

Cytovac A/S

Venlighedsvej 6

DK-2970 Hørsholm

Business Registration No. 31 26 26 66

Annual report 2021

(14th Financial year)

The Annual General Meeting adopted the annual report on 22.05.2022

Lone Dahl Andersen

Chairman of the General Meeting

Contents

	<u>Page</u>
Company information	1
Statement by Management	2
Independent auditor's report	3
Management's review	6
Income statement	10
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	14
Cash flow statement	15
Notes	16

Company information

The Company

Cytovac A/S
Venlighedsvej 6
DK-2970 Hørsholm

Business Registration No.: 31 26 26 66
Registered office: Hørsholm

Date of incorporation: 11.02.2008
Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Jan Kuhlmann Andersen, Chairman
Peter Bonne Eriksen
Per Falholt
Fredrik Buch
Claus Toftkjær

Executive Board

Lone Dahl Andersen, 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 01.01.2021 – 31.12. 2021 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 31.12.2021 and of the results of the Company's activities and cash flows for the financial year 01.01.2021 – 31.12.2021.

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, May 22, 2022

Executive Board

Lone Dahl Andersen
CEO

Board of Directors

Jan Kuhlmann Andersen
Chairman

Peter Bonne Eriksen

Per Falholt

Fredrik Buch

Claus Toftkjær

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 01.01.2021 - 31.12.2021, 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 31.12.2021, and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 Going Concern and note 24 Subsequent event, to the financial statements and the Management report, section "Financing 2022 – Going Concern" and section "Focus areas 2022" from which it is evident that the Company's going concern is conditional upon capital being contributed in 2022. Such financing is expected to be obtained from Cytovac AB.

It is estimated that Cytovac A/S will need additional capital in 2022 in the level of DKK 10-11 million to be able to carry out the planned activities for 2022. Such financing is expected to be obtained primarily from Cytovac AB on the same terms as existing loans cf. note 19 to the Financial Statement.

At December 31, 2021 Cytovac AB holds cash amounted to SEK 1.6 million (DKK 1.1M). In March-April 2022 Cytovac AB carried out a successfully private share issue contributing SEK 13.9 million (DKK 9.9 million). Up to 1 million DKK of these cash are expected to cover costs in Cytovac AB in 2022. Management expects that transfer of the remaining amount to Cytovac A/S together with cash inflow from receivable tax credit DKK 1.7 million expected to be received end of November, will provide Cytovac A/S the sufficient bases for continuing the planned activities to end December 2022. Management will through 2022 work together with Cytovac AB to on financing the activities for follow periods.

Cytovac AB has issued a letter of support like previous years to Cytovac A/S. Based on the above Management therefore considers it appropriate to prepare the financial statements on an ongoing basis.

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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, 22 May 2022

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Jens Sejer Pedersen
State-Authorised Public Accountant
MNE no. 14986

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 (an autologous immunotherapy treatment).

Development in activities

Cytovac's main focus remains to accelerate patient enrollment for the Investigator Initiated phase Ib study CV007 (Immunobreast) within triple negative breast cancer (TNBC) in collaboration with Odense University Hospital (OUH). After a period with below than-expected patient enrollment, a change in the clinical trial protocol has been approved by the Danish Medicines Agency. This change is expected to ease the criteria for enrolling patients into the study. The study will include twenty female patients. The treatment period for each patient is 18 months and the study is expected to be completed in Q3 2024.

Cytovac has in parallel with the clinical study CV007 an ongoing research project with scientists from OUH. The main purpose of this research collaboration is to identify the anticancer effect of the various effector cells that are present in the ALECSAT product (T lymphocytes, NK cells, gamma/delta T cells). The possibilities of combining ALECSAT treatment with already marketed treatments such as checkpoint inhibitors are also being investigated. Experiments are being performed with the ALECSAT product and a human breast cancer tumor cell line in in vitro studies, as well as in in vivo immunocompromised mice. The ALECSAT cells used in these experiments are prepared from both human healthy donors and – patient donors.

Cytovac continuously strives to utilize the knowledge gained through the research and development activities increasing the value and attractiveness of the company. This has led to an important milestone: a patent application for ALECSAT 3.0 has been filed in relation to a change in production method which is expected to increase the number of lymphocytes as well as expression of critical markers (such as high CCR7 and CD27 and low TIGIT) in the final product, which all are important parameters for achieving clinical efficacy. A significant simplification of the whole procedure is achieved and is shortened compared to ALECSAT 2.0.

The service agreement with the CDMO company Xcelcyte has expired in June 2021 but can be extended if Xcelcyte meet their scientific milestones and successfully raise new capital. This has contributed positively to Cytovac's liquidity.

Cytovac has adjusted the organization to improve on commercial execution in line with its current activities and collaboration with Xcelcyte.

Outlook

Immunotherapy continues to be an area in cancer research and treatment that has high priority. Cytovac will continue the research collaboration with OUH by finalizing the experiments in the indication TNBC. Also, a new project will be started in the indication prostate cancer where Cytovac previously in a study has shown that eleven patients out of twenty-one patients responded positive to the ALECSAT treatment. ALESACAT will be tested in combination with other checkpoint inhibitors.

It is the opinion of the Board of Directors and Management that the need for new immunotherapy products is still high and that the market continues to show a great interest in immunotherapy-based products including

Management's review continued

combination products. In this light, it is the expectation that there will be interest in Cytovac's prospective activities when Cytovac extend partner discussions in 2022.

The organization has been further adapted in 2021, and Cytovac will have a reduced burn rate compared to previous years. Furthermore, Cytovac's costs are aligned to meet future research and development activities as well as clinical developments.

Financing 2022 – Going concern

During 2021 Cytovac A/S had a cash outflow from operation activities amounting to 14.5 million DKK which is in line with the projected.

Cytovac A/S is a 100% owned subsidiary of Cytovac AB, the Parent. Cytovac A/S has a negative equity December 31, 2021, amounted to DKK 67.0 million and Cytovac A/S is primarily financed by a loan from Cytovac AB amounting DKK 66.7 million. Cytovac A/S has during 2021 primarily been financed through increased loans from the parent company Cytovac AB, and a short-term loan of DKK 1.5 million from a shareholder in Cytovac AB which was repaid November 2021.

It is estimated that Cytovac A/S will need additional capital in 2022 in the level of DKK 10-11 million to be able to carry out the planned activities for 2022. Such financing is expected to be obtained primarily from Cytovac AB on the same terms as existing loans cf. note 20 to the Financial Statement.

At December 31, 2021 Cytovac AB holds cash amounted to SEK 1.6 million (DKK 1.1M). In March-April 2022 Cytovac AB carried out a successfully private share issue contributing SEK 13.9 million (DKK 9.9 million). Up to 1 million DKK of these cash are expected to cover costs in Cytovac AB in 2022. Management expects that transfer of the remaining amount to Cytovac A/S together with cash inflow from receivable tax credit DKK 1.7 million expected to be received end of November, will provide Cytovac A/S the sufficient bases for continuing the planned activities to end December 2022.

Cytovac AB has issued a letter of support like previous years to Cytovac A/S. Based on the above Management therefore considers it appropriate to prepare the financial statements on an ongoing basis.

Focus areas 2022

In 2022 the company will focus on the following activities:

- Preparing and plan funding of Cytovac's activities beyond 2022
- Continue the research and development activities both individually and jointly with OUH to document further improvements of the ALECSAT technology as a stand alone or in combination therapy
- Continue to focus on enrollment of patients in the Investigator Initiated phase Ib study within triple negative breast cancer (TNBC) CV007
- Explore the opportunities to find a partner, merge or sell the company.

Management's review continued

Financial review

Income statement

The net result for the financial year 2021 was a loss of DKK 13.4 million compared to a loss of DKK 15.7 million in 2020. The decrease is primarily due to the effect of the organizational changes, as well as activity changes in H2 thus reduced the company's costs to adapt to the future clinical development activities.

Revenue

The revenue totaled DKK 1.0 million in 2021 compared to DKK 1.0 million in 2020. The revenue relates to income from the service agreement with XcelCyte

Research and development costs

Research and development costs totaled DKK 10.5 million in 2021 compared to DKK 10.7 in 2020. The reduction in costs was mainly due to reduction in the number of employees and the hereto related cost.

General and administration expenses

General and administration expenses were DKK 3.6 million in 2021 compared to 4.0 million in 2020. The decrease is primarily due to reduction of headcounts and hereto related costs

Other operation income, net

Other operating income totaled DKK 0.2 million in 2021 compared to DKK 0.2 million in 2020. The operating income consist of recharge of management cost to Cytovac AB.

Net financial items

Net financials totaled an expense of DKK 3.0 million in 2021 compared to DKK 4.3 million in 2020. Financial expenses consist primarily of interest expenses and exchange rate adjustment on the intercompany payable from Cytovac AB, and interest expenses on a short-term loan from a shareholder in Cytovac AB.

Income tax benefit

Income tax benefit totaled DKK 1.7 million in 2021 compared to DKK 2.1 million in 2020.

Income tax benefits for both the years 2021 and 2020 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, 2021, the company had cash and cash equivalents of DKK 0,1 million compared to DKK 0.3 million as of December 31, 2020.

Management's review continued

Equity

As of December 31, 2021, equity amounted to DKK -67.0 million compared to DKK -53.6 million in 2020.

Cash flows

Cash flow from operation activities

Net cash flow from operation activities for 2021 was an outflow of DKK 12.4 million compared to DKK 9.8 million in 2020. Net cash flow from operation activities is attributable primarily to clinical development activities and as well general and administrative expenses.

Cash flow from investing activities

Net cash flow from investing activities was amounted to an outflow of DKK 0.0 million in 2021 compared to an outflow of DKK 0.1 million in 2020.

Cash flow from financing activities

Net cash flow from financing activities was amounted to a net inflow of DKK 12.2 million in 2021 compared to an inflow of DKK 9.4 million in 2020. The net inflow relates to increased loans from the Parent Cytovac AB.

Uncertainty in recognition and measurement

Apart from the uncertainties described in note 2 to the Financial Statements, 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

As described in the section "Financing 2022 – Going concern" above Cytovac A/S' Cytovac A/S's parent Company Cytovac AB has successfully carried out a private share issue during March-April contribution SEK 13.9 million (DKK 9.9 million). The proceed is expected to be transferred to Cytovac A/S for the purpose of financing the company's activities during 2022.

In addition, Cytovac A/S has been granted a short-term loan from a shareholder in Cytovac AB on DKK 1.7 million which is received and repaid in Q1.

From the closing date and until today, no further matters, which would influence the evaluation of the annual report has occurred.

Income statement

	Note	2021 DKK`000	2020 DKK`000
Revenue	4	960	1,000
Research and development costs	5, 6, 12, 13	-10,532	-10,718
Administrative expenses	5, 6	-3,634	-4,030
Other operating income, net	7	157	241
Operating loss / EBIT		-13,049	-13,507
Financial income	8	1,043	0
Financial expenses	9	-3,036	-4,319
Loss before tax		-15,042	-17,826
Tax for the year	10	1,690	2,130
Loss for the year		-13,352	-15,696
<i>Attributable to:</i>			
Shareholders of Cytovac A/S		-13,352	-15,696
Earnings per share, basic (DKK)		-0.13	-0.16
Earnings per share, diluted (DKK)	11	-0.13	-0.16

Statement of comprehensive income

	Note	2021 DKK`000	2020 DKK`000
Loss for the year		<u>-13.352</u>	<u>-15,696</u>
Other comprehensive income			
Other comprehensive income for the year		<u>0</u>	<u>0</u>
Other comprehensive income for the year, net of tax		<u>-13.352</u>	<u>-15,696</u>
Total comprehensive income for the year		<u>-13.352</u>	<u>-15,696</u>
<i>Attributable to:</i>			
Shareholders of Cytovac A/S		<u>-13.352</u>	<u>-15,696</u>

Balance sheet

	<u>Note</u>	<u>31/12/21 DKK'000</u>	<u>31/12/20 DKK'000</u>
Acquired rights	12	<u>0</u>	<u>0</u>
Total intangible assets		<u>0</u>	<u>0</u>
Other fixtures and fittings, tools and equipment	13	<u>149</u>	<u>206</u>
Total property, plant and equipment		<u>149</u>	<u>206</u>
Deposits	14	<u>619</u>	<u>619</u>
Total investments		<u>619</u>	<u>619</u>
Total non-current assets		<u>768</u>	<u>825</u>
Income tax receivables		1,682	2,130
Receivables from public authorities		81	0
Receivables from parent company		196	0
Other receivables		42	20
Prepayments		<u>118</u>	<u>222</u>
Total receivables	15	<u>2,119</u>	<u>2,372</u>
Cash		<u>89</u>	<u>316</u>
Total current assets		<u>2,208</u>	<u>2,688</u>
Total assets		<u>2,976</u>	<u>3,513</u>

Balance sheet

	<u>Note</u>	<u>31/12/21 DKK`000</u>	<u>31/12/20 DKK`000</u>
Share capital	17	100,540	100,540
Share premium		3,220	3,220
Retained earnings		-170,743	-157,391
Total equity		-66,983	-53,631
Total non-current liabilities	18	619	698
Payables to public authorities		0	62
Payables to credit institutions		6	0
Payables to parent company	20	66,694	52,224
Trade payables and accruals		642	1,127
Other liabilities	19	1,998	3,033
Total current liabilities		69,339	56,446
Total current liabilities		69,339	56,446
Total equity and liabilities		2,976	3,513
Financial instruments by category	16		
Other contingent liabilities	21		
Related parties with controlling interest	23		
Other disclosures, including accounting policies	1-3, 24-27		

Statement of changes in equity

	Share capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Total DKK'000
Balance at 1 January 2020	100,540	3,220	-141,695	-37,935
Net profit/loss for the year	0	0	-15,696	-15,696
Other comprehensive income for the year	0	0	0	0
Balance at 31 December 2020	100,540	3,220	-157,391	-53,631
 Balance at 1 January 2021	 100,540	 3,220	 -157,391	 -53,631
Net profit/loss for the year	0	0	-13,352	-13,352
Other comprehensive income for the year	0	0	0	0
Balance at 31 December 2021	100,540	3,220	-170,743	-66,983

There are no specific 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>2021 DKK'000</u>	<u>2020 DKK'000</u>
Operating loss		-13,049	-13,508
Depreciation, amortization and impairment		87	151
Change in working capital:			
Change in prepayments, and other receivables	22	195	78
Change in trade payables, accruals and other liabilities	22	-1,656	-2,039
Income taxes received		2,137	5,500
Interest paid/received		-71	0
Cash flow from operating activities		-12,357	-9,818
Cash flow from investing activities		-29	-105
Change in payables from parent company		13,659	9,425
Repayment of loan		-1,500	0
Cash flow from financing activities		12,159	9,425
Net cash flow		-227	-498
Cash, 1 January		316	814
Cash 31 December		89	316

Notes

1. Accounting policies
2. Critical accounting judgements and key sources of estimation uncertainty
3. Going concern
4. Revenue
5. Staff costs
6. Depreciation, amortization and impairment
7. Other operating income
8. Financial income
9. Financial expenses
10. Tax for the year
11. Earnings per share
12. Acquired rights
13. Other fixtures and fittings, tools and equipment
14. Deposits
15. Receivables
16. Financial instruments by category
17. Share capital
18. Non-current liabilities
19. Other payables
20. Payables to parent company
21. Other contingent liabilities
22. Change in operating activities
23. Related parties
24. Subsequent events
25. Financial risks
26. Accounting policies
27. 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, and certain requirements for class C, (medium).

Accounting policies are described in full in note 25.

Adoption of new and revised IFRSs

The Company regularly evaluates the effect of any new International Financial Reporting Standards (IFRSs) and Interpretations and implements such Standards and Interpretations from their mandatory effective date at the latest.

The Company has implemented new or amended IFRSs and Interpretations for 2021, which become effective for financial year starting January 1, 2021. The new and modified standards have not resulted in any changes in the accounting policies.

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 recognizing 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 assumptions described in note 3 Going Concern, and 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 CV007 is an early stage which means that the evaluation of the possibility of generation of future economic benefits was assessed to be too low for recognition, hence the development costs are recognized directly in the income statement when incurred.

3. Going concern

It is estimated that Cytovac A/S will need additional capital in 2022 in the level of DKK 10-11 million to be able to carry out the planned activities for 2022. Such financing is expected to be obtained primarily from Cytovac AB on the same terms as existing loans cf. note 20 to the Financial Statement.

At December 31, 2021 Cytovac AB holds cash amounted to SEK 1.6 million (DKK 1.1M). In March-April 2022 Cytovac AB carried out a successfully private share issue contributing SEK 13.9 million (DKK 9.9 million). Up to 1 million DKK of these cash are expected to cover costs in Cytovac AB in 2022. Management expects that transfer of the remaining amount to Cytovac A/S together with cash inflow from receivable tax credit DKK 1.7 million expected to be received end of November, will provide Cytovac A/S the sufficient bases for continuing the planned activities to end December 2022. Management will through 2022 work together with Cytovac AB to on financing the activities for follow periods.

Cytovac AB has issued a letter of support like previous years to Cytovac A/S. Based on the above Management therefore considers it appropriate to prepare the financial statements on an ongoing basis.

	2021 DKK'000	2020 DKK'000
4 Revenue		
Sales of service	<u>960</u>	<u>1,000</u>
Total	<u>960</u>	<u>1,000</u>
5. Segment information		
Denmark	<u>960</u>	<u>1,000</u>
Total	<u>960</u>	<u>1,000</u>

Revenue consists 100% of revenue related to a service agreement with the CDMO company (Contract Development and Manufacturing Organization) XcelCyte. The service provided consists of access to Cytovac A/S' facilities and personnel for an agreed number of working hours. In consideration Cytovac A/S receives a fixed monthly fee.

Notes

	<u>2021</u> <u>DKK'000</u>	<u>2020</u> <u>DKK'000</u>
5 Staff costs		
Wages and salaries	5 839	7,267
Cash bonus	302	250
Pensions	342	574
Other social security contributions	66	93
Other staff costs	47	38
Total employee costs, including Board and Executive Management	<u>6,596</u>	<u>8,222</u>
 Average numbers of employees during the year	 <u>8</u>	 <u>12</u>
 Board of Directors and Executive Management remuneration		
Remuneration	<u>2,173</u>	<u>1,909</u>
Total Board and Executive Management	<u>2,173</u>	<u>1,909</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.

	<u>2021</u> <u>DKK'000</u>	<u>2020</u> <u>DKK'000</u>
Recognized in the income statement under the following items:		
Research and development costs	4,007	5,399
Administrative expenses	2,589	2,823
Total	<u>6,596</u>	<u>8,222</u>
Average number of employees	<u>8</u>	<u>12</u>

Cytovac's research and development focuses on the development of the CV007. Research and development costs that are not eligible for capitalization have been expensed in the period and they are recognized in research and development costs.

Notes

	<u>2021</u> <u>DKK'000</u>	<u>2020</u> <u>DKK'000</u>
6. Depreciation, amortization and impairment		
Depreciation of tangible assets	86	151
	<u>86</u>	<u>151</u>
Recognized in the income statement under the following items:		
Research and development costs	86	151
Total	<u>86</u>	<u>151</u>
7. Other operating income		
Management fee invoiced to Cytovac AB	157	241
	<u>157</u>	<u>241</u>
8. Financial income		
Foreign currency exchange income on debt to Cytovac AB	1,043	0
	<u>1,043</u>	<u>0</u>
9. Financial expenses		
Interest expenses on debt to Cytovac AB and loan agreement	3,036	2,466
Foreign currency exchange losses on debt to Cytovac AB and other adjustments	0	1,853
	<u>3,036</u>	<u>4,319</u>
10. Tax for the year		
Current tax for the year income	1,690	2,130
Changes in deferred tax	0	0
	<u>1,690</u>	<u>2,130</u>
Recognized as receivable tax credit	1,690	2,130
	<u>1,690</u>	<u>2,130</u>

Income tax benefits for both the years 2021 and 2020 relates to tax credit for research and development expenses at the applicable tax rate under the Danish Corporate Income Tax Act.

Notes

	<u>2021</u> <u>DKK'000</u>	<u>2020</u> <u>DKK'000</u>
10. Tax for the year (continued)		
Tax calculated as 22% of profit/loss before tax	-3,309	-3,922
Non-capitalized tax assets	1,571	1,748
Non-deductible expenses	48	44
Effective tax	<u>-1,690</u>	<u>-2,130</u>
 Tax rate for the year (%)	 <u>11.3</u>	 <u>12.0</u>

Due to uncertainty of utilization of the tax loss carry-forward, Cytovac has not recognized any deferred tax assets. Tax assets amount to DKK 15,692 thousand.

	<u>2021</u> <u>DKK'000</u>	<u>2020</u> <u>DKK'000</u>
11. Earnings per share		
Profit attributable to shareholders of Cytovac A/S	<u>-13,352</u>	<u>-15,696</u>
 Weighted average number of ordinary shares ('000)	 <u>100,540</u>	 <u>100,540</u>
 Basic earnings per share, DKK	 <u>-0.13</u>	 <u>-0.16</u>
 Diluted earnings per share, DKK	 <u>-0.13</u>	 <u>-0.16</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.

	<u>2021</u> <u>DKK'000</u>	<u>2020</u> <u>DKK'000</u>
12. Acquired rights		
Cost as at 1 January	<u>200</u>	<u>200</u>
Cost as at 31 December	<u>200</u>	<u>200</u>
 Amortization and impairment as at 1 January	 <u>-200</u>	 <u>-200</u>
Amortizations and impairment as at 31 December	<u>-200</u>	<u>-200</u>
Carrying amount as at 31 December	<u>0</u>	<u>0</u>

Notes

	2021 DKK'000	2020 DKK'000
13. Other fixtures and fittings, tools and equipment		
Cost as at 1 January	4,297	4,265
Additions	29	32
Cost as at 31 December	4,326	4,297
Depreciation and impairment as at 1 January	-4,091	-3,940
Depreciation for the year	-86	-151
Amortizations and impairment as at 31 December	-4,177	-4,091
Carrying amount as at 31 December	149	206
14. Deposits		
Cost as at 1 January	619	694
Additions during the year	0	-75
Cost at 31 December	619	619
15. Receivables		
Income tax receivables	1,682	2,130
Receivables from public authorities	81	0
Receivables from affiliated companies	196	0
Other receivables	42	20
Prepayments	118	222
Receivables as at 31 December	2,119	2,372

The carrying amount receivables is considered to be the same as fair value due to their short-term nature.

Notes

	2021 DKK'000	2020 DKK'000
16. Financial instruments by category		
Financial assets measured at amortized cost		
Deposits	619	619
Other receivables, current	2,001	2,150
Cash	89	316
Total	2,709	3,086
Financial liabilities measured at amortized cost		
Payables to public authorities	0	62
Payables to credit institutions	6	0
Payables to parent company	66,694	52,224
Trade payables	642	1,127
Other payables	2,617	3,732
Total	69,959	57,144

Classification of financial assets measured at amortized cost

Cytovac classifies its financial assets as amortized 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.

	2021 DKK'000	2020 DKK'000
17. 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	100,540	100,540
Share capital as at 31 December	100,540	100,540

Notes

18. Non-current liabilities

Non-current liabilities comprise frozen holiday pay obligation. The amount will be indexed annually at a rate announced by the Employees' Fund

19. Other payables

Other payables comprise mainly loan from shareholder in the Cytovac AB, the Parent Company, A-tax and labor market contribution due to extended payment deadline, holiday pay obligation and bonus.

20. Payables to parent company

Cytovac A/S is a 100% owned subsidiary of Cytovac AB, the Parent Company. Due to the nature of the group structure, Cytovac A/S has during 2021 primarily been financed through increased loans from Cytovac AB, the Parent Company. The intercompany balance as at December 31, 2021 is amounted to DKK 66.7 million, and is calculated at an interest rate of 5% per year which is accrued annually. Cytovac AB the Parent Company has issued a letter of support like previous years to Cytovac A/S. No refund agreement has been entered into.

21. Other contingent liabilities

The Company has a rent obligation corresponding to 6 months' rent totaling DKK 630 thousand.

	2021 DKK'000	2020 DKK'000
22. Change in operating activities		
Change in receivables and prepayments	195	78
Change in trade payables and other debt etc.	-1,656	-2,039
	-1,461	-1,962

23. Related parties

Shareholders	Registered office	Basis of influence
Cytovac AB	Stockholm	100 %

2021: Intra-Group balance (payable) of DKK 66,694 thousand and income DKK 157 thousand.

2020: Intra-Group balance (payable) of DKK 52,224 thousand and income DKK 241 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.

Notes

Remuneration to the Board of Directors and the Executive management in 2021 cf. note 5

Remuneration to the Board of Directors and the Executive management in 2020 cf. note 5

Arvid Consulting a company controlled by the former Executive Management, has provided consultancy services regarding medical director responsibility. The company is entitled to receive compensation per hour, remuneration in 2021 total DKK 0 thousand (2020: DKK 45 thousand).

Fredrik Buch Konsult AB a company controlled by the board member Fredrik Buch, has provided consultancy services regarding medical director responsibility. The company is entitled to receive compensation per hour, remuneration in 2021 total DKK 60 thousand (2020: DKK 90 thousand).

Per Falholt Global, R&D Advisory Services A/S a company controlled by the board member Per Falholt, has provided consultancy services as advisor in research and development activities. The company is entitled to receive compensation per hour, remuneration in 2021 total DKK 0 thousand (2020: DKK 40 thousand).

Peter Bonne Eriksen a board member has provided consultancy services as advisor in research and development activities. Peter Bonne Eriksen is entitled to receive compensation per hour, remuneration in total DKK 0 thousand (2020: DKK 40 thousand).

JK Consult a company controlled by the Chairman of the Board, Jan Kuhlmann Andersen, has provided consultancy services for general support. The company is entitled to receive compensation per hour, remuneration in total DKK 110 thousand (2020: DKK 65 thousand).

Notes

24. Subsequent events

As described in the note 3

As described in the section “Financing 2022 – Going concern” above Cytovac A/S’ has been granted a short-term loan from a shareholder in Cytovac AB DKK 1.7 million which is received and repaid in Q1. In addition, Cytovac A/S’s parent Company Cytovac AB has successfully carried out a private share issue during March-April contribution SEK 13.9 million (DKK 9.9 million). The proceed is expected to be transferred to Cytovac A/S for the purpose of financing the company’s activities during 2021.

From the closing date and until today, no further matters, which would influence the evaluation of the annual report has occurred.

25. 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. The grants from the Cytovac AB, the parent company are paid mainly in SEK. Except from this there are no currency risks at 31.12.2021.

Relevant matters regarding the Company’s risk management are described in the following sections. In 2021, 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. Debt comprises of a loan from the parent company which carries interest with a fixed interest rate and a smaller loan from a shareholder which was repaid in 2021.

An increase in market interest rates from 0% to 1% will have a limited effect on the fair value of the Company’s loans. 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 amortized cost.

Notes

25. Financial risks (continued)

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 Cytovac AB. According to note 3 the Company and the Company's parent company, however, is dependent on additional liquidity being raised in 2022.

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

	2021 DKK'000	2020 DKK'000
Cash	89	316
Total	89	316

Credit risks

At 31 December 2021, the Company has no overdue receivables.

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

Optimization 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.

As described in the Management Review, section "Financing 2022 – Going concern" above Cytovac A/S's parent Company Cytovac AB has successfully carried out a private share issue during March-April 2022 contribution SEK 13.9 million (DKK 9.9 million) which primarily are expected to be loaned to Cytovac A/S. Further, receivable tax credit DKK 1.7 million is expected end of November 2022. These initiatives are expected to secure the company's activities during 2022.

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

Notes

26. 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, research and development activity, 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

26. Accounting policies (continued)

Income statement

Revenue

The revenue relates to a service agreement with the CDMO company (Contract Development and Manufacturing Organization) XcelCyte. The service provided consists of access to Cytovac A/S' facilities and personnel for an agreed number of working hours. In consideration Cytovac A/S receives a fixed monthly fee. Revenue is recognized when it is probable that future economic benefits will flow to the company and such economic benefit can be measured reliably.

Research and development costs

Research expenses comprise salaries and other expenses, including patent expenses, as well as depreciation and amortization directly attributable to the Company'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.

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

Amortization 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 recognized in the income statement under other operating income or expenses.

Notes

26. Accounting policies (continued)

Financial income and expenses

Financial income and expenses are recognized in the income statement with the amount that relates to the financial year. Financial income and expenses comprise interest income and expenses and realized and unrealized 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 2021 and 2020 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 amortization 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.

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.

Notes

26. Accounting policies (continued)

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 recognized 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 amortized cost, usually equaling nominal value less provisions for expected credit losses.

Prepayments

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

Dividend

Dividend is recognized 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 recognized 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.

Notes

26. Accounting policies (continued)

Deferred tax assets, including the tax base of tax loss carryforwards, are measured at the estimated realizable value at which the asset is expected to be realized, either by offsetting tax on future earnings or by offsetting deferred tax liabilities. Any deferred net tax assets are measured at net realizable 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 recognized 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 amortized 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 recognized in the income statement as financial income or financial expenses

27. New standards

The following new or amended IFRS Standards and Interpretations of relevance to the Company became effective as of 1 January 2021:

- Amendments to IFRS 4, postponement of implementation of IFRS 9
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16)

In addition to the above, new or amended standards (IFRSs) and interpretations (IFRIC) have been issued but not yet adopted by EU as at 31 December 2021.

Cytovac have assessed the impact of above and it is expected that they do not have a material impact on Cytovac.