

Cytovac A/S

Venlighedsvej 6

DK-2970 Hørsholm

Business Registration No. 31 26 26 66

Annual report 2018

(11th financial year)

The Annual General Meeting adopted the annual report on 8 / 4 2019

Philip Graff

Chairman of the General Meeting

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Company information

The Company

Cytovac A/S

SCION-DTU Forskerby

Venlighedsvej 6

DK-2970 Hørsholm

Business Registration No.: 31 26 26 66

Registered office: Hørsholm

Date of incorporation: 11.02.2008

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Jan Kuhlmann Andersen, Chairman

Lars Peter Bjerrek

Peter Bonne Eriksen

Lars-Christian Brask

Per Falholt

Executive Board

Kim Arvid Nielsen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Statement by Management

The Board of Directors and Executive Board have today considered and approved the annual report for the financial year 01.01.2018 – 31.12. 2018 for Cytovac A/S.

The annual report is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position as at 31.12.2018 and of the results of the the Company's activities and cash flows for the financial year 01.01.2018 – 31.12.2018.

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

The annual report is submitted for adoption at the Annual General Meeting.

Hørsholm, 25 February 2019

Executive Board

Kim Arvid Nielsen
CEO

Board of Directors

Jan Kuhlmann Andersen
Chairman

Lars Peter Bjerrek

Peter Bonne Eriksen

Lars-Christian Brask

Per Falholt

Independent auditor's report

To the shareholders of Cytovac A/S

Opinion

We have audited the financial statements of Cytovac A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2018, and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 this auditor's report. We are independent of the Company 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.

Material uncertainty related to going concern

We refer to note 3 to the financial statements from which it is evident that the Company's going concern is conditional upon capital being contributed in 2019. The Company is planning an initial public offering in Sweden, and the outcome thereof is not expected to be known until at the end of June 2019. In presenting the financial statements, Management assumed that the initial public offering will take place, for which reason the financial statements have been presented on a going concern basis. As stated in note 3, this situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion has not been modified with respect to this matter.

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 in 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 Statements Act. We did not identify any material misstatement of the management's review.

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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, 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 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 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 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 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.

Copenhagen, 25 February 2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Bjørn Philip Rosendal
State-Authorised Public Accountant
MNE no. 40039

Management's review

Primary activities

CytoVac performs research and development of cell-based pharmaceuticals for treatment of cancer, based on the patient's own immune system (immunotherapy).

Development in activities

Cytovac has in 2018 strengthen the board with competences within investment banking and finance. The new board has together with management worked on executing on the company strategy including optimization of our ongoing study CV-006 on Glioblastoma in Sweden and planning for future studies with ALECSAT, besides optimization of the production. Management and the Board has in 2018 succesfully completed two share issues and a pre-IPO share issue in Sweden in cooperation with Vator Securities. The purpose of these share issues has been to secure the company's financials moving forward to a planned IPO in 2019.

Outlook

Immunotherapy continues to be an area in cancer research and treatment that has high priority. Cytovac has developed the ALECSAT therapy, which potentially can improve cancer treatment by a gentle treatment method. It is the opinion of the Board of Directors and Management that the need for new products is still high and that the market continues to show a great interest in immunotherapy-based products. In this light, it is the expectation that there will be significant interest in Cytovac and its products, especially when the company gets the clinical results from the ongoing phase II trial in Glioblastoma in Sweden. These results are expected in first half of 2020.

In 2019 the company will focus on the following activities:

- Preparing for the planned IPO in Sweden

- Strengthening the competences in the organization within medical and development

- Further development of the documentation and preparation for the commercial use of ALECSAT

- Start of new phase II studies within breast cancer Plan for a new phase II study within soft tissue sarcoma

- Continue our international collaboration relations

Management's review

Financial review

Income statement

The net result for the financial year 2018 was a loss of DKK 30.4 million compared to a loss of DKK 14.9 million in 2017. The increase is primarily due to increased research and development activities as well as costs associated with the company's preparation for a pre-IPO and IPO.

Production cost

The manufacturing costs totaled DKK 5.4 million in 2018 compared to DKK 6.5 million in 2017. The manufacturing costs relates mainly to the clinical study Glioblastoma CV006 Phase IIa trial.

Research and development costs

Research and development costs totaled DKK 22.1 million in 2018 compared to DKK 10.6 in 2017. The increase in costs was mainly due to the ongoing Glioblastoma CV006 Phase IIa trial.

General and administration expenses

General and administration expenses were DKK 8.3 million in 2018 compared to 2.0 million in 2017, the increase is mainly due to changes in management and board and costs related to consultants preparing for the pre-IPO and the IPO.

Other operation income, net

Other operating income totaled DKK 0.2 million in 2018 compared to DKK 0.0 million in 2017. The operating income consist of recharge of management cost to Cytovac AB.

Net financial items

Net financials totaled an expense of DKK 0.2 million in 2018 compared to DKK 0.0 million in 2017. Financial expenses consist primarily of interest expenses on loans from shareholders.

Income tax benefit

Income tax benefit totaled DKK 5.5 million in 2018 compared to DKK 4.2 million in 2017. Income tax benefits for both the years 2018 and 2017 relates to tax credit for research and development expenses at the applicable tax rate under the Danish Corporate Income Tax Act.

Statement of financial position

Cash and cash equivalents

As of December 31, 2018, the company had cash and cash equivalents of DKK 1.0 million compared to DKK 0.2 million as of December 31, 2017.

Equity

As of December 31, 2018, equity amounted to DKK -3,8 million compared to DKK 3,5 million in 2017.

Management's review

Cash flows

Cash flow from operation activities

Net cash flow from operation activities for 2018 was an outflow of DKK 22.0 million compared to DKK 14.5 million in 2017. Net cash flow from operation activities is attributable primarily to clinical development activities and as well general and administrative expenses related to preparation of the IPO.

Cash flow from investing activities

Net cash flow from investing activities was amounted to an outflow of DKK 0.2 million in 2018 compared to an outflow of DKK 0.0 million in 2017.

Cash flow from financing activities

Net cash flow from financing activities was amounted to an inflow of DKK 23.0 million in 2018 compared to an inflow of DKK 9.1 million in 2017.

Uncertainty in recognition and measurement

Management has assessed that no assertions in the financial statements have been affected by material uncertainty in recognition and measurement.

Please refer to disclosure 3 regarding mention of application of going concern condition.

Subsequent events

The Company has received additional proceeds from the pre-IPO in Q1 2019 amounting to DKK 20-30 million. Further, the Company has on 12 February 2019 published that it is seeking an initial public offering (IPO) on First North Premier in Sweden in second quarter of 2019 or later during 2019 depending on the capital market. From the closing date and until today, no further matters, which would influence the evaluation of the annual report has occurred.

Income statement

	Note	2018 DKK`000	2017 DKK`000
Production costs	4, 5, 11, 12	-5,441	-6,514
Research and development costs	4, 5, 11, 12	-22,094	-10,602
Administrative expenses	4, 5	-8,298	-1,964
Other operating income, net	6	153	0
Operating loss / EBIT		-35,681	-19,080
Financial income	7	0	0
Financial expenses	8	-171	-3
Loss before tax		-35,852	-19,083
Tax for the year	9	5,500	4,226
Loss for the year		-30,352	-14,857
<i>Attributable to:</i>			
Shareholders of Cytovac A/S		-30,352	-14,857
Earnings per share, basic (DKK)		-0.33	-0.20
Earnings per share, diluted (DKK)	10	-0.33	-0.20

Statement of comprehensive income

	Note	2018 DKK`000	2017 DKK`000
Loss for the year		-30,352	-14,857
Other comprehensive income			
Other comprehensive income for the year		0	0
Other comprehensive income for the year, net of tax		-30,352	-14,857
Total comprehensive income for the year		-30,352	-14,857
<i>Attributable to:</i>			
Shareholders of Cytovac A/S		-30,352	-14,857

Balance sheet

	<u>Note</u>	<u>31/12/18</u> <u>DKK`000</u>	<u>31/12/17</u> <u>DKK`000</u>	<u>01/01/17</u> <u>DKK`000</u>
Acquired rights	11	0	10	30
Total intangible assets		0	10	30
Other fixtures and fittings, tools and equipment	12	380	769	1,252
Total property, plant and equipment		380	769	1,252
Deposits	13	526	469	457
Total investments		526	469	457
Total non-current assets		906	1,248	1,739
Income tax receivables		5,500	4,226	3,502
Receivable from affiliated companies		554	0	0
Other receivables		1,510	779	761
Prepayments		60	108	140
Total receivables	14	7,624	5,113	4,403
Cash		1,043	229	5,634
Total current assets		8,667	5,342	10,037
Total assets		9,573	6,590	11,776

Balance sheet

	<u>Note</u>	<u>31/12/18</u> <u>DKK`000</u>	<u>31/12/17</u> <u>DKK`000</u>	<u>01/01/17</u> <u>DKK`000</u>
Share capital	16	100,540	78,800	71,620
Retained earnings		-104,333	-75,281	-62,345
Total equity		-3,793	3,519	9,275
Other provisions		0	100	0
Total non-current liabilities		0	100	0
Payables to other credit institutions	17	0	12	38
Trade payables		7,996	1,935	550
Other payables	18	5,370	1,025	1,913
Total current liabilities		13,366	2,971	2,501
Total liabilities		13,366	2,971	2,501
Total equity and liabilities		9,573	6,590	11,776
Financial instruments by category	15			
Other contingent liabilities	19			
Related parties with controlling interest	21			
Other disclosures, including accounting policies	1-3, 22-26			

Statement of changes in equity

	Share capital DKK`000	Share premium DKK`000	Retained earnings DKK`000	Total DKK`000
Balance at 1 January 2017	71,620	0	-62,345	9,275
Capital increase	7,180	1,920	0	9,100
Net profit/loss for the year	0	0	-14,857	-14,857
Other comprehensive income for the year	0	0	0	0
Balance at 31 December 2017	78,800	1,920	-77,201	3,519
Balance at 1 January 2018	78,800	1,920	-77,201	3,519
Capital increase	21,740	1,300	0	23,040
Net profit/loss for the year	0	0	-30,352	-30,352
Other comprehensive income for the year	0	0	0	0
Balance at 31 December 2018	100,540	3,220	-107,553	-3,793

There is no special requirements associated with the share premium, which may on the Company's decision be transferred to retained earnings.

Cash flow statement

	<u>Note</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Operating loss		-35,681	-19,083
Depreciation, amortisation and impairment		522	504
Change in provisions		-100	100
Change in working capital	20	9,158	472
Income taxes received		4,226	3,502
Interest paid/received		-171	-3
Cash flow from operating activities		-22,045	14,493
Cash flow from investing activities		-180	-12
Capital increase		23,040	9,100
Cash flow from financing activities		23,040	9,100
Net cash flow		815	-5,405
Cash, 1 January		229	5,634
Cash 31 December		1,044	229

Restricted cash

The cash and cash equivalents presented above in the cash flow statement include DKK 200 thousand (2017: DKK 200 thousand) restricted cash and placed as collateral for the bank engagement and, therefore, not available for general use.

Notes

1. Accounting policies
2. Critical accounting judgements and key sources of estimation uncertainty
3. Going concern
4. Staff costs
5. Depreciation, amortization and impairment
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7. Financial income
8. Financial expenses
9. Tax for the year
10. Earnings per share
11. Acquired rights
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13. Deposits
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15. Financial instruments by category
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17. Interest bearing loan
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21. Related parties
22. Subsequent events
23. Financial risks
24. First time adoption of IFRS
25. Accounting policies
26. New standards

Notes

1. Accounting policies

The annual report for Cytovac A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of the Danish Financial Statements Act for enterprises in class B.

Accounting policies are described in full in note 25.

The Company has changed the presentation of the income statement from classification by nature to classification by function in order to align the presentation to the peers in the pharmaceutical industry.

2. Critical accounting judgements and key sources of estimation uncertainty

As part of the preparation of the financial statements, Management makes a number of accounting estimates and assumptions as a basis for recognising and measuring the Company's assets, liabilities, income and expenses as well as judgements made in applying the entity's accounting policies. The estimates, judgements and assumptions made are based on experience gained and other factors that are considered prudent by Management in the circumstances, but which are inherently subject to uncertainty and volatility.

The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur for which reason the actual results may differ from the estimates and judgements made. The accounting policies are described in detail in note 25 to the financial statements to which we refer.

Management considers the following accounting estimates and judgements to be significant in the preparation of the financial statements.

Development projects

For development projects, Management estimates on an ongoing basis whether this is likely to generate future economic benefits for the Company in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria.

The development of CV-006 is at an early stage which means that the evaluation of the possibility of generation of future economic benefits is assessed to be too low for recognition, hence the development costs are recognised directly in the income statement when incurred.

Notes

3. Going concern

It is the opinion of Cytovac that the working capital available as of 31 December 2018 is not sufficient for the Company's present working capital needs for the twelve months following this date. Cytovac intends to finance its operations for the twelve months following this date using the pre-IPO proceeds from the pre-IPO offering received in Q4 2018 and Q1 2019 and the proceeds from expected Initial Public Offering on First North Premier in Sweden in second quarter of 2019 or later during 2019 depending on the capital market. In case the offering is not completed, Cytovac will seek alternative methods of finance in cooperation with its existing shareholders.

4. Staff costs

	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Wages and salaries	9,480	6,656
Cash bonus	2,567	0
Pensions	492	320
Other social security costs	115	81
Other staff costs	177	118
Total	<u>12,830</u>	<u>7,175</u>

Average numbers of employees during the year	<u>18</u>	<u>14</u>
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Board of Directors and Executive Board

Remuneration	4,776	1,446
Pension	<u>228</u>	<u>108</u>
	<u>5,004</u>	<u>1,554</u>

Employment contracts for members of the Executive Board contain terms and conditions that are common to those of their peers in similar companies including terms of notice and non-competitive clauses.

Notes

	2018 DKK'000	2017 DKK'000
4. Staff costs (continued)		
Recognised in the income statement under the following items:		
Production	2,470	3,369
Research and development costs	7,526	3,806
Administrative expenses	2,835	0
Total	12,830	7,175
Average number of employees	18	14
Cytovac's research and development focuses on the development of the CV-006 Research and development costs that are not eligible for capitalisation have been expensed in the period and they are recognised in research and development costs.		
5. Depreciation, amortisation and impairment		
Amortisation of intangible assets	10	20
Depreciation of tangible assets	512	484
	522	504
Recognised in the income statement under the following items:		
Production	0	0
Research and development costs	522	504
Administrative costs	0	0
Total	522	504
6. Other operating income		
Management fee from parent company	153	0
	153	0

Notes

	2018 DKK'000	2017 DKK'000
7. Financial income		
Interest income	0	0
	0	0
8. Financial expenses		
Interest expenses	171	2
Foreign exchange losses and other adjustments	0	1
	171	3
9. Tax for the year		
Current tax for the year income	5,500	4,226
Changes in deferred tax	0	0
	5,500	4,226
Recognised as receivable tax credit	5,500	4,226
	5,500	4,226

Income tax benefits for both the years 2018 and 2017 relates to tax credit for research and development expenses at the applicable tax rate under the Danish Corporate Income Tax Act.

	2018 DKK'000	2017 DKK'000
Tax calculated as 22% of profit/loss before tax	-7,887	-4,198
Non-capitalised tax assets	2,037	-164
Non-deductible expenses	350	137
Effective tax	-5,500	-4,226
 Tax rate for the year (%)	 15.9	 22.15

Due to uncertainty of utilisation of the tax loss carry-forward, Cytovac has not recognised any deferred tax assets. Tax assets amount to DKK 9,243 thousand.

Notes

	2018 DKK'000	2017 DKK'000
10. Earnings per share		
Profit attributable to shareholders of Cytovac A/S	<u>-30,352</u>	<u>-14,857</u>
Weighted average number of ordinary shares ('000)	<u>92,246</u>	<u>74,407</u>
Basic earnings per share, DKK	<u>-0.33</u>	<u>-0.20</u>
Diluted earnings per share, DKK	<u>-0.33</u>	<u>-0.20</u>

Earnings per share and diluted earnings per share are identical, due to the fact that Cytovac has not issued any share options or similar.

	2018 DKK'000	2017 DKK'000
11. Acquired rights		
Cost as at 1 January	200	200
Additions	<u>0</u>	<u>0</u>
Cost as at 31 December	<u>200</u>	<u>200</u>
Amortisation and impairment as at 1 January	-190	-170
Amortisations during the year	<u>-10</u>	<u>-20</u>
Amortisations and impairment as at 31 December	<u>-200</u>	<u>-190</u>
Carrying amount as at 31 December	<u>0</u>	<u>10</u>

Notes

	2018 DKK'000	2017 DKK'000
12. Other fixtures and fittings, tools and equipment		
Cost as at 1 January	3,951	3,951
Additions	<u>124</u>	<u>0</u>
Cost as at 31 December	<u>4,075</u>	<u>3,951</u>
 Amortisation and impairment as at 1 January	 -3,183	 -2,699
Amortisations during the year	<u>-512</u>	<u>-484</u>
Amortisations and impairment as at 31 December	<u>-3,695</u>	<u>-3,183</u>
Carrying amount as at 31 December	<u>380</u>	<u>769</u>
 13. Deposits		
Cost as at 1 January	469	457
Additions during the year	<u>57</u>	<u>12</u>
Cost at 31 December	<u>526</u>	<u>469</u>
 14. Receivables		
Receivables from affiliated companies	554	0
Income tax receivables	5,500	4,226
Receivables from public authorities	1,340	773
Other receivables	170	6
Prepayments	<u>60</u>	<u>108</u>
Receivables as at 31 December	<u>7,624</u>	<u>5,113</u>

Receivables from public authorities comprise receivable VAT and income tax.

The carrying amount of receivables is considered to be the same as fair value due to their short-term nature. Cytovac is exposed to credit risk related to receivables from the parent company, Cytovac AB.

Notes

	2018 DKK'000	2017 DKK'000
15. Financial instruments by category		
Financial assets measured at amortised cost		
Receivables from parent company	554	0
Deposits	526	469
Other receivables, current	7,010	5,005
Cash	<u>1,043</u>	<u>229</u>
Total	<u>9,133</u>	<u>5,703</u>
Financial liabilities measured at amortised cost		
Interest bearing loan, current	0	12
Trade payables	7,996	1,935
Other payables	<u>5,370</u>	<u>1,025</u>
Total	<u>13,366</u>	<u>2,971</u>

Classification of financial assets measured at amortised cost

Cytovac classifies its financial assets as amortised cost only if both of the following criteria are met:

1. The asset is held within a business model whose objective is to collect the contractual cash flows, and
2. The contractual terms give rise to cash flows that are solely payments of principal and interest.

	2018 DKK'000	2017 DKK'000
16. Share capital		
The share capital comprises 100,540 shares of DKK 1 each. No shares carry any special rights.		
Specification of movements in share capital:		
Share capital at 1 January	78,900	71,620
Capital increase	<u>21,640</u>	<u>7,280</u>
Share capital as at 31 December	<u>100,540</u>	<u>78,900</u>

Notes

	2018 DKK'000	2017 DKK'000
17. Interest bearing loan		
Non-current borrowings		
Debt to credit institutions	0	0
Total	0	0
Current borrowings		
Debt to credit institutions	0	12
Debt to related parties	0	0
Total	0	12
Maturity of current and non-current borrowings		
Less than one year	0	12
Between one and five years	0	0
More than five years	0	0
Total	0	12

18. Other payables

Other payables comprise mainly loan from an investor and holiday pay obligation and bonus.

19. Other contingent liabilities

The Company has a rent obligation corresponding to 6 months rent totaling DKK 668 thousand.

	2018 DKK'000	2017 DKK'000
20. Change in operating activities		
Change in receivables and prepayments	-1,236	15
Change in trade payables and other debt etc.	10,294	457
	9,058	472

Notes

21. Related parties

<u>Shareholders</u>	<u>Registered office</u>	<u>Basis of influence</u>
Cytovac AB	Stockholm	100 %

2018: Intra-Group balance (receivable) of DKK 554 thousand and income DKK 153 thousand.

2017: Intra-Group balance of DKK 0 thousand and expenses DKK 0 thousand.

Other related parties

Other related parties of Cytovac A/S with significant influence comprise the Board of Directors and the Executive Board and their related parties.

2018:

Frelo Invest AB, a company controlled by the independent board member Lars Bjerrek, has provided consultancy services regarding the pre-IPO and IPO. The company is entitled to receive compensation per hour, remuneration in total DKK 32 thousand.

Arvid Consulting a company controlled by the Executive Management, has provided consultancy services regarding the capital increase in 2017/2018. The company is entitled to receive compensation per hour, remuneration in total DKK 110 thousand.

2017:

Individuals related to the Board of Directors and the Executive Management have received remuneration of DKK 80 thousand.

22. Subsequent events

The Company has received additional proceeds from the pre-IPO in Q1 2019 amounting to DKK 20-30 million. Further, the Company has on 12 February 2019 published that it is seeking an initial public offering (IPO) on First North Premier in Sweden in second quarter of 2019 or later during 2019 depending on the capital market. From the balance sheet date and until today, no further matters, which would influence the evaluation of the annual report has occurred.

Notes

23. Financial risks

As a result of its operations and investments, the Company is exposed to a number of financial risks.

It is the Company's policy to operate with a low risk profile in order that currency, interest rate and credit risks only occur in connection with commercial relations. It is the Company's policy not to engage in active speculation in financial risks. There are no currency risks at 31.12.2018.

Relevant matters regarding the Company's risk management are described in the following sections. In 2018, the Company's primary activity was continued research and development.

Interest rate risks

The Company has a small liquidity surplus, which is placed in cash at the Company's bank at a variable interest rate and a debt where the majority does not carry interest, while a smaller share carries interest with a fixed interest rate.

An increase in market interest rates from 0% to 1% will have a very limited effect on the fair value of the Company's loans, which fall due no later than 30 June 2019. A corresponding decrease in the market interest rate will have a corresponding negative effect on the fair value as a result of the matter mentioned above. The change in the market interest rate does not affect the Company's profit and equity as the liability is measured at amortised cost.

Liquidity risks

The Company ensures sufficient liquidity resources through a combination of liquidity management and the establishment of credit facilities, primarily through loans or grants from the Company's parent company. The Company and the Company's parent company, however, is dependent on additional liquidity being raised in 2019. The parent company has initiated a pre-ipo with most of the proceeds received in 2018 and additional funds received in 2019. Further, the parent company has initiated an initial public offering (IPO) of its shares and rights issue of new shares on First North Premier in Sweden that is expected to take place in second quarter of 2019 or later during 2019 depending on the capital market, which is expected to raise an additional DKK between 55-110 million, which is assessed sufficient to continue operations in 15-30 months.

The Company has a loan, which fall due no later than 30 June 2019 on DKK 2,5 million.

The Company's liquidity reserve as at 31 December is as follows:

	2018 DKK'000	2017 DKK'000
Cash	1,044	229
Total	1,044	229

Notes

23. Financial risks (continued)

Credit risks

The primary credit risk in the Company is related to receivables from affiliated companies where the risk of loss at 31 December 2018 is considered to be limited, thus no impairment for expected credit loss has been recognized. See also note 15, Receivables from affiliated companies.

At 31 December 2018, the Company has no overdue receivables.

In order to limit the Company's counterparty risk, deposits are only made in reputable banks.

Optimisation of capital structure

Management regularly assesses whether the Company's capital structure is in accordance with the interests of the Company and its shareholders. The overall goal is to secure a capital structure that supports the activities in the following year.

The Company has on 12 February 2019 published that it is seeking an initial public offering (IPO) and rights issue of new shares on First North Premier in Sweden in second quarter of 2019 or later during 2019 depending on the capital market. The purpose of the IPO is to provide the Company with means to continue the current research and development activities.

The Company's capital structure consists primarily of equity.

Reference is made to note 3 for a description of the Company's plan to ensure sufficient capital resources.

Notes

24. First-time adoption of IFRS

The financial statements for the year ended 31 December 2018 with comparative figures are the first set of financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act (IFRS).

For periods up to and including the year ended 31 December 2017, Cytovac A/S prepared its financial statements in accordance with the Danish Financial Statements Act.

Accordingly, Cytovac A/S has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2018, together with the comparative period at and for the year ended 31 December 2017 as described in the accounting policies.

In preparation of these financial statements, Cytovac A/S' opening balance sheet was prepared as at 1 January 2017, the Company's transition to IFRS. This note explains the adjustments made by Cytovac A/S in restating the financial statement prepared in accordance with the Danish Financial Statements Act, including the financial position as at 1 January 2017 and the financial statements for the year ended 31 December 2017.

Exemptions applied

Due to the Company's limited activity in the previous years, the transition to IFRS has no effect on the recognition and measurement in the previous financial statements. As a result hereof, there is not included a reconciliation as at transition on 1 January 2017.

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. Due to the fact that no differences in recognition and measurement are identified, Cytovac has not applied any of the exemptions.

Notes

25. Accounting policies

The financial statements are presented in DKK, the functional currency of the Company.

The financial statements are prepared under the historical cost convention.

The accounting policies described below have been applied consistently throughout the financial year.

Segments

The Company operates in only one segment, and no segment reporting is provided in the management reporting, hence no segment reporting is included in the financial statements.

Cash flow statement

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities for the year as well as Cytovac's cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities are calculated based on operating profit/loss (EBIT), adjusted for the cash flow effect of non-cash operating items, working capital changes, financial expenses paid and income tax paid.

Cash flows from investing activities comprise payments in connection with the acquisition and sale of non-current intangible assets, property, plant and equipment as well as financial assets.

Cash flows from financing activities comprise payments arising from changes in the size or composition of the Company's share capital and dividend paid. Cash and cash equivalents comprise cash at bank and in hand.

Information on fair value

For all of the Company's assets and liabilities, the carrying amount is considered to be an approximation at fair value since the assets and liabilities are short-term, hence there has been no significant changes in the market rate.

Notes

25. Accounting policies (continued)

Rentals and leases

For financial reporting purposes, leases are divided into finance leases and operating leases.

A lease is classified as a finance lease when it transfers substantially all of the risks and rewards incidental to ownership of the leased asset. Other leases are classified as operating leases.

Lease payments on operating leases are recognised in profit or loss on a straight-line basis over the lease period unless other systematics better reflect the benefit from the use of the asset. The remaining rental and lease commitments of such leases are disclosed in the notes to the financial statements.

Income statement

Production costs

Production costs comprise costs, including depreciation, salaries, incurred in preparation for generating the future revenue.

Research and development costs

Research expenses comprise salaries and other expenses, including patent expenses, as well as depreciation and amortization directly attributable to the Group's research activities. Research expenses are recognized in the income statement as incurred.

Administrative expenses

Administrative expenses include expenses for administrative personnel, expenses related to company premises, etc.

Other operating income, net

Other operating income comprise of management fee invoiced to Cytovac AB.

Notes

25. Accounting policies (continued)

Amortisation and impairment losses on property, plant and equipment and intangible assets

Amortisation and impairment losses on property, plant and equipment and intangible assets are made based on the estimated useful life of the assets in the Company. The property, plant and equipment and intangible assets are depreciated on a straight-line on the basis of the cost, based on the following assessment of the useful life:

Software	3 years
Equipment	5 years

Profits and losses from the sale of property, plant and equipment and intangible assets are calculated as the difference between selling price less selling costs and carrying amount at the time of sale and are recognised in the income statement under other operating income or expenses.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amount that relates to the financial year. Financial income and expenses comprise interest income and expenses and realised and unrealised capital gains and losses on payables and transactions in foreign currencies,

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax less the part of the tax for the year relating to other comprehensive income and changes in equity. Current tax and deferred tax relating to other comprehensive income and changes in equity are recognized in other comprehensive income or directly in equity, respectively.

Income tax benefits for both the years 2018 and 2017 relates to tax credit for research and development expenses at the applicable tax rate under the Danish Corporate Income Tax Act.

Balance

Intangible assets

Acquired software is measured at cost less accumulated amortisation and impairment losses. Depreciation is made from the time the software is put into operation.

The software is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Property, plant and equipment comprises primarily hardware, which is measured at cost.

Notes

25. Accounting policies (continued)

The basis of depreciation is cost less estimated residual value. The residual value is the expected amount that could be obtained if the asset is sold today less selling costs if the asset already had the age and was in a condition that it is expected after the end of useful life. The residual value is identical with the agreed repurchase price as it is stipulated as the expected residual value. Cost of a total asset is divided into smaller parts that is depreciated separately if the useful life is different.

The depreciation method, useful life and residual values are reassessed on an annual basis.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount, cf. the paragraph regarding impairment losses below.

Impairment losses on property, plant and equipment

The carrying amount of property, plant and equipment is examined on the balance sheet date in order to determine whether there is any indication of impairment. If this is the case, the lower of recoverable amount of the asset is calculated in order to determine the need for any impairment and the extent thereof.

The lower of recoverable amount is calculated as the highest value of the asset's fair value less selling costs and the value in use of the asset. When the value in use is calculated, the estimated future cash flows are discounted to present value by using a discount rate that reflects partly the current market assessments of the time value of money and partly the specific risks associated and which are not regulated in the estimated future cash flows.

If the asset's recoverable amount is lower than the carrying amount, the carrying amount is written down to the lower of recoverable amount.

Impairment losses are recognised in the income statement. In case of any subsequent reversals of write-downs due to changes in assumptions for the calculated recoverable amount, the asset's carrying amount is increased to the adjusted recoverable amount, however, up to the carrying amount that the asset would have had if write-down had not been made.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less provisions for expected credit losses.

Prepayments

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

Notes

25. Accounting policies (continued)

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Income taxes payable or receivable and deferred tax

Current tax liabilities and current tax receivable are recognised in the balance sheet as calculated tax on the year's taxable income adjusted for paid tax on account.

Deferred tax is measured under the balance sheet liability method on temporary differences between the carrying amount and tax-based value of assets and liabilities. In cases where the calculation of the tax value can be made according to alternative tax rules, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are measured at the estimated realisable value at which the asset is expected to be realised, either by offsetting tax on future earnings or by offsetting deferred tax liabilities. Any deferred net tax assets are measured at net realisable value.

Deferred tax is measured on the basis of the tax rules and tax rates that are expected to apply when the deferred tax is expected to be triggered as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement. For the current year, a tax rate of 22% has been applied.

Other financial liabilities

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses

Notes

26. New standards

The most significant standard and interpretations that are issued, but not yet effective, up to the date of issuance of Cytovac's financial statements is IFRS 16, as disclosed below.

All other new or amended standards and interpretations not yet effective are not expected to have a material impact on Cytovac's annual report.

IFRS 16 'Leases'

IFRS 16 was issued in January 2016 with effective date on 1 January 2019. The standard results in almost all leases being recognised in the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, a lease asset (the 'right of use' asset) and a financial liability to pay rentals are recognised. There are only few exceptions which are related to short-term and low-value leases.

Cytovac will as lessee be required to separately recognise interest expenses on the finance lease liability and depreciation expenses on the right of use asset. Further, Cytovac will also be required to account for lease modifications such as changes to the lease term as well as changes in the future lease payments resulting from a change in an index or rate used to determine those payments. The amount of the remeasurement will be recognised as an adjustment to the lease liability and right of use asset.

At the reporting date, Cytovac had limited non-cancellable operating lease commitments (note 20). Based on the current non-cancellable operating lease commitments and a rent obligation corresponding to 6 months rent, Cytovac expects a limited if any effect from implementation of IFRS 16 .



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26-02-2019 12:04

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26-02-2019 13:55

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01-03-2019 11:23

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Nærværende dokument

Regnskab BPR-comments_fra Final (002).pdf

Øvrige dokumenter i transaktionen

Afrapportering på revisionen 2046304ra1901_.pdf

Regnskabserklæring om årsrapporten for 2018 underskrevet - final.pdf

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2019-02-26 11:11	En besked er sendt til Bjørn Rosendal (brosendal@deloitte.dk)
2019-02-26 11:21	Dokumentet blev åbnet af Jan Kuhlmann Andersen
2019-02-26 11:21	Dokumentet er underskrevet af Jan Kuhlmann Andersen (IP: 81.19.249.162)
2019-02-26 12:04	Dokumentet er underskrevet af Bjørn Rosendal (IP: 94.189.15.92)
2019-02-26 12:04	Alle dokumenter er underskrevet af Bjørn Rosendal
2019-02-26 13:55	Dokumentet er underskrevet af Per Falholt (IP: 152.73.230.192)
2019-03-01 11:23	Dokumentet er underskrevet af Peter Bonne Eriksen (IP: 195.249.33.86)
2019-03-01 16:39	Dokumentet er underskrevet af Lars Christian Brask (IP: 87.59.180.244)
2019-03-05 10:12	En besked er sendt til (caroline.smith@twobirds.com)
2019-03-05 14:00	Signeringsprocessen er genactiveret
2019-03-06 19:06	Dokumentet er underskrevet af Lars Bjerrek (IP: 78.73.67.206)
2019-03-06 19:07	Alle dokumenter er underskrevet af Bjørn Rosendal

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