as at December 31, 2018:

Outstanding program	Share class	Number of warrants outstanding	Average exercise price per warrant (DKK)	Remaining term to maturity (years)
2009	D	58,811	30	1
2009	B	176,900	85	1
2010	D	115,960	30	2
2010	B	8,100	120	2
2011	H	372,065	186	3
2012	H	493,700	186	4
2013	H	48,850	186	5
2014	H	6,250	186	4
2014	H	374,200	186	6
2015	K	21,180	82	3
2015	K	23,824	82	4
2015	K	31,443	82	5
2015	H	150,000	186	6
2015	K	39,042	82	6
2015	K	1,058,500	82	7
2016	K	60,000	82	2
2016	K	319,865	82	3
2016	K	450,000	82	4
2016	K	475,000	82	6
2016	K	67,740	82	7
2016	K	29,806	82	8
2017	K	358,397	82	8
2017	K	81,500	82	9
2018	K	2,052	82	8
2018	K	397,983	82	10
Outstanding at December 31, 2018		**5,221,168**	**109**	

Note 2.6 Share-based compensation (continued)

Accounting policies

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

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

When warrants are cancelled, Symphogen accounts for the cancellation as an acceleration of vesting by immediately recognize the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

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 2019 and 2018

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

	2019	2018
Expected future dividend per share	-	-
Volatility	-	62.72%
Annual risk-free interest rate	-	0.52%
Market share-price at grant year	-	DKK 82

Section 3
Operating assets and liabilities

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

Furthermore, the section describes the changes in working capital and provides a specification of the non-cash items in the statement of cash flows.

Note 3.1 Property, plant and equipment

Note	DKK'000	Right-of-use assets	Leasehold improvements	Laboratory equipment	Other equipment	Total
	2019					
	Cost at January 1	140,155	22,988	110,777	21,790	295,711
	Additions during the year	-	77	1.217	2,126	3,420
	Scrap or disposals during the year	(2,567)	-	(8,378)	(4,091)	(15,036)
	Exchange rate adjustment	127	109	-	86	322
	Cost at December 31	**137,714**	**23,174**	**103,616**	**19,911**	**284,416**
	Depreciation at January 1	(10,112)	(10,142)	(85,341)	(16,732)	(122,327)
	Depreciation for the year	(9,821)	(2,848)	(8,512)	(2,663)	(23,844)
	Depreciation reversed on disposals/scrapping during the year	1,971	-	8,378	3,327	13,676
	Exchange rate adjustment	(80)	(109)	82	(102)	(209)
	Depreciation at December 31	**(18,042)**	**(13,100)**	**(85,393)**	**(16,170)**	**(132,705)**
BS	**Carrying amount at December 31**	**119,672**	**10,075**	**18,223**	**3,742**	**151,712**
	2018					
	Cost at January 1	0	22,810	101,119	18,891	142,820
	Adoption of IFRS 16	140,155	-	-	-	140,155
	Additions during the year	-	178	10,248	2,927	13,353
	Scrap or disposals during the year	-	-	(590)	(96)	(686)
	Exchange rate adjustment	-	-	-	68	68
	Cost at December 31	**140,155**	**22,988**	**110,777**	**21,790**	**295,711**
	Depreciation at January 1	-	(7,327)	(76,487)	(13,269)	(97,083)
	Depreciation for the year	(10,079)	(2,815)	(9,363)	(3,596)	(25,854)
	Depreciation reversed on disposals/scrapping during the year	-	-	508	86	595
	Exchange rate adjustment	(32)	-	-	47	15
	Depreciation at December 31	**(10,112)**	**(10,142)**	**(85,341)**	**(16,732)**	**(122,327)**
BS	**Carrying amount at December 31**	**130,043**	**12,846**	**25,436**	**5,058**	**173,383**

Note 3.1 Property, plant and equipment (continued)

Depreciation included in the statement of profit or loss

Note	DKK'000	2019	2018
2.3	Research and development expenses	19,665	20,972
2.4	General and administrative expenses	4,179	4,882
	Total depreciation included in the statement of profit or loss	**23,844**	**25,854**

Management's commentary

At year-end 2019, Symphogen's property, plant and equipment are located in Denmark. All laboratory facilities are located in Denmark together with Symphogen's other scientific and corporate office functions. In 2018, Symphogen also had an office location in New Jersey, USA. In 2018, the total assets located in New Jersey, USA account for 1.3% of Symphogen's total property, plant and equipment. In 2019 the US subsidiary was dissolved, and all property, plant and equipment were sold or scrapped.

Symphogen has entered lease contracts relating to its domicile, facility lease and other equipment. These leases are presented as Right-of-use assets.

Management's review of indicators of impairment did not identify any indicators of impairment at December 31, 2019 and 2018, respectively.

Accounting policies

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

Depreciation

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

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

Impairment

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

Note 3.1 Property, plant and equipment (continued)

Right of use assets

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

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

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

Lease liability

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

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

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

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

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

Short-term leases and leases of low-value assets

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

Note 3.2 Receivables

Note	DKK'000	2019	2018
	Prepayment to manufacturing partner	9,247	6,404
	Prepayment to clinical research organizations	608	-
6.1	Tax receivables	6,013	22,895
	VAT receivables	1,225	6,136
	Other receivables	5,816	2,514
	Prepayments	2,286	3,071
BS	**Total current receivables at December 31**	**25,195**	**41,020**
	Prepayment to manufacturing partner	23,265	26,987
	Prepayment to Clinical Research Organisations	1,545	2,028
BS	**Total non-current receivables at December 31**	**24,810**	**29,016**

Management's commentary

Tax credits for research and development cost for 2015-2018 has been received in 2019, which course the decrease in the tax receivable.

Accounting policies

Receivables and prepayments

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

Prepayments include expenditures related to future financial periods and are measured at nominal value.

Impairment

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

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

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

Note 3.3 Other payables

Note	DKK'000	2019	2018
	Clinical trial payables	8,637	64,147
	Employee cost liabilities	30,644	30,583
4.5	Derivative financial instruments	-	33,309
	Other liabilities	580	591
BS	**Total other payables and liabilities at December 31**	**39,860**	**128,630**

Development in clinical trial payables

DKK'000	Continued trials	Discontinued trials	Total
Carrying amount as at December 31, 2017	**18,188**	**37,430**	**55,617**
Additional accruals	22,024	29,162	51,186
Amounts used during the period	(17,719)	(10,607)	(28,326)
Adjustments, including unused amounts reversed during the year	-	(14,330)	(14,330)
Transfer due to discontinued trials	(17,339)	17,339	-
Carrying amount as at December 31, 2018	**5,154**	**58,993**	**64,147**
Additional accruals	7,049	362	7,411
Amounts used during the period	(5,153)	(42,287)	(47,441)
Adjustments, including unused amounts reversed during the year		(15,481)	(15,481)
Carrying amount as at December 31, 2019	**7,050**	**1,587**	**8,637**

Management's commentary

Discontinued trials

In December 2016, Symphogen decided to discontinue two Sym004 related trials following the results of the Sym004 Phase 2b trial. The final work and invoicing for these has been completed in 2019. In January 2017, Symphogen further decided to discontinue the Sym004 trial in Lung cancer. In 2018 it was decided not to advance Sym004 without a partner. Cost to close ongoing CRO activities have been accrued end December 2018 and has been completed in 2019, except for one trial where the last patient terminated treatment in December 2019. Further, Symphogen has decided to close Sym013 in 2018.

Accruals for discontinuing trials relates to close of Sym013 and closing of ongoing activities on Sym004. The reversal of accruals recognizing in 2018 and 2019 relating to discontinued trials under the Sym004 program and Sym013, DKK 14.3 million and DKK 1.2 million respectively, is a result of renegotiated termination terms and conditions with CROs and a result of updated insight into extend of termination activities.

As at December 31, 2019, the accruals related to discontinued trials, includes pending invoices for finalization of the Sym004 trials amounted DKK 0.4 million and DKK 1.2 million related to Sym013.

Continued trials

As at December 31, 2019, the accruals for continuing trials mainly relates to the projects under the Servier collaboration agreement and Sym015. Accruals primarily relates to CRO cost, manufacturing and consultancy cost for the studies.

Derivative financial instrument

Reference is made to note 4.3. As part of the recapitalization in May 2019 a total gain on the remeasurement of the conversion option of DKK 14.6 million was recognized in the statement of profit and loss.

Note 3.3 Other payables (continued)

Accounting policies

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

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

Management's judgments and estimates

Research and development clinical trial expenses and payables

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

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

Note 3.4 Changes in net working capital

Note	DKK'000	2019	2018
3.2	Change in prepayment to manufacturing partner (current)	(2,844)	2,671
3.2	Change in prepayment to CROs	(608)	-
3.2	Change in other receivables	(3,302)	(103)
3.2	Change in VAT receivables	4,910	(2,580)
3.2	Change in prepayments	785	268
BS	Change in trade payables	(19,572)	11,153
2.1	Change in contract liabilities	(167,113)	(170,763)
3.3	Change in clinical trials payables	(55,510)	8,530
3.3	Change in employee cost liabilities	61	491
3.3	Change in other liabilities	(11)	(6,486)
CF	**Change in net working capital**	**(243,203)**	**(156,819)**

Management's commentary

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

Note 3.5 Adjustments for non-cash items

Note	DKK'000	2019	2018
	Reversals of non-cash items in the statement of profit or loss		
6.1	Income tax benefit	(5,188)	(5,446)
3.1	Depreciation	23,844	25,854
3.1	Net write-down of disposed/sold equipment	542	-
4.7	Interest income	(3,346)	(13,403)
4.7	Interest expenses	143,140	111,368
4.5	Change in fair value of conversion option	(26,385)	(18,722)
2.5	Share-based compensation expenses	44,786	14,851
	Unrealized capital gains/losses, marketable securities	599	1,275
	Unrealized exchange rate gains/losses, marketable securities	(87)	(215)
	Changes in non-cash balance sheet items		
	Non-cash accrued interest, net	(421)	1,834
	Other adjustments		
	Other adjustments, primarily exchange rate adjustments on cash and cash equivalents	(2,170)	(1,959)
CF	**Total adjustments for non-cash items**	**175,314**	**115,439**

Management's commentary

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

Section 4
Capital structure and financial matters

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

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

Note 4.1 Capital management

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

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

Reference is made to note 1.4. Furthermore, reference is also made to note 1.5 in respect of changes to shareholders subsequent to the balance sheet date as a result of shareholders holding more than 90% of the shares in Symphogen A/S entered into a share purchase agreement with Servier whereby Servier, due to certain drag-rights in the terms for the warrants issued by Symphogen A/S, assumes - at the time of the closing of the transaction - the control over more than 99% of the share capital in Symphogen A/S and Symphogen A/S become a subsidiary of Servier.

Loss of subscribed share capital
Symphogen has lost more than 50% of its subscribed share capital. On the ordinary general meeting of shareholders on June 3, 2020, the Board of Directors will give an account of the company's financial position and propose appropriate measures to re-establish the share capital. Reference is also made to note 1.5 in respect of conversion of the debt facility, including accrued interests and interest make whole premium, into new J shares (preferred shares) as well as exercise or lapse of Class D warrants and Class L warrants after the balance sheet date.

Note 4.2 Share capital

On December 31, 2019, the share capital of Symphogen comprised 3,587,521 shares (DKK 15,403,759 in 2018) with a nominal value of DKK 1 each. Each share entitles the holder to cast one vote at general meetings in Symphogen.

At December 31, 2019, Symphogen's share capital amounts to DKK 3,587,521, nominal value, divided into shares of DKK 1, nominal value. The share capital consists of three share classes; DKK 0 class D shares (common shares), DKK 1,808,324 class J shares (preferred shares) and DKK 1,779,197 class L shares (preferred shares). Class J shares and class L shares are convertible into common shares in certain situations and subject to certain conditions and at various terms and conditions.

At December 31, 2018, Symphogen' s share capital amounted to DKK 15,403,759, nominal value, divided into shares of DKK 1, nominal value. The share capital consisted of eleven share classes entitled to liquidation preferences in the following order: Class I: 1st, class G: 2nd, class F: 3rd, class E: 4th, class C: 5th, class A: 6th, class B: 7th, class H; 8th, class D: 9th. The preferred class K were allocated to the subscription to class K shares under an incentive plan. The class K shareholders would 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 had no other preferred rights. Class D shares were common shares. All other share classes were convertible into common shares subject to certain conditions and at various terms and conditions.

Reference is made to note 1.5 in regards to changes to the company's share capital after the balance sheet date as a result of conversion of debt.

Note 4.2 Share capital (continued)

Specification of share classes

The following summarizes the company's share capital activities:

	2018			2019				
Share class	January 1, 2018	Exercise of warrants for cash (a)	December 31, 2018	Cancellation of shares (b)	Shares issued for cash (c)	Shares issued for convertible debt facility (c)	Shares issued for cash (d)	December 31, 2019
A Preferred shares (cancelled)	1,559,382	-	1,559,382	(1,559,382)	-	-	-	-
B Preferred shares (cancelled)	797,049	-	797,049	(797,049)	-	-	-	-
C Preferred shares (cancelled)	2,500,000	-	2,500,000	(2,500,000)	-	-	-	-
D Ordinary shares	974,656	180,000	1,154,656	(1,154,656)	-	-	-	-
E Preferred shares (cancelled)	2,431,639	-	2,431,639	(2,431,639)	-	-	-	-
F Preferred shares (cancelled)	1,313,675	-	1,313,675	(1,313,675)	-	-	-	-
G Preferred shares (cancelled)	2,680,523	-	2,680,523	(2,680,523)	-	-	-	-
H Preferred shares (cancelled)	550	-	550	(550)	-	-	-	-
I Preferred shares (cancelled)	2,966,285	-	2,966,285	(2,966,285)	-	-	-	-
J Preferred shares	-	-	-	-	145,831	1,662,493	-	1,808,324
K Preferred shares (cancelled)	-	-	-	-	-	-	-	-
L Preferred shares	-	-	-	-	-	-	1,779,197	1,779,197
	15,223,759	**180,000**	**15,403,759**	**(15,403,759)**	**145,831**	**1,662,493**	**1,779,197**	**3,587,521**

(a) Exercise of warrants in 2018.

(b) In May 2019, Symphogen was recapitalized and the share capital of DKK 15.4 million was reduced to zero to cover losses. As a consequence of this reduction, all shares issued by the Company as of 29 May 2019 were cancelled.

(c) As part of the recapitalization in May 2019, the Company launched a pre-emptive issue of new class J shares by way of cash contribution and conversion of convertible debt. A total of 1,808,324 new class J shares were subscribed for and issued as part of the pre-emptive issue. 145,831 of these new class J shares were subscribed for by way of cash contribution, and 1,662,493 new class J shares by way of debt conversion.

(d) In June 2019, the Company's increased its share capital by nominally DKK 1,779,197 by way of subscription for 1,779,197 new class L shares (by way of exercise of L warrants for cash) of nominally DKK 1 each.

Note 4.2 Share capital (continued)

Class D Warrants (Exit warrants)
As part of the recapitalization in 2019, Symphogen issued, free of charge, 1,376,241 new class D warrants to all shareholders who were shareholders prior to the annual general meeting of shareholders on May 29, 2019, where the equity was reduced to zero. Further, in November 2019, and additional 145,663 new class D warrants were issued. Reference is made to note 1.5 in regard to exercise of exit warrants after the balance sheet date.

The class D warrants are solely exercisable in the event of an 'exit event' and allow the holder to subscribe new D shares. At December 31, 2019, 1,521,904 D warrants were outstanding. Reference is made to note 1.5 in regard to exercise of staple warrants after the balance sheet date.

Class L Warrants (Staple warrants)
As part of the recapitalization in 2019, Symphogen, free of charge, issued 3,887,886 new L warrants to all shareholders who subscribed for new class J shares in the pre-emptive issue. The class L warrants allow the holder to subscribe for new class L shares. In 2019, 1,779,197 warrants were exercised, and 1,779,197 new class L were subscribed for. At December 31, 2019, 2,108,689 L warrants were outstanding.

Accounting policies

Convertible preference shares

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

Equity warrants

Symphogen consider equity warrants, for which the fix-to-fix criteria is met, as equity instruments that do not merit separate recognition in the financial statements.

Share premium

The share premium reserve is comprised of the amount received, attributable to shareholders' equity, in excess of the nominal amount of the shares issued by the parent company, reduced by any external expenses directly attributable to the issuance of share. The share premium reserve can be distributed.

Note 4.3 Convertible debt facility

Management's commentary

As part of the recapitalization of Symphogen in May 2019, certain of the bondholders of the convertible debt facility accepted to convert DKK 182.2 million of the convertible debt facility (including accrued interest and interest make whole premium) into new class J shares in this pre-emptive issuance. As a consequence, the notional amount of the convertible debt facility (including accrued interest and interest make whole premium) was reduced by DKK 182.2 million and converted to equity. A total of 1,808,324 new class J shares were subscribed for and issued as part of the pre-emptive issue. 1,662,493 new class J shares were subscribed for by way of debt conversion and 145,831 new J shares were subscribed for cash. In addition, the repayment of the remainder for the loan was extended from December 31, 2019 to December 31, 2023.

The accounting impact of the 'modification to the convertible loan arrangement' resulted in a total gain on the re-measurement of conversion options of DKK 14.1 million, a total loss on the re-measurement of debt of DKK 48.8 million, a capital contribution recognized directly in equity of DKK 85.6 million, and conversion of the carrying amount of the loan (including accrued interest) to equity of DKK 165.2 million. The total accounting increase in equity as result of the modification of the convertible loan arrangement amounted to DKK 216.6 million.

In December 2017, Symphogen utilized the first two (of three) tranches amounting to DKK 372 million (EUR 50 million) of the convertible debt facility which was secured in October 21, 2015. Under the terms of the agreement, the bond holders have an unconditional right to convert the outstanding loan, including accumulated interests, into preferred class J shares at DKK 82 per share (of nominal DKK 1) as of October 2015 or the market price per share, if lower than the strike price. The conversion price increases by 8% per annum as of the issuance data of the instrument at October 31, 2015. The conversion price as at December 31, 2018 is DKK 103.0. The bondholders decided in December 31, 2019 not to use their unconditional right to convert at conversion price DKK 115.04. The unconditional right to convert lapsed December 31, 2019. From January 1, 2020 a debt conversion will happen according to general rules in the Danish Companies Act.

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

Reference is made to note 4.8 and to note 1.5 in regard to conversion of debt after the balance sheet date.

Note 4.3 Convertible debt facility (continued)

Accounting policies

Convertible debt facility

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

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

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

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

Accounting for modification of convertible debt facility

When changes to convertible debt facilities are modified exists, Symphogen assess whether such changes should be accounted for as a 'debt modification' or 'a new debt arrangement'. Symphogen applied the guidance 'a new debt arrangement', if the terms of the exchanged or modified debt is substantially different than the original terms. Symphogen considers the terms of exchanged or modified as 'substantially different' if:

- the net present value of the cash flows under the new terms (including any fees paid net of any fees received) discounted at the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original debt instrument; or
- the terms of the exchanged or modified debt are changed so that the future economic risk exposure of the arrangement has been significantly altered.

When Symphogen assesses that the terms are not substantially different, the changes are accounted for as a 'debt modification'. The accounting consequence 'debt modification' is that the new liability component is calculated by discounting the new cash flows with the original effective interest rate. When the transaction does not include a shareholder contribution, the difference between the current book value of the liability and the new present value of the liability (including allocated transaction costs) is recognized in profit or loss. Conversely, if the terms are substantially different, the accounting treatment is similar to that of the issuance of loans to new investors, except that all costs and fees on the liability component are recognized in profit or loss.

Note 4.4 Financial risks

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

Note 4.4 Financial risks (continued)

The financial risk exposures are described in further detail below:

Risk exposure	Impact	Comments	Risk Management
Funding risk	Low	The exposure to funding risk relates to the risk of failure to obtain necessary capital when needed on acceptable terms, or at all, which could force Symphogen to delay, limit, scale back or cease its product development or any other or all operations. Based on measures discussed in note 1.4 and 1.5, management has concluded that Symphogen's working capital as at December 31, 2019 in combination with the measured taken after the balance sheet date and the company's ability to reduce activities in 2020 are sufficient to support the Group's operating cash flow needs for the 12 months following the date of these consolidated financial statements. On this basis, the Board of Directors and management continues to view the Group as a going concern.	The policy in Symphogen for managing funding risk is to monitor the future capital needs and requirements and to ensure new phase commitments are initiated with adequate funding commitments and liquidity.
Credit risk	Low	The exposure to credit risk arises from investments in marketable securities and cash placements with financial institutions.	Cash and cash equivalents should under Symphogen's Treasury policy be placed with financial institutions with a long-term credit rating of minimum Baa1 (Moody's). Marketable securities should be investment grade papers with a minimum investment grade of A.
Foreign currency risk	Low	The exposure to foreign currency changes is considered minor, as the majority of Symphogen's expenses are incurred in DKK. The most significant cash flows for Symphogen on a quantitative basis are, in descending order, DKK, EUR and USD. The group's currency exposure arises from revenue transactions, convertible debt facilities, collaboration agreements and supplier expenses denominated in USD, EUR and GBP. As of December 31, 2019, and 2018, the group had no hedging activities.	The policy in Symphogen for managing foreign currency risks is to analyze the exposure on an ongoing basis and enter currency options to hedge risk of losses in case of significant exposure. Liquidity is invested in currencies allocated to match the distribution of currencies of forecasted costs.
Interest rate risk	Low	The exposure to interest rate risk concern the interest-bearing assets of the group and primarily relates to investments in marketable securities. The interest-bearing financial assets consist primarily of cash in financial institutions and marketable securities. Note 4.5 provide further details on the marketable securities of the group.	Symphogen only allows investments in marketable securities with an average duration of less than three years.

Table continues at next page

Note 4.4 Financial risks (continued)

Risk exposure	Impact	Comments	Risk Management
Liquidity risk	Low	The exposure to liquidity risk primarily relates to the risk of failure to meet short-term debt obligations when needed, which could happen if liquid assets listed on Symphogen's financial statements are not enough to cover the amount of short-term liabilities. Based on measures discussed in note 1.4 and 1.5, management has concluded that Symphogen's working capital as at December 31, 2019 in combination with the measured taken after the balance sheet date and the company's ability to reduce activities in 2020 are sufficient to support the Group's operating cash flow needs for the 12 months following the date of these consolidated financial statements. On this basis, the Board of Directors and management continues to view the Group as a going concern.	The policy in Symphogen for managing liquidity risks is to have cash enough to act appropriately in case of unforeseen fluctuations in liquidity. Symphogen's cash requirements for the coming period are estimated monthly, and Symphogen's positions in cash and marketable securities are adjusted accordingly.

The maturity analysis of financial liabilities as at December 31

DKK'000	Less than 1 year	1-5 years	>5 years	Total
Financial liabilities:				
Convertible debt facility	-	309,754	-	309,754
Leasing liabilities	10,878	38,070	69,166	118,114
Trade payables	21,563	-	-	21,563
Other payables	39,860	-	-	39,860
Total financial liabilities at December 31, 2019	**72,301**	**347,824**	**69,166**	**489,291**
Financial liabilities:				
Convertible debt facility	426,978	-	-	426,978
Leasing liabilities	11,599	42,843	75,569	130,010
Trade payables	41,135	-	-	41,135
Other payables	128,630	-	-	128,630
Total financial liabilities at December 31, 2018	**608,343**	**42,843**	**75,569**	**726,754**

The financial liabilities include estimated or contractual interest rate payments.

Reference is made to 1.5 in regard to conversion of debt after the balance sheet date (non-adjusting event).

Note 4.5 Financial assets and liabilities

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

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

Financial instruments measured on level 1
The fair value of market securities amounts to DKK 109.2 million as at December 31, 2019 (DKK 241.6 million at December 31, 2018). The fair value has been determined using quoted market data.

Financial instruments measured on level 2
Symphogen had no derivatives at December 31, 2019 and 2018 measured on level 2.

The fair value of financial instruments measured on level 3
Symphogen has issued a convertible debt facility with embedded conversion options and prepayment options. The unconditional right to convert lapsed December 31, 2019. From January 1, 2020 a debt conversion will happen according to general rules in the Danish Companies Act.

Management has estimated the fair value using valuation techniques in the form of valuation models. Prepayment option had a value of nil at December 31, 2019 and 2018, respectively. The conversion option had a fair value of nil and DKK 33.3 million at December 31, 2019 and 2018, respectively.

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

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

There was no conversion option as at December 31, 2019. As at December 31, 2018, other things being equal, a 1% increase in the market interest rate will increase the fair value of the conversion option by DKK 4.2 million. Similarly, a 1% decrease in the interest rate will reduce the fair value of the conversion option by DKK 4.3 million.

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

Fair value of financial assets and liabilities at December 31, 2019

	Level 1	Level 2	Level 3	Total
Marketable securities	109,197	-	-	109,197
Financial assets	**109,197**	**-**	**-**	**109,197**
Derivative financial instruments	-	-	-	-
Financial liabilities	**0**	**0**	**0**	**0**

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

	Level 1	Level 2	Level 3	Total
Marketable securities	241,567	-	-	241,567
Financial assets	**241,567**	**-**	**-**	**241,567**
Derivative financial instruments	-	-	33,309	33,309
Financial liabilities	**0**	**0**	**33,309**	**33,309**

Embedded conversion options movement table

	2019	2018
As at January 1	33,309	52,031
Fair value adjustments through profit or loss until modification	(11,800)	(18,722)
Conversion to equity	(6,924)	-
Remeasurement of conversion option upon modification to convertible loan through profit or loss	(14,585)	-
As at December 31	**0**	**33,309**

Note 4.5 Financial assets and liabilities (continued)

Categories of financial assets and liabilities

Note	DKK'000	2019	2018
	Financial assets by category		
	Financial assets measured at fair value		
4.6	Marketable securities	109,197	241,567
	Total financial assets measured at fair value	**109,197**	**241,567**
	Loans and receivables measured at amortized cost		
3.2	Current receivables, excluding prepayments	13,054	31,545
	Leasehold deposits	6,775	6,824
	Total loans and receivables	**19,830**	**38,369**
	Financial liabilities by category		
	Financial liabilities measured at fair value		
	Derivative financial instruments	-	33,309
	Total financial liabilities measured at fair value	**0**	**33,309**
	Financial liabilities measured at amortized cost		
4.8	Convertible debt facility	309,754	426,978
4.8	Leasing liabilities	118,114	130,010
BS	Trade payables	21,563	41,135
3.3	Other payables, excluding derivative financial instruments	9,217	64,738
	Total financial liabilities measured at amortized cost	**458,648**	**662,862**

Note 4.6 Marketable securities

DKK'000	Market value 2019	Share %	Market value 2018	Share %
DKK denominated instruments				
Fixed-rate marketable securities	56,464	52	91,854	38
Floating-rate marketable securities	39,305	36	124,632	52
DKK portfolio	95,769	88	216,486	90
USD denominated instruments				
Fixed-rate marketable securities	3,454	3	3,320	1
USD portfolio	3,454	3	3,320	1
EUR denominated instruments				
Fixed-rate marketable securities	4,322	4	12,302	5
Floating-rate marketable securities	5,652	5	9,459	4
EUR portfolio	9,974	9	21,761	9
Total marketable securities	**109,197**	**100**	**241,567**	**100**
Adjusted portfolio duration (years)	1.30		1.16	

Management's commentary

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

Accounting policies

Symphogen's portfolio of marketable securities is managed and evaluated on a fair value basis in accordance with its treasury policy, investment policies and the information provided internally to management. This business model does not meet the criteria for amortized cost or fair value through other comprehensive income and as a result, marketable securities are measured at fair value through profit and loss. Interest income realized and unrealized gains and losses are recognized in the statement of profit or loss under financial items.

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

Note 4.7 Financial income and expenses

Note	DKK'000	2019	2018
	Financial income		
	Interest income, bank	310	1,883
	Interest income, other	-	6,469
	Interest income, marketable securities	3,036	5,051
	Foreign exchange gains	3,376	17,839
4.3 / 4.5	Change in fair value of conversion option	26,385	18,722
	Gains on marketable securities at fair value	685	462
PL	**Total financial income**	**33,792**	**50,426**
	Financial expenses		
	Interest expenses	(470)	(755)
4.3	Interest expenses, convertible debt facility	(137,795)	(105,291)
	Interest expenses, lease liability	(4,876)	(5,322)
	Foreign exchange losses	(2,090)	(9,644)
	Losses on marketable securities at fair value	(3,001)	(4,395)
PL	**Total financial expenses**	**(148,232)**	**(125,408)**
	Net financial items	**(114,440)**	**(74,981)**

Management's commentary

The decrease in net financial items was caused by an increase in expenses on the convertible debt instrument of net DKK 32.5 million and lower interest and fair value adjustment on marketable securities in 2019 DKK 7.8 million due to a general lower cash position. This was partly offset by an increase in the effect from change in fair value of conversion option of DKK 7.7 million. Furthermore, net financial items in 2019 included a net income from changes in foreign exchange rates of DKK 1.2 million, compared with a net income of DKK 8.0 million in 2018 primarily on Symphogen's USD cash position.

Accounting policies

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

Note 4.8 Changes in liabilities arising from financing activities

			Non-cash changes				
	December 31, 2018	Cash flows	Remeasurement of debt	Capital contribution	Conversion of convertible debt facility	Accumulated interest	December 31, 2019
Leasing liabilities	130,010	(16,772)	-	-	-	4,876	118,114
Convertible debt facility	426,978	(11,169)	48,781	(85,594)	(158,256)	89,014	309,754
Total liabilities from financing activities	**556,988**	**(27,941)**	**48,781**	**(85,594)**	**(158,256)**	**93,890**	**427,868**

			Non-cash changes				
	December 31, 2017	Cash flows	Adoption of IFRS 16	Conversion of convertible debt facility	Reclassification of conversion option to other payables	Accumulated interest	December 31, 2018
Leasing liabilities	-	(16,493)	141,181	-	-	5,322	130,010
Non-current convertible debt facility	321,688	-	-	-	-	105,291	426,978
Total liabilities from financing activities	**321,688**	**(16,493)**	**141,181**	**0**	**0**	**110,613**	**556,988**

Section 5 Corporate governance

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

Note 5.1 Remuneration to the Board of Directors and Executive Management

DKK'000	2019	2018
Remuneration to the Executive Management		
Wages and salaries	14,693	21,427
Share-based compensation expenses	19,203	6,509
Defined contribution plans	308	525
Other social security expenses	-	170
Severance payments	579	-
Total remuneration to the Executive Management	**34,783**	**28,632**
Remuneration to the Board of Directors		
Wages and salaries	1,434	3,619
Share-based compensation expenses	6,768	1,835
Total remuneration to the Board of Directors	**8,202**	**5,454**

Management's commentary

Throughout 2018 the Executive Management comprised four members. At 31 December 2018, the Executive Management comprised three members. At 31 December 2019, the Management comprised five members.

Share-based compensation

In 2019, the total net share-based compensation expenses regarding remuneration to the Executive Management amounted to DKK 19.2 million compared with DKK 6.5 million in 2018. For further comments on the development in share-based compensation expense, refer to note 2.6 Share-based compensation.

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

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

Number of warrants held	January 1, 2018	Granted	Expired	Transferred	December 31, 2018	Transferred	Cancelled	December 31, 2019
Bernhard Ehmer	-	81,073	-	-	81,073	-	(81,073)	-
Mads Krogsgaard Thomsen	-	40,500	-	-	40,500	-	(40,500)	-
Former board members								
Göran Ando	353,555	2,440	-	(355,995)	-	-	-	-
Anthony Tolcher	4,104	-	(2,052)	(2,052)	-	-	-	-
Jeffrey H. Buchalter	4,104	4,110	(6,162)	(2,052)	-	-	-	-
Kirsten Drejer	1,270,000	8,214	(6,162)	(1,272,052)	-	-	-	-
Jeppe Christiansen	67,534	24,360	-	-	91,894	-	(91,894)	-
John B. Landis	67,534	4,110	-	-	71,644	-	(71,644)	-
Board of Directors in total	**1,766,831**	**164,807**	**(14,376)**	**(1,632,151)**	**285,111**	**0**	**(285,111)**	**0**
Martin Olin	875,000	100,000	-	-	975,000	-	(975,000)	-
Mikkel W. Pedersen	-	-	-	-	-	18,325	(18,325)	-
Karin Garre	-	-	-	-	-	5,000	(5,000)	-
Rikke Bolding Jensen	-	-	-	-	-	9,000	(9,000)	-
Lisbet Løschenkohl	-	-	-	-	-	16,625	(16,625)	-
Former executive management								
Jesper Bramming	100,000	50,000	-	-	150,000	-	(150,000)	-
Ivan D. Horak	600,000	-	-	(600,000)	-	-	-	-
Mads Laustsen	325,000	-	-	-	325,000	-	(325,000)	-
Executive Management in total	**1,900,000**	**150,000**	**0**	**(600,000)**	**1,450,000**	**48,950**	**(1,498,950)**	**0**

Note 5.3 Related party transactions

The group's transactions with other related parties

DKK'000	2019	2018
Transactions with related parties (expenses)		
Payments related to right-of-use assets - lease of domicile building from DEAS A/S, owned by the shareholder PKA	15,254	15,078
Cooperation with START where Dr. Anthony Tolcher is the President and co-founder of Clinical Research at START, Texas, USA (Anthony Tolcher was board member until March 1, 2018)	-	443
Balances with related parties at year-end (asset)		
None	-	-
Balances with related parties at year-end (liabilities)		
Convertible debt facility	309,754	426,978
Conversion option	-	33,309
Leasing liability	118,114	130,010

Management's commentary

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

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

The group's transactions with the Board of Directors and Executive Management Symphogen has not granted any loans, guarantees, or other commitments to or on behalf of any of the members in the Board of Directors or Executive Management. Other than the remuneration and other transactions relating to the Board of Directors and Executive Management described in note 5.1 and 5.2, no other significant transactions have taken place with the Board of Directors or the Executive Management during 2019 and 2018.

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

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

Note 5.4 Fees to auditors appointed at the annual general meeting

DKK'000	2019	2018
Ernst & Young		
Audit services	390	800
Other assurance engagements	-	634
Tax and VAT services	350	215
Other non-audit services	430	4,079
Total	**1,170**	**5,728**

Management's commentary

In 2018, expenses related to audit services and other non-audit services were significantly affected by Symphogen's preparations for a potential initial public offering, such costs have not occurred in 2019.

Section 6 Other disclosures

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

Note 6.1 Taxation

Note	DKK'000	2019	2018
	Current tax benefit on net loss	70,454	99,680
	Adjustment to prior years	(300)	(5)
	Tax credit research and development expenses	5,500	5,500
	Changes in deferred tax	(46,647)	(95,168)
	Other non-deductible expenses, incl. share-based compensation	(23,820)	(4,561)
PL	**Total income tax benefit for the period**	**5,187**	**5,446**
	Reconciliation of effective tax rate to Danish statutory tax rate		
PL	Net loss before tax	(320,308)	(453,167)
	Corporate income tax rate in Denmark	22%	22%
	Computed income tax benefit	**70,468**	**99,697**
	Tax effect of:		
	Effect of (higher)/lower tax rates in foreign subsidiaries	(14)	(17)
	Adjustment to prior years	(300)	(5)
	Other non-deductible expenses, incl. share-based compensation	(23,820)	(4,561)
	Deferred tax asset not recognized	(41,147)	(89,668)
PL	**Total income tax benefit for the period**	**5,187**	**5,446**
	Deferred tax in the balance sheet		
	Tax deductible losses	508,933	519,502
	Other temporary differences	6,585	10,326
	Deferred tax asset not recognized	(515,518)	(529,828)
	Carrying amount included on balance sheet	**0**	**0**

Note 6.1 Taxation (continued)

Management's commentary

On December 31, 2019, Symphogen had net tax loss carryforwards in Denmark of DKK 2,313 million (2018: DKK 2,361 million) for income tax purposes, all of which can be carried forward infinitely according to Danish Corporate Income Tax Act.

Income tax benefit totaled DKK 5.2 million in 2019 compared to DKK 5.4 million in 2018. The Income tax benefit for the two years comprise tax credit for research and development expenses at the applicable tax rate under the Danish Corporate Income Tax Act, net of foreign income tax expenses.

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 alter-native tax rules, deferred tax is measured based on the planned use of the asset or the settlement of the obligation.

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

Tax receivables

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

Management's judgments

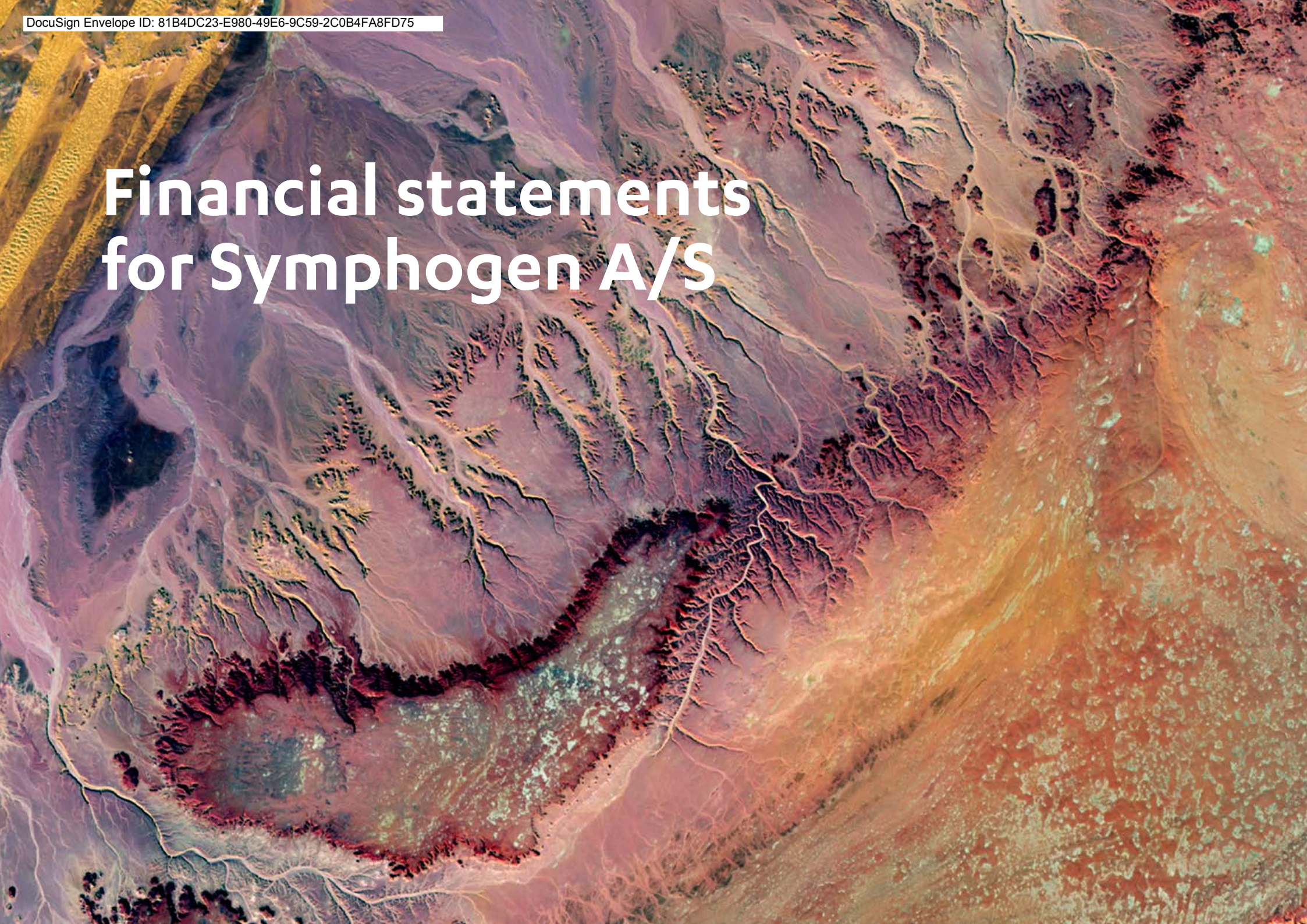
Symphogen has during 2019 and 2018 been subject to income taxes in Denmark and the USA. Significant judgment is required in determining the accrual for income taxes, deferred income tax assets and liabilities, and provisions for uncertain tax positions.

As at December 31, 2019 and 2018, Symphogen has not recognized any provisions for uncertain tax positions. Symphogen recognizes deferred income tax assets if it is probable that enough taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. Management has considered future taxable income in assessing whether deferred income tax assets should be recognized and has concluded that the deferred income tax assets do not meet the criteria for being recognized as assets in the balance sheet.

Note 6.2 Contingent liabilities and contractual obligations

License and Collaboration Agreements

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



Financial statements for Symphogen A/S

Contents

Primary statements

Sections in the financial statements

PL

Statement of profit or loss

For the years ended December 31

Note	DKK'000	2019	2018
2.1 / 2.2	**Revenue from contracts with customers**	**168,282**	**173,176**
2.3 / 2.5	Research and development expenses	(289,579)	(463,277)
2.4 / 2.5	General and administrative expenses	(85,318)	(86,371)
	Operating expenses	(374,897)	(549,647)
	Operating loss	**(206,615)**	**(376,471)**
4.2	Financial income	35,783	50,425
4.2	Financial expenses	(148,071)	(125,421)
	Net loss before tax	**(318,904)**	**(451,467)**
6.1	Income tax benefit	5,199	5,495
	Net loss	**(313,704)**	**(445,972)**
	Attributable to:		
	Shareholders of Symphogen A/S	(313,704)	(445,972)

OCI

Statement of other comprehensive income

For the years ended December 31

Note	DKK'000	2019	2018
PL	**Net loss**	**(313,704)**	**(445,972)**
	Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
	Exchange differences on translation of foreign operations	(164)	-
	Total comprehensive income	**(313,868)**	**(445,972)**
	Attributable to:		
	Shareholders of Symphogen A/S	(313,868)	(445,972)

BS

Balance sheet

As at December 31

Note	DKK'000	2019	2018
	Assets		
3.1	Property, plant and equipment	151,712	171,069
3.4	Investments in group companies	0	1,981
	Leasehold deposits	6,775	6,704
3.2	Receivables	24,810	29,016
2.2	**Total non-current assets**	**183,297**	**208,769**
3.2	Receivables	25,195	40,602
	Marketable securities	109,197	241,567
	Cash and cash equivalents	90,644	125,089
	Total current assets	**225,036**	**407,258**
	Total assets	**408,333**	**616,028**
	Equity and liabilities		
	Share capital	3,588	15,404
	Other reserves	456,444	1,851,048
	Accumulated deficit	(928,461)	(2,525,831)
EQ	**Total equity**	**(468,430)**	**(659,380)**
	Non-current liabilities		
4.3	Convertible debt facility	309,754	-
2.1	Contract liabilities	240,735	391,776
4.3	Lease liabilities	107,236	118,114
	Total non-current liabilities	**657,724**	**509,890**
4.3	Convertible debt facility	-	426,978
2.1	Contract liabilities	146,737	162,808
4.3	Lease liabilities	10,878	10,456
4.1	Trade payables	21,563	40,468
3.3	Other payables	39,860	124,806
	Total current liabilities	**219,039**	**765,517**
	Total liabilities	**876,763**	**1,275,407**
	Total equity and liabilities	**408,333**	**616,028**

CF

Cash flow statement

For the years ended December 31

Note	DKK'000	2019	2018
PL	**Net loss for the year**	**(313,704)**	**(445,972)**
3.6	Adjustments for non-cash items	174,926	114,057
3.5	Changes in net working capital	(238,609)	(157,313)
	Changes in non-current receivables	4,206	2,386
	Changes in non-current financial assets – leasehold deposits	(72)	(52)
	Cash flows from operating activities before financial items and tax	**(373,253)**	**(486,894)**
	Interest received	3,767	7,930
	Interest paid	(5,311)	(6,078)
	Income taxes paid/received, net	22,075	93,191
	Cash flows from operating activities	**(352,722)**	**(391,851)**
3.1	Investments in property, plant and equipment	(3,529)	(12,834)
3.1	Proceeds from disposal of property, plant and equipment	80	-
	Purchase of marketable securities	-	(87,958)
	Cash proceeds from dissolvement of Symphogen Inc.	320	-
	Proceeds from sale of marketable securities	131,858	135,969
	Cash flows from investing activities	**128,729**	**35,177**
	Proceeds from issuance of shares in connection with exercise of warrants	-	1,084
	Proceeds from utilization of L warrants	195,000	-
	Proceeds from issuance of J shares	15,983	-
	Transaction costs related to recapitalization	(1,725)	-
4.3	Repayment of leasing liability	(10,456)	(10,174)
	Repayment of convertible debt	(11,169)	-
	Cash flows from financing activities	**187,633**	**(9,089)**
	Changes in cash and cash equivalents	**(36,360)**	**(365,764)**
	Cash and cash equivalents, beginning of year	125,089	488,050
	Exchange rate adjustments on cash and cash equivalents	1,915	2,803
BS	**Cash and cash equivalents, year-end**	**90,644**	**125,089**

EQ

Statement of changes in equity

For the years ended December 31

Note	DKK'000	Share capital	Share premium	Accumulated deficit	Total
	Equity at January 1, 2018	**15,224**	**1,850,143**	**(2,094,710)**	**(229,344)**
PL	Net loss for the year	-	-	(445,972)	(445,972)
	Transaction with owners:				
	Exercise of warrants for cash	180	904	-	1,084
2.5	Share-based compensation expenses	-	-	14,851	14,851
	Equity at December 31, 2018	**15,404**	**1,851,047**	**(2,525,831)**	**(659,380)**
PL	Net loss for the year	-	-	(313,868)	(313,868)
	Transaction with owners:				
4.2	Capital decrease to cover accumulated deficit	(15,404)	(1,851,047)	1,866,451	-
	Capital increase by issuance of J shares for cash	146	15,837		15,983
	Issuance of J shares by conversion of convertible debt facility	1,662	163,518	-	165,180
	Capital contribution	-	85,594	-	85,594
	Capital increase by utilization of L warrants for cash	1,779	193,221	-	195,000
	Transaction costs reg. restructuring	-	(1,725)	-	(1,725)
2.5	Share-based compensation expenses	-	-	44,786	44,786
	Equity at December 31, 2019	**3,588**	**456,444**	**(928,461)**	**(468,430)**

Section 1
Basis of preparation

Note 1.1 Accounting policies

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

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

The financial statements for the year ended December 31, 2019 were authorized for approval at the Annual General Meeting to be held on June 3, 2020, with a resolution of the Board of Directors on May 13, 2020.

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

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

Section 2
Revenue and expenses

Note 2.1 Revenue

Note	DKK'000	2019	2018
	Recognition of upfront payment	167,113	170,763
	Revenue from group companies	1,169	2,413
PL	**Total revenue**	**168,282**	**173,176**
	External revenue split by collaboration partner		
	Servier	167,113	170,763
	Total external revenue	**167,113**	**170,763**
	Contract liabilities recognized on the balance sheet		
	Contract liabilities by collaboration partner		
BS	Servier	387,472	554,585
	Total deferred revenue at December 31	**387,472**	**554,585**
	At January 1	554,585	725,348
BS	Recognized in the statement of profit and loss	(167,113)	(170,763)
	Total deferred revenue at December 31	**387,472**	**554,585**
	Current	146,737	162,808
BS	Non-current	240,735	391,776
	Total deferred revenue at December 31	**387,472**	**554,585**

Revenue from group companies consists of service and administration fee from the US subsidiary, Symphogen Inc., which was dissolved September 30, 2019.

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

Note 2.2 Information about geographical areas

Note		DKK'000	2019 Revenue	2019 Non-current assets	2018 Revenue	2018 Non-current assets
		Denmark	-	183,297	-	208,769
		USA	1,169	-	2,413	-
		France	167,113	-	170,763	-
PL	BS	**Total**	**168,282**	**183,297**	**173,176**	**208,769**

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

Note 2.3 Research and development expenses

Note	DKK'000	2019	2018
2.5	Employee benefit expenses, excluding share-based compensation	73,555	86,004
2.5	Share-based compensation expenses	12,018	5,655
	External expenses	185,348	351,656
3.1	Depreciation	18,659	19,962
PL	**Total research and development expenses**	**289,579**	**463,277**

Note 2.4 General and administrative expenses

Note	DKK'000	2019	2018
2.5	Employee benefit expenses, excluding share-based compensation	31,446	30,373
2.5	Share-based compensation expenses	32,769	9,196
	External expenses	16,993	42,260
3.1	Depreciation	4,110	4,541
PL	**Total general and administrative expenses**	**85,318**	**86,371**

Note 2.5 Employee benefit expenses

Note	DKK'000	2019	2018
	Wages and salaries	98,475	108,854
	Share-based compensation expenses	44,786	14,851
	Defined contribution plans	743	866
	Other social security expenses	657	563
	Other staff expenses	4,547	6,094
	Severance payments	579	-
	Total	**149,787**	**131,228**
2.3	Research and development expenses	85,572	91,659
2.4	General and administrative expenses	64,215	39,569
	Total	**149,787**	**131,228**
	Average number of full time employees	**101**	**116**
	Number of employees at end of period:		
	Denmark	95	113
	Total employees at end of period	**95**	**113**
	Number of employees at end of period split on function:		
	Research and development	76	90
	General and administrative	19	23
	Total employees at end of period	**95**	**113**

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

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

Section 3
Operating assets and liabilities

Note 3.1 Property, plant and equipment

Note	DKK'000	Right-of-use assets	Leasehold improvements	Laboratory equipment	Other equipment	Total
	2019					
	Cost at January 1	137,714	22,988	110,777	19,852	291,333
	Additions during the year	-	186	1,217	2,126	3,529
	Scrap or disposals during the year	-	-	(8,378)	(2,067)	(10,445)
	Cost at December 31	**137,714**	**23,174**	**103,616**	**19,911**	**284,416**
	Depreciation at January 1	(9,086)	(10,142)	(85,341)	(15,693)	(120,263)
	Depreciation for the year	(8,956)	(2,848)	(8,512)	(2,453)	(22,769)
	Depreciation reversed on disposals/scrapping during the year	-	(109)	8,460	1,976	10,328
BS	**Depreciation at December 31**	**(18,042)**	**(13,100)**	**(85,393)**	**(16,170)**	**(132,705)**
	Carrying amount at December 31	**119,672**	**10,075**	**18,223**	**3,742**	**151,712**
	2018					
	Cost at January 1	-	22,810	101,119	17,541	141,470
	Adoption of IFRS 16	137,714	-	-	-	137,714
	Additions during the year	-	178	10,248	2,408	12,834
	Scrap or disposals during the year	-	-	(590)	(96)	(686)
	Cost at December 31	**137,714**	**22,988**	**110,777**	**19,852**	**291,333**
	Depreciation at January 1	-	(7,327)	(76,487)	(12,632)	(96,446)
	Depreciation for the year	(9,086)	(2,815)	(9,363)	(3,239)	(24,503)
	Depreciation reversed on disposals/scrapping during the year	-	-	508	86	595
	Exchange rate adjustment	-	-	-	91	91
	Depreciation at December 31	**(9,086)**	**(10,142)**	**(85,341)**	**(15,693)**	**(120,263)**
BS	**Carrying amount at December 31**	**128,628**	**12,846**	**25,436**	**4,159**	**171,069**

Note 3.1 Property, plant and equipment (continued)

Depreciation included in the statement of profit or loss

Note	DKK'000	2019	2018
2.3	Research and development expenses	18,659	19,962
2.4	General and administrative expenses	4,110	4,541
	Total depreciation included in the statement of profit or loss	**22,769**	**24,503**

Note 3.2 Receivables

Note	DKK'000	2019	2018
	Prepayment to manufacturing partner	9,247	6,404
	Prepayment to CROs	608	-
6.1	Tax receivables	6,013	22,375
	VAT receivables	1,225	6,136
	Receivables from group companies	-	312
	Other receivables	5,816	2,514
	Prepayments	2,286	2,862
BS	**Total current receivables at December 31**	**25,195**	**40,602**
	Prepayment to manufacturing partner	23,265	26,987
	Prepayment to Clinical Research Organisations	1,545	2,028
BS	**Total non-current receivables at December 31**	**24,810**	**29,016**

Note 3.3 Other payables and liabilities

Note	DKK'000	2019	2018
	Clinical trial payables	8,637	64,147
	Employee cost liabilities	30,644	26,759
	Derivative financial instruments	-	33,309
	Other payables and liabilities	579	591
BS	**Total other payables and liabilities at December 31**	**39,860**	**124,806**

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

Note 3.4 Investments in group companies

Note	DKK'000	2019	2018
	Cost at January 1	1,981	1,981
	Disposal by liquidation	1,981	-
BS	**Cost at December 31**	**0**	**1,981**

2019

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

2018

Subsidiaries	Registered office	Ownership interest (%)	Share capital (USD)	Equity (USD'000)	Net profit (USD'000)
Symphogen Inc.	Delaware, US	100	0.01	859	32

In 2019, the 100 % owned subsidiary, Symphogen Inc. was dissolved in liquidation. The gain on liquidation amounted DKK 3.1 million, recognized under financial income in the statement of profit or loss.

§

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.

Gains and losses on liquidation of investments in subsidiaries are recognized in profit of loss under financial items.

Note 3.5 Changes in net working capital

Note	DKK'000	2019	2018
3.3	Change in prepayment to manufacturing partner (current)	(2,844)	2,671
3.2	Change in prepayment to CROs	(608)	-
3.2	Change in other receivables	(3,302)	(103)
3.2	Change in VAT receivables	4,910	(2,580)
3.2	Change in prepayments	576	310
3.2	Change in receivables from group companies	312	1,874
BS	Change in trade payables	(18,905)	11,015
2.1	Change in contract liabilities	(167,113)	(170,763)
3.3	Change in clinical trials payables	(55,510)	8,530
3.3	Change in employee cost liabilities	3,885	(1,794)
3.3	Change in other liabilities	(11)	(6,472)
CF	**Change in net working capital**	**(238,609)**	**(157,313)**

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

Note 3.6 Adjustments for non-cash items

Note	DKK'000	2019	2018
	Reversals of non-cash items in the statement of profit or loss		
6.1	Income tax benefit	(5,200)	(5,495)
3.1	Depreciation	22,769	24,503
4.2	Interest income	(6,431)	(13,402)
4.2	Interest expenses	143,258	111,382
4.1	Change in fair value of conversion option	(26,385)	(18,722)
2.5	Share-based compensation expenses	44,786	14,851
	Unrealized capital gains/losses, marketable securities	2,246	3,790
	Other adjustments		
	Other adjustments, primarily exchange rate adjustments	(117)	(2,850)
CF	**Total adjustments for non-cash items**	**174,926**	**114,057**

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

Section 4 Capital structure and financial matters

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

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

Note 4.1 Financial assets and liabilities

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 109.2 million as at December 31, 2019 (DKK 241.6 million at December 31, 2018). The fair value has been determined using quoted market data.

Financial instruments measured on level 2

Symphogen had no derivatives at December 31, 2019 and 2018 measured on level 2.

Reconciliation of fair value measurement under Level 3 hierarchy

Embedded conversion options	2019	2018
As at January 1	33,309	52,031
Fair value adjustments through income statement until modification	(11,800)	(18,722)
Conversion to equity	(6,924)	-
Re-measurement of conversion option upon modification to convertible loan	(14,585)	-
As at December 31	**0**	**33,309**

Fair value of financial assets and liabilities at December 31, 2019

	Level 1	Level 2	Level 3	Total
Marketable securities	109,197	-	-	109,197
Financial assets	**109,197**	**0**	**0**	**109,197**
Derivative financial instruments	-	-	-	-
Financial liabilities	**0**	**0**	**0**	**0**

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

	Level 1	Level 2	Level 3	Total
Marketable securities	241,567	-	-	241,567
Financial assets	**241,567**	**0**	**0**	**241,567**
Derivative financial instruments	-	-	33,309	33,309
Financial liabilities	**0**	**0**	**33,309**	**33,309**

Note 4.1 Financial assets and liabilities (continued)

The fair value of financial instruments measured on level 3
Symphogen has issued a convertible debt facility with embedded conversion options and prepayment options. Management has estimated the fair value using valuation techniques in the form of valuation models. Prepayment option had a value of nil at December 31, 2019 and 2018, respectively. The conversion option had a fair value of nil and DKK 33,3 million at December 31, 2019 and 2018, respectively.

Valuation methods and assumptions
The management assessed that cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The following key methods and assumptions were used to estimate the fair values of level 3 financial instruments:

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

There was no conversion option as at December 31, 2019. As at December 31, 2018, other things being equal, a 1% increase in the market interest rate will increase the fair value of the conversion option by DKK 4.2 million. Similarly, a 1% decrease in the interest rate will reduce the fair value of the conversion option by DKK 4.3 million.

Categories of financial assets and liabilities

Note	DKK'000	2019	2018
	Financial assets by category		
	Financial assets measured at fair value		
	Marketable securities	109,197	241,567
	Total financial assets measured at fair value	**109,197**	**241,567**
	Loans and receivables measured at amortized cost		
3.2	Other receivables, excluding prepayments	13,054	31,337
	Leasehold deposits	6,775	6,704
	Total loans and receivables	**19,830**	**38,041**
	Financial liabilities by category		
	Financial liabilities measured at fair value		
	Derivative financial instruments	-	33,309
	Total financial liabilities measured at fair value	**0**	**33,309**
	Financial liabilities measured at amortized cost		
	Convertible debt facility	309,754	426,978
	Leasing liabilities	118,114	128,570
BS	Trade payables	21,563	40,468
3.3	Other payables, excluding derivative financial instruments	9,217	64,738
	Total financial liabilities measured at amortized cost	**458,648**	**660,755**

Note 4.2 Financial income and expenses

Note	DKK'000	2019	2018
	Financial income		
	Interest income, bank	309	1,882
	Interest income, other	-	6,469
	Interest income, marketable securities	3,036	5,051
	Foreign exchange gains	2,283	17,839
	Change in fair value of conversion option	26,385	18,722
	Gain on liquidation of Symphogen, Inc	3,086	-
	Gains on marketable securities at fair value	684	462
PL	**Total financial income**	**35,783**	**50,425**
	Financial expenses		
	Interest expenses	(470)	(755)
	Interest expenses, group companies	(152)	(88)
4.3	Interest expenses, convertible debt facility	(137,795)	(105,291)
	Interest expense, leasing liabilities	(4,842)	(5,249)
	Foreign exchange losses	(1,810)	(9,643)
	Losses on marketable securities at fair value	(3,002)	(4,395)
PL	**Total financial expenses**	**(148,071)**	**(125,421)**
	Net financial expenses	**(112,288)**	**(74,996)**

Note 4.3 Changes in liabilities arising from financing activities

			Non-cash changes				
	December 31, 2018	Cash flows	Remeasurement of debt	Capital contribution	Conversion of convertible debt facility	Accumulated interest	December 31, 2019
Leasing liabilities	128,570	(15,298)	-	-	-	4,842	118,114
Convertible debt facility	426,978	(11,169)	48,782	(85,594)	(158,256)	89,013	309,754
Total liabilities from financing activities	**555,548**	**(26,467)**	**48,782**	**(85,594)**	**(158,256)**	**93,855**	**427,868**

			Non-cash changes					
	December 31, 2017	Cash flows	Adoption of IFRS 16	Conversion of convertible debt facility	Reclassification of conversion option to other payables	Accumulated interest	Amortization	December 31, 2018
Leasing liabilities	0	(15,423)	138,744	-	-	5,249	-	128,570
Non-current convertible debt facility	321,688	-	-	-	-	105,291	-	426,978
Total liabilities from financing activities	**321,688**	**(15,423)**	**138,744**	**0**	**0**	**110,540**	**0**	**555,548**

Section 5 Corporate governance

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

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

Note 5.1 Related party transactions

The parent company's transactions with other related parties

DKK'000	2019	2018
Transactions with subsidiaries		
Service fee income	1,169	2,413
Service fee costs	22,573	32,393
Net interest expenses, intercompany balance	152	88
Transactions with related parties (expenses)		
Payments related to right-of-use assets - lease of domicile building from DEAS A/S, owned by the shareholder PKA	15,254	15,078
Cooperation with START where Dr. Anthony Tolcher is the President and co-founder of Clinical Research at START, Texas, USA (Anthony Tolcher was board member until March 1, 2018)	-	443
Consultant fee to Kirsten Drejer (Kirsten Drejer was board member until August 31, 2018)	-	1,176
Balances with subsidiaries at year-end		
Intercompany receivable	-	312
Balances with related parties at year-end (liabilities)		
Convertible debt facility	309,754	426,978
Conversion option	-	33,309
Leasing liability	118,114	128,570

Management's commentary

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

The parent company's transactions with the Board of Directors and Executive Management Symphogen A/S has not granted any loans, guarantees, or other commitments to or on behalf of any of the members in the Board of Directors or Executive Management. Other than the remuneration and other transactions relating to the Board of Directors and Executive Management described in note 5.1 and 5.2 in the consolidated financial statements, no other significant transactions have taken place with the Board of Directors or the Executive Management during 2019 and 2018.

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

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

Section 6 Other disclosures

Note 6.1 Taxation

Note	DKK'000	2019	2018
	Current tax benefit on net loss	70,158	99,323
	Adjustment to prior years	(300)	(5)
	Tax credit research and development expenses	5,500	5,500
	Changes in deferred tax	(46,352)	(95,168)
	Other non-deductible expenses, incl. share-based compensation	(23,807)	(4,155)
PL	**Total income tax benefit for the period**	**5,199**	**5,495**
	Reconciliation of effective tax rate to Danish statutory tax rate		
PL	Net loss before tax	(318,904)	(451,467)
	Corporate income tax rate in Denmark	22%	22%
	Computed income tax benefit	**70,159**	**99,323**
	Tax effect of:		
	Adjustment to prior years	(300)	(5)
	Other non-deductible expenses, incl. share-based compensation	(23,807)	(4,155)
	Deferred tax asset not recognized	(40,853)	(89,668)
PL	**Total income tax benefit for the period**	**5,199**	**5,495**
	Deferred tax in the balance sheet		
	Tax deductible losses	508,933	519,502
	Other temporary differences	6,585	10,326
	Deferred tax asset not recognized	(515,518)	(529,828)
	Carrying amount included on balance sheet	**0**	**0**

Management's commentary

On December 31, 2019, Symphogen A/S had net tax loss carryforwards in Denmark of DKK 2,313 million (2018: DKK 2,361 million) for income tax purposes, all of which can be carried forward infinitely according to Danish Corporate Income Tax Act.

Income tax benefit totaled DKK 5.2 million in 2019 compared to DKK 5.5 million in 2018. The Income tax benefit for the two years comprise tax credit for research and development expenses at the applicable tax rate under the Danish Corporate Income Tax Act.

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

Company information

Symphogen A/S
Pederstrupvej 93
2750 Ballerup
Denmark
CVR no. 10 01 32 67

Tel.: +45 4526 5050
Fax: +45 4526 5060
E-mail: info@symphogen.com

Annual General Meeting
The annual general meeting
will be held on June 3, 2020, at
Symphogen A/S
Pederstrupvej 93
2750 Ballerup
Denmark

Auditor
Ernst & Young
Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
Postboks 250
2000 Frederiksberg
Denmark

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

Statement by the Board of Directors and Executive Management

Today the Board of Directors and Executive Management have discussed and approved the financial statements of Symphogen A/S for the financial year ended December 31, 2019.

The 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.

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, 2019, 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, 2019.

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 financial statements at the Annual General Meeting.

June 3, 2020

Executive Management
Martin Olin
Chief Executive Officer

Board of Directors
Bernhard Ehmer,
Chairman

DocuSigned by:
Bernhard Ehmer
6D9F04BA54BC40D...

Mads Krogsgaard Thomsen

DocuSigned by:
Mads Krogsgaard Thomsen
EC14FB98BB5D449...

Søren Lemonius

DocuSigned by:
Søren Lemonius
583132D3BC2246D...

Ron Eastman

DocuSigned by:
Ron Eastman
C706B9E134C846B...

Peter Haahr

DocuSigned by:
Peter Haahr
BFE4BE3FA5734B2...

Independent Auditor's Report

To the shareholders of Symphogen A/S

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Symphogen A/S for the financial year January 1 – December 31, 2019, 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, 2019 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, 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

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

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

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

- Obtain enough 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, June 3, 2020

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

Christian Schwenn Johansen
State Authorised Public Accountant
mne 33234

Rasmus Bloch Jespersen
State Authorised Public Accountant
mne 35503

Layout
Jakob Juul Studio

Photographers
Employee photos: Jesper Palermo, Kontrapunkt
Cover photo: Vita Marija Murenaite on Unsplash

Symphogen A/S
Pederstrupvej 93
2750 Ballerup
Denmark

Tel.: +45 4526 5050
Fax: +45 4526 5060
info@symphogen.com
www.symphogen.com

PLESNER
ADVOKATPARTNERSELSKAB

REFERAT FRA BESTYRELSESMØDE

SYMPHOGEN A/S

MINUTES OF BOARD MEETING

SYMPHOGEN A/S

REFERAT FRA BESTYRELSESMØDE

13. maj 2020

SYMPHOGEN A/S

CVR-NR. 10 01 32 67

Dags dato afholdtes bestyrelsesmøde i Symphogen A/S, CVR-nr. 10 01 32 67 ("**Selskabet**").

Eneste punkt på dagsordenen var godkendelse af Selskabets årsrapport for 2019.

Bernhard Ehmer konstaterede, at bestyrelsesmødet var lovligt indvarslet, idet samtlige medlemmer af bestyrelsen havde givet samtykke til fravigelse af alle form- og fristkrav.

Der var stillet forslag om at godkende samt underskrive Selskabets reviderede årsrapport for regnskabsåret 1. januar 2019 - 31. december 2019.

Det blev oplyst, at årsrapporten udviste et negativt resultat på TDKK 315.121, og Selskabets balance pr. 31. december 2019 udviste en negativ egenkapital på TDKK 468.430.

Bestyrelsen noterede sig, at den i årsrapporten angivne balance medførte, at Selskabets egenkapital udgjorde mindre end halvdelen af den tegnede kapital, og at Selskabet derfor var i en kapitaltabssituation omfattet af selskabslovens § 119.

Bestyrelsen noterede sig endvidere, at balancen også i årsrapporten for regnskabsåret 1. januar 2018 - 31. december 2018 udgjorde mindre end halvdelen af den tegnede kapital, og at Selskabet kontinuerligt havde været i en kapitaltabssituation siden afholdelsen af ordinær generalforsamling den 29. maj 2019. På denne generalforsamling havde bestyrelsen redegjort for Selskabets økonomiske stilling og stillet forslag til de foranstaltninger, der burde træffes som følge heraf.

MINUTES OF BOARD MEETING

13 May 2020

SYMPHOGEN A/S

CVR NO. 10 01 32 67

Today a meeting of the board of directors of Symphogen A/S, CVR no. 10 01 32 67 (the "**Company**"), was held.

The only item on the agenda was the approvaæ of the Company's 2019 annual report.

Bernhard Ehmer concluded that the board meeting had been lawfully convened as all members of the board of directors had consented to deviate from all form and notice requirements.

A proposal had been made to approve and sign the Company's audited annual report for the accounting year 1 January 2019 - 31 December 2019.

It was informed that the annual report showed a negative result of TDKK 315,121, and that the Company's total equity per 31 December 2019 showed a negative equity of TDKK 468,430.

The board of directors noted that the equity stated in the annual report entailed that the Company's equity represented less than half of the subscribed share capital and that consequently, the Company was in a situation comprised by section 119 of the Danish Companies Act.

The board of directors further noted that also in the annual report for the accounting year 1 January 2018 - 31 December 2018, the Company's equity represented less than half of the subscribed share capital and that the Company continuously since the holding of the annual general meeting at 29 May 2019 had been in a situation comprised by section 119 of the Danish Companies Act. At this general meeting, the board of directors had reported on the Company's financial position and proposed measures that should be taken as a consequence hereof.

Bestyrelsen noterede sig de ovennævnte foranstaltninger og noterede sig endvidere, at bestyrelsen på Selskabets generalforsamling til afholdelse den 3. juni 2020 ville stille forslag om kapitalforhøjelse i Selskabet ved konvertering af gæld, idet der foreligger aftale mellem Les Laboratoires Servier og de långivende aktionærer om de långivende aktionærers konvertering af hele det udestående lån, der tidligere var et konvertibelt lån, ligesom et stort antal L warrants i henhold til aftale mellem Les Laboratoires Servier og visse warrantindehavere vil blive udnyttet umiddelbart inden generalforsamlingen.

Bestyrelsen vurderede herefter, at pligten i selskabslovens § 119 var opfyldt, og det blev foreslået at godkende samt underskrive Selskabets reviderede årsrapport for regnskabsåret 1. januar 2019 - 31. december 2019.

Forslaget blev enstemmigt vedtaget af bestyrelsen.

Bestyrelsen vedtog derefter enstemmigt at stille forslag på Selskabets forestående ordinære generalforsamling om at overføre årets negative resultat på TDKK 315.121 til det kommende regnskabsår.

-o0o-

I tilfælde af uoverensstemmelse mellem den danske og den engelske version af dette referat, skal den danske version tillægges forrang.

The board of directors noted the above-mentioned measures and further noted that at the annual general meeting to be held on 3 June 2020, the board of directors will propose to increase the share capital in the Company by way of conversion of debt, as an agreement has been entered into between Les Laboratoires Servier and the lending shareholders on the lending shareholders' conversion of the outstanding amount of the loan which was previously a convertible loan, just as a large number of L warrants, as per agreement between Les Laboratoires Servier and certain of the holders of L warrants will be exercised immediately prior to the general meeting.

On this background, the board of directors assessed that the obligation in section 119 of the Danish Companies Act had been complied with, and a proposal was made to approve and sign the Company's audited annual report for the accounting year 1 January 2019 - 31 December 2019.

The proposal was unanimously adopted by the board of directors.

Subsequently, the board of directors unanimously decided to present a proposal at the Company's upcoming annual general meeting to carry forward the negative result of the year of TDKK 315,121 to the next accounting year.

-o0o-

In case of inconsistency between the Danish and the English versions of these minutes, the Danish version shall prevail.

Bestyrelsen / The board of directors:

DocuSigned by:
Bernhard Ehmer
6D9F04BA54BC40D...
Bernhard Ehmer (formand/chairman)

DocuSigned by:
Mads Krogsgaard Thomsen
EC14FB98BB5D449...
Mads Krogsgaard Thomsen

DocuSigned by:
Ron Eastman
C706B9E134C846B...
Ronald Eastman

DocuSigned by:
Søren Lemonius
583132D3BC2246D...
Søren Lemonius

DocuSigned by:
Peter Haahr
BFE4BE3FA5734B2...
Peter Haahr