Affitech A/S

c/o COBIS
Ole Maaløes Vej 3, 2200 København N, Denmark

CVR no. 14 53 83 72

Annual report 2016

Approved at the annual general meeting of shareholders on 5 July 2017

Chairman:

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Building a better
working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Affitech A/S for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 5 July 2017
Executive Board:

Michael Braunagel

Stig Jarle Pettersen

Board of Directors:

Aleksander Shuster
Chairman

Daniil Talyanskiy

Alexander Andryushechkin

Independent auditor's report

To the shareholders of Affitech A/S

Opinion

We have audited the financial statements of Affitech A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter in the financial statements

We draw attention to note 2 to the financial statements, which describes that the Company’s operations and negative shareholder's equity are partly being financed via loan with the Company’s shareholder, whom has issued a letter of comfort committing itself to provide the necessary funding to ensure that the Company and its subsidiaries can fulfil their obligations to any third party as they fall due, at least until 1 July 2018. In addition, the Company's future operations can be partly financed through loan or share redemption and receipt of dividend from fully owned subsidiaries. We have not modified our opinion in respect of this matter.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 the financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the 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 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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 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 financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Independent auditor's report

Report on other legal and regulatory requirements

Violation of the provisions of the Danish Companies Act regarding capital loss

The Company has lost more than half its share capital. Management has not taken steps to convene and hold a general meeting within the deadlines stipulated by the Danish Companies Act, has not given the shareholders an account of the Company's financial position and has not proposed any measures to be taken in that regard. Management may incur liability in this respect.

Copenhagen, 5 July 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Chrstian Schwenn Johansen
State Authorised Public Accountant

Rasmus Bloch Jespersen
State Authorised Public Accountant

Management's review

Company details

Name	Affitech A/S
Address, Postal code, City	c/o COBIS Ole Maaløes Vej 3, 2200 København N, Denmark
CVR no.	14 53 83 72
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	www.affitech.com
Board of Directors	Aleksander Shuster, Chairman Daniil Talyanskiy Alexander Andryushechkin
Executive Board	Michael Braunagel Stig Jarle Pettersen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank

Management's review

Management commentary

Business review

Affitech A/S is a biopharmaceutical company dedicated to the discovery and development of fully human antibody therapeutics against cancer and other serious diseases.

Unusual matters having affected the financial statements

Going concern

The Company has lost its share capital and the shareholder's equity is negative by DKK 33,068 thousand. It is expected that, in 2017, the Company has liquidity needs that require funding for the purpose of going concern.

Previous year's accumulated losses as well as the current operations of the Company are financed through long-term intercompany loan with the Company's shareholder, Trans Nova Investment Limited.

On 25 January 2017 Trans Nova Investment Limited issued af letter of comfort, committing itself to provide the necessary funding to ensure that Affitech A/S and its subsidiaries can fulfil their obligations to any third party as they fall due, at least until 1 July 2018.

In addition, the Company's future operations can be partly financed through loan, share redemption and receipt of dividend from fully owned subsidiaries.

Although additional financial resources had not been transferred to the Company at the balance sheet date, the Board of Directors believes, based on the letter of comfort, that adequate funding from the shareholder, Trans Nova Investment Limited, will be provided to the Company, or through loan, share redemption and dividend from fully owned subsidiaries, and that, consequently, the Company will have sufficient liquidity to fund the Company's activities for at least the next 12 months from the balance sheet date.

On this basis, the Board of Directors presents the financial statements for 2016 on a going concern assumption.

Financial review

The income statement for 2016 shows a loss of DKK 1,992,845 against a profit of DKK 1,456,258 last year, and the balance sheet at 31 December 2016 shows a negative equity of DKK 33,068,457.

Events after the balance sheet date

Beside the matters desribed in Going Concern, above, no significant eents have occurred subsequent to the financial year-end.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
	Administrative expenses	-1,333,882	-4,385,002
	Operating profit/loss	-1,333,882	-4,385,002
	Research costs	-346,901	-1,959,838
	Profit/loss before net financials	-1,680,783	-6,344,840
	Income from investments in group entities	0	7,418,750
	Income from investments in associates	0	810,000
4	Financial income	80,999	63,372
5	Financial expenses	-393,061	-491,024
	Profit/loss before tax	-1,992,845	1,456,258
	Tax for the year	0	0
	Profit/loss for the year	-1,992,845	1,456,258
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-1,992,845	1,456,258
		-1,992,845	1,456,258

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	ASSETS		
	Fixed assets		
6	**Investments**		
	Investments in group entities, net asset value	7,350,000	7,350,000
	Investments in associates, net asset value	0	1,250,000
	Deposits	40,577	40,577
		7,390,577	8,640,577
	Total fixed assets	7,390,577	8,640,577
	Non-fixed assets		
	Receivables		
	Other receivables	0	1,375
	Prepayments	55,942	158,694
		55,942	160,069
	Cash	39,672	254,192
	Total non-fixed assets	95,614	414,261
	TOTAL ASSETS	7,486,191	9,054,838

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	4,877,215	4,877,215
	Other reserves	82,912,661	82,912,661
	Retained earnings	-120,858,333	-118,865,488
	Total equity	-33,068,457	-31,075,612
	Provisions		
	Other provisions	25,175,138	25,175,138
	Total provisions	25,175,138	25,175,138
	Liabilities		
8	**Non-current liabilities other than provisions**		
	Payables to group entities	12,491,023	12,199,273
		12,491,023	12,199,273
	Current liabilities		
	Trade payables	254,560	671,794
	Payables to group entities	2,582,909	1,967,663
	Other payables	51,018	116,582
		2,888,487	2,756,039
	Total liabilities other than provisions	15,379,510	14,955,312
	TOTAL EQUITY AND LIABILITIES	7,486,191	9,054,838

1 Accounting policies
2 Financing and going concern assumption
3 Events after the balance sheet date
9 Contractual obligations and contingencies, etc.
10 Contingent assets
11 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Other reserves	Retained earnings	Total
Equity at 1 January 2016	4,877,215	82,912,661	-118,865,488	-31,075,612
Loss for the year	0	0	-1,992,845	-1,992,845
Equity at 31 December 2016	4,877,215	82,912,661	-120,858,333	-33,068,457

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Affitech A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 110 of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Income statement

Administrative expenses

Administrative expenses include expenses incurred during the year in relation to the management and administration of the Company, including expenses related to salaries and premises as well as other expenses such as external services, IT expenses and depreciation relating to administration.

Research costs

Research costs include salaries, expenses related to patents and premises as well as other expenses such as external services, IT expenses and depreciation and amortization attributable to the Company's research activities. The Company expenses all research costs in the year they are incurred.

Amortisation and impairment

The item comprises amortisation and impairment of intangible assets.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	5-10 years

Income from investments in group entities and associates

The item includes dividend received from subsidiaries and associates in so far as the dividend does not exceed the accumulated earnings in the subsidiary or the associate in the period of ownership.

Impairment of investments in group entities and associates is accounted for as income from investments in group entities and associates.

Reversal of prior years impairment of investments in group entities and associates is accounted for as imcome from investments in group enterprises and associates.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, financial expenses related to realised and unrealised capital and exchange gains and losses on foreign currency transactions, and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Intangible assets

Other intangible assets comprise acquired intangible rights.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

Impairment of non-current assets

Intangible assets and investments in subsidiaries and associates are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for groups of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

An assessment is made annually to determine whether there is an indication that previously recognised impairment losses no longer exists or have decreased. If such indications exist, the Company estimates the assets recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciations, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recorded as assets comprise expenses relating to subsequent reporting years such as prepaid expenses regarding rent, licenses, insurance premiums, subscription fees and interest.

Cash

Cash comprise cash in banks.

Provisions

Provisions comprise expected expenses relating to commitments, etc. Provisions are recognised when the Company has a legal or constructive obigation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2 Financing and going concern assumption

The Company has lost its share capital and the shareholder's equity is negative by DKK 33,068 thousand. It is expected that, in 2017, the Company has liquidity needs that require funding for the purpose of going concern.

Previous year's accumulated losses as well as the current operations of the Company are financed through long-term intercompany loan with the Company's shareholder, Trans Nova Investment Limited.

On 25 January 2017 Trans Nova Investment Limited issued af letter of comfort, committing itself to provide the necessary funding to ensure that Affitech A/S and its subsidiaries can fulfil their obligations to any third party as they fall due, at least until 1 July 2018.

In addition, the Company's future operations can be partly financed through loan, share redemption and receipt of dividend from fully owned subsidiaries.

Although additional financial resources had not been transferred to the Company at the balance sheet date, the Board of Directors believes, based on the letter of comfort, that adequate funding from the shareholder, Trans Nova Investment Limited, will be provided to the Company, or through loan, share redemption and dividend from fully owned subsidiaries, and that, consequently, the Company will have sufficient liquidity to fund the Company's activities for at least the next 12 months from the balance sheet date.

On this basis, the Board of Directors presents the financial statements for 2016 on a going concern assumption.

3 Events after the balance sheet date

Besides the matters described in note 2, above, no significant events have occurred subsequent to the financial year-end.

	DKK	2016	2015
4	**Financial income**		
	Other financial income	80,999	63,372
		80,999	63,372
5	**Financial expenses**		
	Interest expenses, group entities	365,857	359,260
	Other financial expenses	27,204	131,764
		393,061	491,024

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Investments

DKK	Investments in group entities, net asset value	Investments in associates, net asset value	Deposits	Total
Cost at 1 January 2016	147,000,000	2,000,000	40,577	149,040,577
Disposals in the year	0	-2,000,000	0	-2,000,000
Cost at 31 December 2016	147,000,000	0	40,577	147,040,577
Value adjustments at 1 January 2016	-139,650,000	-750,000	0	-140,400,000
Reversal of impairment losses on assets disposed	0	750,000	0	750,000
Value adjustments at 31 December 2016	-139,650,000	0	0	-139,650,000
Carrying amount at 31 December 2016	7,350,000	0	40,577	7,390,577

Name	Domicile	Interest
Subsidiaries		
Affitech Research AS	Oslo, Norge	100.00 %
Actigen Limited	UK	100.00 %

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK		2016	2015
7	**Share capital**		
	Analysis of the share capital:		
	487,721,539 A- shares of DKK 0.01 nominal value each	4,877,215	4,877,215
		4,877,215	4,877,215

Analysis of changes in the share capital over the past 5 years:

DKK	2016	2015	2014	2013	2012
Opening balance	4,877,215	4,877,215	4,877,215	4,877,215	243,860,770
Capital reduction	0	0	0	0	-238,983,555
	4,877,215	4,877,215	4,877,215	4,877,215	4,877,215

8 Long-term liabilities

Of the long-term liabilities, DKK 0 (2015: DKK 12,199 thousand) falls due for payment after more than 5 years after the balance sheet date.

9 Contractual obligations and contingencies, etc.

Contingent liabilities

Other contingent liabilities

DKK	2016	2015
Other contingent liabilities	4,217	5,688
	4,217	5,688

10 Contingent assets

The Company has a deferred tax asset amountig to DKK 225 million (2015: DKK 225 million) at a tax rate of 22% (2015: 22%), primarily regarding tax loss carryforwards, which is not recognised in the balance sheet, as Management believes that the deferred tax asset do not meet the recognition criteria.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

11 Related parties

Affitech A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Trans Nova Investment Limited	Limassol, Cyprus	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Trans Nova Investment Limited	Limassol, Cyprus	The financial statements are not made available to the public

Related party transactions

Affitech A/S was engaged in the below related party transactions:

DKK	2016	2015
Management Fee expense, Affitech Research (subsidiaries)	211,363	30,076
Interest expnese, Trans Nova Investment Limited (parant)	67,250	59,260
Interest expnese, Affitech Research (subsidiaries)	300,222	300,000
Provision for bad debt-group entities	495,872	3,353,430
Payables to Trans Nova Investment Limited (parent)	12,491,023	12,199,273
Payables to Affitech Research AS (subsidiaries)	2,582,909	1,967,663

In April 2010, Affitech A/S entered into an R&D collaboration agreement with the Russian company NauchTechStroy Plus. In June 2011, IBC Generium replaced NauchTechStroy Plus in this agreement taking over the rights and obligations. IBC Generium is controlled by Affitech's chairman Aleksandr Shuster and Victor Kharitonin, who also control Trans Nova, which is Affitech A/S' shareholder.

Affitech A/S has entered into a loan agreement with Trans Nova Investment Limited. In total, the loan amounts to EUR 1.5 million, the rate of interest is three month's EURIBOR plus 2%. In 2015, the parties have entered into an agreement, extending the due date to January 2017.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Trans Nova Investment Limited	Limassol, Cyprus