



Rhovac ApS

Agern Alle 24, 1.
2970 Hørsholm
CVR No. 31159008

Annual report 2019

The Annual General Meeting adopted the
annual report on 13.08.2020

Jan Bjerrum Bach

Chairman of the General Meeting

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Entity details

Entity

Rhovac ApS

Agern Alle 24, 1.

2970 Hørsholm

CVR No.: 31159008

Registered office: Rudersdal

Financial year: 01.01.2019 - 31.12.2019

Executive Board

Lars John Anders Månsson, CEO

Henrik Stage, CFO

Steffen Wad Jørgensen, CDO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

Statement by Management

The Executive Board have today considered and approved the annual report of Rhovac ApS for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 13.08.2020

Executive Board

Lars John Anders Månsson
CEO

Henrik Stage
CFO

Steffen Wad Jørgensen
CDO

Independent auditor's report

To the shareholders of Rhovac ApS

Opinion

We have audited the financial statements of Rhovac ApS for the financial year 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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:

- 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.

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, 13.08.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jens Sejer Pedersen

State Authorised Public Accountant
Identification No (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. The company's first program is aimed at developing its cancer vaccine as a treatment for prostate cancer.

Rhovac AB is a parent company in a group consisting of the parent company and the wholly owned Danish subsidiary Rhovac ApS.

Development in activities and finances

Development in activities during 2019

After an eventful business year, Rhovac has achieved several strategically important milestones strengthening the Company in several respects. First of all, we have achieved promising results with our drug candidate RV001 in both clinical phase I / II study and in its 12-month follow-up study. These results led us to start an international clinical phase IIb study (BRaVac), with a recruitment of at least 175 patients in Europe and the United States, after raising capital in the parent company, Rhovac AB, through a rights issue of SEK 181 million before issue costs and a contribution of SEK 27m from the EU's innovation and research program Horizon 2020.

The BRaVac study includes patients with prostate cancer who have completed a primary treatment with prostatectomy or radiotherapy and who have ascending values in the common prostate cancer marker, PSA. The primary objective of the study is to evaluate whether treatment with RV001 can prevent or limit the progression of cancer.

Against this background, we look forward with confidence to the coming period in the development of the Company and of the drug candidate RV001. In spite of the very extensive COVID-19 pandemic, we are now looking forward to an exciting 2020 focusing on the implementation of the international clinical phase IIb study and the continued business development. The study's performance will inevitably be affected by the COVID-19 pandemic, but it is still too early to assess exactly how much the study will be delayed.

Development in finances during 2019

In 2019 Rhovac ApS incurred a loss after tax of DKK (15,7) million. The cost incurred is mainly related to the company's development activities. In 2019 Rhovac ApS received additional capital from the parent company through a Group contribution of DKK 99 million. At year end the equity was DKK 76,0 million. With the cash available at year end of DKK 70,6 million our estimation is that we have the funds needed to conduct the BraVac study.

The annual report has, based on the above, been presented on the assumption that the Company is a going concern.

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 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		(17,777,668)	(9,790,506)
Other financial expenses	1	(638,263)	(214,782)
Profit/loss before tax		(18,415,931)	(10,005,288)
Tax on profit/loss for the year	2	2,707,000	2,132,852
Profit/loss for the year		(15,708,931)	(7,872,436)
Proposed distribution of profit and loss			
Retained earnings		(15,708,931)	(7,872,436)
Proposed distribution of profit and loss		(15,708,931)	(7,872,436)

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Deposits		9,857,971	0
Other financial assets	3	9,857,971	0
Fixed assets		9,857,971	0
Other receivables		1,461,860	752,874
Income tax receivable		2,702,571	2,133,000
Prepayments		230,419	38,933
Receivables		4,394,850	2,924,807
Cash		70,631,581	6,349,677
Current assets		75,026,431	9,274,484
Assets		84,884,402	9,274,484

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital	4	1,000,000	1,000,000
Retained earnings		75,022,802	(8,105,607)
Equity		76,022,802	(7,105,607)
Payables to group enterprises		0	13,981,649
Deferred income		4,209,820	0
Non-current liabilities other than provisions	5	4,209,820	13,981,649
Trade payables		3,851,780	2,398,443
Payables to group enterprises		800,000	0
Other payables		0	(1)
Current liabilities other than provisions		4,651,780	2,398,442
Liabilities other than provisions		8,861,600	16,380,091
Equity and liabilities		84,884,402	9,274,484
Contingent liabilities	6		

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,000,000	(8,105,606)	(7,105,606)
Group contributions etc	0	98,837,339	98,837,339
Profit/loss for the year	0	(15,708,931)	(15,708,931)
Equity end of year	1,000,000	75,022,802	76,022,802

Notes

1 Other financial expenses

	2019 DKK	2018 DKK
Financial expenses from group enterprises	570,106	191,204
Other interest expenses	68,157	23,578
	638,263	214,782

2 Tax on profit/loss for the year

	2019 DKK	2018 DKK
Current tax	(2,707,000)	(2,132,852)
	(2,707,000)	(2,132,852)

3 Financial assets

	Deposits DKK
Additions	9,857,971
Cost end of year	9,857,971
Carrying amount end of year	9,857,971

4 Share capital

	Number	Par value DKK	Nominal value DKK
Shares	1,000	1	1,000,000
	1,000		1,000,000

5 Non-current liabilities other than provisions

	Due after more than 12 months 2019 DKK
Deferred income	4,209,820
	4,209,820

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.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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. This item also includes writedowns of receivables recognised in current assets.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme 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.

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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.