

Affitech A/S

c/o COBIS


Ole Maaløes Vej 3, 2200 København N, Denmark

CVR no. 14 53 83 72

Annual report 2019

Approved at the Company's annual general meeting on 13 October 2020

Chairman:

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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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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, 13 October 2020
Executive Board:

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Michael Braunagel


.....
Stig Jarle Pettersen

Board of Directors:

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Aleksander Shuster
Chairman

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Daniil Talyanskiy

.....
Alexander Andryushechkin

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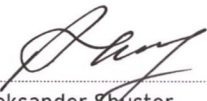
We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 13 October 2020
Executive Board:

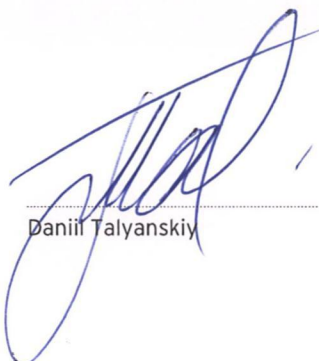
Michael Braunagel

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 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the 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.

Material uncertainty related to going concern

We draw attention to the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. We refer to note 2 to the financial statements, which describes that although additional financial resources have not been transferred to the company as of the date of the financial statements Management believes that adequate funding will be provided to the company and that on this basis, the financial statements have been prepared on a going concern basis.

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 as to 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 scepticism 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 conclusions are 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 the 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 the work we have performed, 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

Non-compliance with the provisions of the Danish Financial Statements Act regarding submission of annual reports

The Company has not observed the deadline for submission of the annual report for 2019. Management may incur liability in this respect.

Copenhagen, 13 October 2020
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

A handwritten signature in blue ink, appearing to read 'Rasmus Bloch Jespersen'.

Rasmus Bloch Jespersen
State Authorised Public Accountant
mne35503

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	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank

Management's review

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 operations of the Company are financed through payables to the wholly-owned subsidiary, Affitech Research AS. The Company's future operations can be financed through loans, share redemption and receipt of dividend from wholly-owned subsidiaries.

Due to the uncertainty associated with future financing events, significant uncertainties regarding going concern exist, and therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Although additional financial resources had not been transferred to the Company as the date of these financial statements, the Board of Directors believes that adequate funding will be provided to the Company through either loans or capital contributions from its sole shareholder under a letter of financial support or alternatively through loans, share redemption and dividend from its wholly owned subsidiary, or a combination of the same, and that, consequently, the Company will have sufficient liquidity to fund the Company's activities at least through 31 December 2020.

On this basis, the Board of Directors presents the financial statements for 2019 based on a going concern assumption.

Financial review

The income statement for 2019 shows a profit of DKK 171,478 against a profit of DKK 12,646,473 last year, and the balance sheet at 31 December 2019 shows equity of DKK 3,762,714.

Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2019	2018
	Administrative expenses	-186,179	-321,896
	Operating profit/loss	-186,179	-321,896
	Research costs	-34,665	-20,039
	Profit/loss before net financials	-220,844	-341,935
	Income from investments in group entities	694,000	13,328,000
4	Financial income	200,485	71,431
5	Financial expenses	-502,163	-411,023
	Profit before tax	171,478	12,646,473
	Tax for the year	0	0
	Profit for the year	171,478	12,646,473
	Recommended appropriation of profit		
	Retained earnings	171,478	12,646,473
		171,478	12,646,473

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Fixed assets		
6	Investments		
	Investments in group entities	21,372,000	20,678,000
	Deposits	40,577	40,577
		<u>21,412,577</u>	<u>20,718,577</u>
	Total fixed assets	<u>21,412,577</u>	<u>20,718,577</u>
	Non-fixed assets		
	Cash	132,082	92,578
	Total non-fixed assets	<u>132,082</u>	<u>92,578</u>
	TOTAL ASSETS	<u>21,544,659</u>	<u>20,811,155</u>
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	4,877,215	4,877,215
	Other reserves	82,912,662	82,912,662
	Retained earnings	-84,027,163	-84,198,641
	Total equity	<u>3,762,714</u>	<u>3,591,236</u>
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Payables to group entities	17,438,928	0
	Other payables	0	13,096,097
		<u>17,438,928</u>	<u>13,096,097</u>
	Current liabilities other than provisions		
	Trade payables	276,517	166,680
	Payables to group entities	0	3,865,692
	Other payables	66,500	91,450
		<u>343,017</u>	<u>4,123,822</u>
	Total liabilities other than provisions	<u>17,781,945</u>	<u>17,219,919</u>
	TOTAL EQUITY AND LIABILITIES	<u>21,544,659</u>	<u>20,811,155</u>

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

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Other reserves	Retained earnings	Total
Equity at 1 January 2019	4,877,215	82,912,662	-84,198,641	3,591,236
Transfer through appropriation of profit	0	0	171,478	171,478
Equity at 31 December 2019	4,877,215	82,912,662	-84,027,163	3,762,714

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Affitech A/S for 2019 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.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

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 attributable to the Company's research activities. The Company expenses all research costs in the year they are incurred.

Profit from investments in subsidiaries

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

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

Reversal of prior year's impairment of investments in group entities is accounted for as income from investments in group entities.

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 on-account 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Investments in subsidiaries

Investments in subsidiaries are measured at cost.

Impairment of fixed assets

Investments in subsidiaries are subject to an assessment 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.

Impairment tests are conducted on assets or groups of assets when there is indication 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 on investments in subsidiaries are reversed when the reason for recognition no longer exists.

An assessment is made annually to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indications exist, the Company estimates the asset's 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 or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Cash

Cash comprises cash at bank.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other payables are measured at net realisable value.

2 Financing and going concern assumption

The operations of the Company are currently financed through payables to the wholly-owned subsidiary, Affitech Research AS.

Due to the uncertainty associated with future financing events, significant uncertainties regarding going concern exist, and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Although additional financial resources had not been transferred to the Company at the date of these financial statements, the Board of Directors believes that adequate funding will be provided to the Company through either loans or capital contributions from its sole shareholder under a letter of financial support or alternatively through loans, share redemption and dividend from its wholly-owned subsidiary, or a combination of the same, and that, consequently, the Company will have sufficient liquidity to fund the Company's activities at least through 31 December 2020.

On this basis, the Board of Directors presents the financial statements for 2019 based on a going concern assumption.

3 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

	DKK	2019	2018
4 Financial income			
Exchange adjustments		200,485	71,431
		<u>200,485</u>	<u>71,431</u>
5 Financial expenses			
Interest expenses, group entities		501,418	301,181
Other financial expenses		745	109,842
		<u>502,163</u>	<u>411,023</u>

Financial statements 1 January - 31 December

Notes to the financial statements

6 Investments

DKK	Investments in group entities	Deposits	Total
Cost at 1 January 2019	147,000,000	40,577	147,040,577
Cost at 31 December 2019	147,000,000	40,577	147,040,577
Value adjustments at 1 January 2019	-126,322,000	0	-126,322,000
Reversal of prior years' impairment losses	694,000	0	694,000
Value adjustments at 31 December 2019	-125,628,000	0	-125,628,000
Carrying amount at 31 December 2019	21,372,000	40,577	21,412,577

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

DKK	2019	2018
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

The Company's share capital has remained DKK 4,877,215 over the past 5 years.

8 Contractual obligations and contingencies, etc.

Contingent liabilities

Other contingent liabilities

DKK	2019	2018
Other contingent liabilities	4,300	4,300
	4,300	4,300

9 Contingent assets

The Company has a deferred tax asset amounting to DKK 220 million (2018: DKK 220 million) at a tax rate of 22% (2018: 22%), primarily regarding tax loss carryforwards, which is not recognised in the balance sheet as Management believes that the deferred tax asset does not meet the recognition criteria.

Financial statements 1 January - 31 December

Notes to the financial statements

10 Related parties

Affitech A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
N35 Financial Limited	Limassol, Cyprus	Shareholder

Related party transactions

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

DKK	2019	2018
Management fee expense, Affitech Research AS (subsidiary)	0	-155,895
Payment of licence costs via Affitech Research AS (subsidiary)	-41,450	-99,487
Interest expense, Trans Nova Investment Limited (former parent company)	0	-109,842
Interest expense, Affitech Research (subsidiary)	501,418	-300,000
Adjustment of provision for bad debt, group entities (subsidiary)	157,535	59,319
Payables to Affitech Research AS (subsidiary)	17,438,928	3,865,692

Affitech A/S has entered into a loan agreement with its subsidiary, Affitech Research AS. The loans totals NOK 17,5 million, the rate of interest is 3%. The loan falls due for payment in August 2024.