

RhoVac ApS

Agern Allé 24, 1.

2970 Hørsholm

Central Business Registration No

31159008

Annual report 2017

The Annual General Meeting adopted the annual report on 28.05.2018

Chairman of the General Meeting

Name: Jan Bjerrum Bach

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Entity details

Entity

RhoVac ApS
Agern Allé 24, 1.
2970 Hørsholm

Central Business Registration No: 31159008

Registered in: Hørsholm

Financial year: 01.01.2017 - 31.12.2017

Executive Board

Bo Anders Ljungqvist
Henrik Stage

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of RhoVac ApS for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hørsholm, 14.05.2018

Executive Board

Bo Anders Ljungqvist

Henrik Stage

Independent auditor's report

To the shareholder of RhoVac ApS

Opinion

We have audited the financial statements of RhoVac ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the 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 Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with 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 financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 these financial statements.

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:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 14.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Jens Sejer Pedersen

State Authorised Public Accountant

Identification number (MNE) mne14986

Management commentary

Primary activities

RhoVac is a biotechnology company engaged in research and development of immunotherapy, more specifically of therapeutic cancer vaccines. Immunotherapy means that the body's own immune system is used to fight the disease - in this case cancer. The company's main focus is the development of a drug with the potential to prevent or limit metastasis in metastatic cancer.

RhoVac AB is a parent company in a group consisting of the parent company and the wholly owned Danish subsidiary RhoVac ApS. All activities are carried out in the subsidiary, whereby RhoVac AB's only operational activity is to own the subsidiary RhoVac ApS.

Business model and strategy

RhoVac intends to outsource or sell all or part of the business after completion of ongoing clinical phase I/II study. Management continually evaluates how to create value in the company, concentrating on generating value by licensing or selling operations.

Development in activities and finances

Development in activities during 2017

In the 2017 financial year we have been able to announce more satisfactory news in our development work with our cancer vaccine RV001, which is in clinical phase I / II development. The goal of the RV001 project is to develop a cancer vaccine which can prevent or limit the spread (metastasis) of cancer. The cancer vaccine is aimed at the protein RhoC, known to be overexpressed in metastatic cancer cells - no matter what form the cancer spread comes from.

On January 9, 2017, we announced that the Danish Medicines Agency and the Ethics Committee approved RhoVac's application to start clinical Phase I / II study. The goal of Phase I / II study is primarily to assess the safety of therapy RV001 vaccination and, secondarily, to evaluate a possible specific immunological response in the treatment of cancer-vaccine.

The safety of the study has been continuously evaluated and on December 13, 2017 we were able to announce that the company had received positive INFy ELISPOT results that showed that seven out of eight tested patients responded positively to cancer vaccine RV001 and established a significant vaccine-mediated immune response.

The analyzes made in the analytical development work include only eight samples of the twenty-two patients participating in the ongoing clinical phase I / II study and are prepared to ensure that the protocols for the analytical method are matched to the antigen RV001. Although the reported results are conclusive with regard to immunological response, it is the samples from the entire clinical study that will form the basis for the final conclusion.

Management commentary

The phase I / II study continues as planned, and analyzes will be performed on blood samples taken from all 22 patients before, during and after vaccination. The analysis of these samples is expected to be reported in the second quarter of 2018.

In accordance with our strategy to outsource or sell all or part of the business after completion of the ongoing clinical phase I / II study, we have increased our presence in business meetings and international conferences throughout the year. In October we attended a meeting with the European Medicines Board ("EMA") regarding the regulatory development of the company's cancer vaccine RV001. EMA's advice to RhoVac was that the company should go directly to the "Scientific Advice" procedure to discuss the next clinical phase - a Phase IIb study. We have followed this advice and the procedure is expected to be completed in Q2 2018.

Discussions with EMA, together with results from the ongoing phase I / II study, will help to visualize the potential of cancer vaccine RV001 for the treatment of metastatic cancer and provide important information in our further discussions with potential partners.

Development in finances during 2017

In 2017 RhoVac ApS incurred a loss before tax of DKK 7.8 million related to the company's development activities. The company expects to receive a tax refund related to research and development costs incurred during 2017, thus the loss after tax is DKK 6.2 million. At yearend the equity was DKK 1 million.

As of 31.12.2017, the Company is financed by the equity of DKK 0.8 million and a loan from the Parent of DKK 8.1 million, which is assumed maintained until the Company's situation allows for repayment thereof (falls due no earlier than 31 March 2019). The Company's cash and income tax receivable on research and development costs incurred total DKK 8.3 million at 31.12.2017.

As specified in the above section "Business model and strategy" in the management commentary, the Company's strategy is to license or sell all or part of the activities no earlier than after completion of the Clinical Phase I/II Studies.

The Parent Company has on April 9, 2018 initiated a financing round (rights issue emission) on AktieTorget to ensure a sufficient financial base to expand and continue our development and business activities in 2018 and 2019. The rights issue emission have been secured through subscriptions and guarantees of 80 percent of the total amount corresponding to approximately 19.6 MSEK.

Taking this into account, the annual report has been presented on the assumption that the Company is a going concern.

Management commentary

Management's accounting judgements and estimates

When preparing the Company's financial statements, a number of accounting judgements and estimates have been made according to law, see note 1 for additional description.

Such accounting judgements and estimates, mainly relating to the assessment of the Company's financing for the financial year 2018, are based on assumptions, which Management considers reasonable and achievable, but inevitably are subject to uncertainty.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Gross loss		(7.626.758)	(7.317)
Other financial expenses	2	(173.754)	(89)
Profit/loss before tax		(7.800.512)	(7.406)
Tax on profit/loss for the year	3	1.620.665	1.491
Profit/loss for the year		(6.179.847)	(5.915)
Proposed distribution of profit/loss			
Retained earnings		(6.179.847)	(5.915)
		(6.179.847)	(5.915)

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Other receivables		686.999	410
Income tax receivable		1.620.000	1.500
Prepayments		741.585	706
Receivables		3.048.584	2.616
Cash		6.647.478	14.487
Current assets		9.696.062	17.103
Assets		9.696.062	17.103

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Contributed capital	4	1.000.000	1.000
Retained earnings		(233.171)	5.947
Equity		<u>766.829</u>	<u>6.947</u>
Payables to group enterprises		8.120.880	8.738
Non-current liabilities other than provisions	5	<u>8.120.880</u>	<u>8.738</u>
Other payables		808.353	1.418
Current liabilities other than provisions		<u>808.353</u>	<u>1.418</u>
Liabilities other than provisions		<u>8.929.233</u>	<u>10.156</u>
Equity and liabilities		<u>9.696.062</u>	<u>17.103</u>
Management's accounting judgements and estimates	1		
Contingent liabilities	6		

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.000.000	5.946.676	6.946.676
Profit/loss for the year	0	(6.179.847)	(6.179.847)
Equity end of year	1.000.000	(233.171)	766.829

Notes

1. Management's accounting judgements and estimates

When preparing the Company's financial statements, a number of accounting judgements and estimates have been made according to law, mainly relating to the assessment of the Company's financing for the financial year 2018.

As of 31.12.2017, the Company is financed by the equity of DKK 0.8 million and a loan from the Parent of DKK 8.1 million, which is assumed maintained until the Company's situation allows for repayment thereof (falls due no earlier than 31 March 2019). The Company's cash and income tax receivable on research and development costs incurred total DKK 8.3 million at 31.12.2017.

As specified in the above section "Business model and strategy" in the management commentary, the Company's strategy is to license or sell all or part of the activities no earlier than after completion of the Clinical Phase I/II Studies.

The sufficiency of the financial base is depending on how the completion of the ongoing Clinical Phase I/II Studies of our project RV001 progresses. The Parent Company has on April 9, 2018 initiated a financing round (rights issue emission) on AktieTorget to ensure a sufficient financial base to expand and continue our development and business activities in 2018 and 2019. The rights issue emission have been secured through subscriptions and guarantees of 80 percent of the total amount corresponding to approximately 19.6 MSEK.

We believe that our existing cash resources together with the rights issue emission can provide capital for the activities in 2018.

Taking this into account, the annual report has been presented on the assumption that the Company is a going concern.

Such judgements relating to future events are based on assumptions, which Management considers reasonable and achievable, but inevitably are subject to uncertainty.

	2017	2016
	DKK	DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	173.720	77
Interest expenses	34	12
	173.754	89

Notes

	2017	2016
	DKK	DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	(1.620.000)	(1.500)
Adjustment concerning previous years	(665)	9
	(1.620.665)	(1.491)

	Number	Par value	Nominal
		DKK	value
			DKK
4. Contributed capital			
Shares	1.000.000	1	1.000.000
	1.000.000		1.000.000

5. Liabilities other than provisions

Payable to the parent company is due on March 31, 2019 at the earliest. Interest for the period is accrued and added to the principal.

6. Contingent liabilities

The company has entered into an agreement with The Danish Cancer Society, which means that RhoVac ApS will have to pay GBP 100 thousand and future royalty payments upon receiving approval in the EU or US for specific products included in the international patent application of December 18, 2008. The company holds a buy-out option of GBP 50 thousand before finalizing phase II-studies, GBP 100 thousand before finalizing phase III-studies, or GBP 200 thousand before receiving approval of any product in the EU or US.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises other external expenses.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises and payables and transactions in foreign currencies etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.