

Cytovac A/S

Venlighedsvej 6

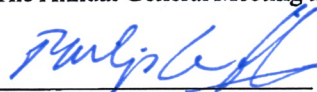
DK-2970 Hørsholm

Business Registration No. 31 26 26 66

Annual report 2019

(12th financial year)

The Annual General Meeting adopted the annual report on ³⁰ / 6 2020



Chairman of the General Meeting

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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: 01.01.2019 - 31.12.2019

Board of Directors

Jan Kuhlmann Andersen, Chairman

Peter Bonne Eriksen

Per Falholt

Fredrik Buch

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 01.01.2019 – 31.12. 2019 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 31.12.2019 and of the results of the Company's activities and cash flows for the financial year 01.01.2019 – 31.12.2019.

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, June 30, 2020

Executive Board



Lone Dahl Andersen
CEO

Board of Directors



Jan Kuhlmann Andersen
Chairman



Peter Bonne Eriksen



Fredrik Buch



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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 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 2020. The Company has successfully completed a private share issue and has been granted a short term loan from a shareholder.

Further Cytovac is currently working on several initiatives in order to secure the company's financials for 2020 including applications for grants via relevant schemes.

Cytovac is in dialogue with an external partner, who will start a Contract Development and Manufacturing Organization (CDMO) based on Cytovac's scientific development platform and know-how in cell culture, which can contribute revenue and financing of Cytovac's other activities for a period.

Lastly a private share issue is planned in Q4 2020 in order to secure sufficient financing.

In presenting the financial statements, Management assumed that these initiatives will contribute financing of the Company's activities, 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, 30 June 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56



Bjørn Würtz 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 were aiming for an IPO during May 2019, at Nasdaq in Stockholm, Sweden. Organization and corporate governance were upgraded to comply with the stock exchange requirements. Due to non-favorable market condition and decreased interest from institutional investors the IPO had to be canceled. Funding of the company was obtained by private share issues in May and in September 2019.

Cytovac initiated our phase II study in brain cancer (glioblastoma) which started back in 2016. In the study we have compared standard treatment and standard treatment plus ALECSAT. We have had 62 patients in the study in a 1: 2 distribution, i.e. twice as many patients have received standard treatment plus ALECSAT.

The first reporting of the results from our ongoing phase II trial, CV-006 in Glioblastoma in Sweden, was planned to be presented in Q1 2020. Increased focus and faster recruitment of patients Cytovac was able to present these data before year end 2019. Unfortunately Cytovac was unable to detect any significant difference in effect on brain cancer development between the 2 treatment groups and thus we were unable to detect the effect of ALECSAT. Therefore, following advice from Danish clinical experts, we have decided to terminate the study, which was otherwise scheduled to continue until December 2020.

The Board of Directors have decided to adjust the organization and thus reduce the company's costs to adapt to the future clinical development, as we continue to see a potential for the company's technology ALECSAT.

Intensive work in optimizing our product ALECSAT is ongoing and an improved version ALECSAT 2.0 will be ready during Q1 2020 to be used for future clinical trials.

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's prospective activities.

The Board is currently investigating various opportunities to continue using the company's ALECSAT technology and 2nd generation technology for clinical development indifferent cancer indications. Parallel with the clinical development other possible business models, where Cytovac's competences can be included, are also being investigated.

Cytovac will pursue dialogues with external partners, who could be interested in starting a Contract Development and Manufacturing Organization (CDMO) based on Cytovac's scientific knowledge and know-how in cell culture. Cytovac has regulatory approvals in place to start such a project during 2020. The value of cell therapy is estimated at US \$ 150 billion by 2025, of which approx. 70% are produced by CDMO's. Such projects can contribute revenue and financing of Cytovac's other activities for a period. Cytovac's shareholders will be invited to invest at a point in time if a new established independent company is established

Cytovac has been granted a short term loan from a shareholder of DKK 4.5 million and has successfully completed a private share issue. A new Private share issue is planned in Q4 2020. These initiatives will secure the company's financials for 2020.

In 2020 the company will focus on the following activities:

- Preparing and plan funding of Cytovac's activities
- Further development of the documentation and preparation for the commercial use of ALECSAT
- Start of a new Investigator Initiated phase Ib study within triple negative breast cancer (TNBC) CV-007 during H1 2020 and plan for a new phase Ib
- Continue the exploration of a CDMO organization
- Continue our international collaboration relations, and look into venture Capital/M&A

Management's review

Financial review

Income statement

The net result for the financial year 2019 was a loss of DKK 34.1 million compared to a loss of DKK 30.4 million in 2018. The increase is primarily due to corporate governance upgrade to comply with the stock exchange requirements, costs associated with the company's preparation for a pre-IPO and IPO.

Research and development costs

Research and development costs totaled DKK 27.9 million in 2019 compared to DKK 27.5 in 2018. The increase in costs was mainly due to a further optimized and strongly focused effort on the clinical and statistical development process, and the succeeding in speeding up the expected time for presentation of the first initial data from our ongoing Glioblastoma CV006 Phase IIa trial from H1 2020 to Q4 2019.

General and administration expenses

General and administration expenses were DKK 11.0 million in 2019 compared to 8.3 million in 2018. The increase is primarily due to corporate governance upgrade to comply with the stock exchange demand, costs associated with the company's preparation for a pre-IPO and IPO. Further cost related to cancellation of the IPO comprising downscale of organization.

Other operation income, net

Other operating income totaled DKK 1.3 million in 2019 compared to DKK 0.2 million in 2018. The operating income consist of recharge of management cost to Cytovac AB.

Net financial items

Net financials totaled an expense of DKK 2.1 million in 2019 compared to DKK 0.2 million in 2018. 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.

Income tax benefit

Income tax benefit totaled DKK 5.5 million in 2019 compared to DKK 5.5 million in 2018.

Income tax benefits for both the years 2019 and 2018 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, 2019, the company had cash and cash equivalents of DKK 0,8 million compared to DKK 1,0 million as of December 31, 2018.

Equity

As of December 31, 2019, equity amounted to DKK -37.9 million compared to DKK -3.8 million in 2018.

Management's review

Cash flows

Cash flow from operation activities

Net cash flow from operation activities for 2019 was an outflow of DKK 38.4 million compared to DKK 22.0 million in 2018. 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 0.4 million in 2019 compared to an outflow of DKK 0.2 million in 2018.

Cash flow from financing activities

Net cash flow from financing activities was amounted to an inflow of DKK 38.5 million in 2019 compared to an inflow of DKK 23.0 million in 2018.

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

Cytovac has been granted a short term loan from a shareholder of DKK 4.5 million and has successfully completed a private share issue of million SEK 11.3 million. A Private share issue is planned in H2 2020. These initiatives will to secure the company's financials for 2020.

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

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

Income statement

	Note	2019 DKK'000	2018 DKK'000
Research and development costs	4, 5, 11, 12	-27,934	-27,536
Administrative expenses	4, 5	-10,960	-8,298
Other operating income, net	6	1,303	153
Operating loss / EBIT		-37,591	-35,681
Financial income	7	69	0
Financial expenses	8	-2,120	-171
Loss before tax		-39,642	-35,852
Tax for the year	9	5,500	5,500
Loss for the year		-34,142	-30,352
<i>Attributable to:</i>			
Shareholders of Cytovac A/S		-34,142	-30,352
Earnings per share, basic (DKK)		-0.34	-0.33
Earnings per share, diluted (DKK)	10	-0.34	-0.33

Statement of comprehensive income

	Note	2019 DKK`000	2018 DKK`000
Loss for the year		<u>-34,142</u>	<u>-30,352</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>-34,142</u>	<u>-30,652</u>
Total comprehensive income for the year		<u>-34,142</u>	<u>-30,352</u>
<i>Attributable to:</i>			
Shareholders of Cytovac A/S		<u>-34,142</u>	<u>-30,352</u>

Balance sheet

	<u>Note</u>	<u>31/12/19</u> <u>DKK'000</u>	<u>31/12/18</u> <u>DKK'000</u>
Acquired rights	11	<u>0</u>	<u>0</u>
Total intangible assets		<u>0</u>	<u>0</u>
Other fixtures and fittings, tools and equipment	12	<u>325</u>	<u>380</u>
Total property, plant and equipment		<u>325</u>	<u>380</u>
Deposits	13	<u>694</u>	<u>526</u>
Total investments		<u>694</u>	<u>526</u>
Total non-current assets		<u>1,019</u>	<u>906</u>
Income tax receivables		5,500	5,500
Receivables from affiliated companies		0	554
Other receivables		90	1,510
Prepayments		<u>81</u>	<u>60</u>
Total receivables	14	<u>5,671</u>	<u>7,624</u>
Cash		<u>814</u>	<u>1,043</u>
Total current assets		<u>6,485</u>	<u>8,667</u>
Total assets		<u>7,504</u>	<u>9,573</u>

Balance sheet

	<u>Note</u>	<u>31/12/19</u> <u>DKK'000</u>	<u>31/12/18</u> <u>DKK'000</u>
Share capital	16	100,540	100,540
Retained earnings		<u>-138,475</u>	<u>-104,333</u>
Total equity		<u>-37,935</u>	<u>-3,793</u>
Total non-current liabilities		<u>0</u>	<u>0</u>
Payables to affiliated companies		38,480	0
Trade payables		4,080	7,996
Other payables	17	<u>2,879</u>	<u>5,370</u>
Total current liabilities		<u>45,439</u>	<u>13,366</u>
Total liabilities		<u>45,439</u>	<u>13,366</u>
Total equity and liabilities		<u>7,504</u>	<u>9,573</u>
Financial instruments by category	15		
Other contingent liabilities	18		
Related parties with controlling interest	20		
Other disclosures, including accounting policies	1-3, 21-24		

Statement of changes in equity

	Share capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Total DKK'000
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
Balance at 1 January 2019	100,540	3,220	-107,553	-3,793
Capital increase	0	0	0	0
Net profit/loss for the year	0	0	-34,142	-34,142
Other comprehensive income for the year	0	0	0	0
Balance at 31 December 2019	100,540	3,220	-141,695	-37,935

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>2019</u> <u>DKK'000</u>	<u>2018</u> <u>DKK'000</u>
Operating loss		-37,591	-35,681
Depreciation, amortisation and impairment		245	522
Change in provisions		0	-100
Change in working capital	19	-4,455	9,158
Income taxes received		5,500	4,226
Interest paid/received		-2,051	-171
Cash flow from operating activities		<u>-38,352</u>	<u>-22,045</u>
Cash flow from investing activities		<u>-358</u>	<u>-180</u>
Change in payables from affiliated companies		38,480	0
Capital increase		0	23,040
Cash flow from financing activities		<u>38,480</u>	<u>23,040</u>
Net cash flow		-230	815
Cash, 1 January		1,044	229
Cash 31 December		<u><u>814</u></u>	<u><u>1,044</u></u>

Restricted cash

The cash and cash equivalents presented above in the cash flow statement include DKK 0 thousand (2018: DKK 200 thousand) restricted cash and placed as collateral for the bank engagement and, therefore, not available for general use.

Notes

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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 23.

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 2019, which become effective for financial year starting January 1, 2019 or later:

- IFRS 16, Leasing
- IFRIC 23, Uncertainty of statement of taxable income

Implementation of IFRS 16 Leasing have resulted in the changes, described below. Other new and modified standards has not resulted in any changes in the accounting policies.

Implementation of IFRS 16

Cytovac has as of 01.01.2019 implemented IFRS 16 Leases. The effect on the figures for the year from the implementation of IFRS 16 is presented below. IFRS 16 Leases replaces the existing standard for leases, IAS 17. IFRS 16 results in almost all lease agreements having to be recognised in the balance sheet in lessees' financial statements as a lease liability and an asset which presents the lessee's right of use of the underlying asset. So there is no longer any distinction between operational and financial leases.

Cytovac has limited non-cancellable operating lease commitments and based on an analysis of the lease contracts and based on the fact that lessor has the substantive right to substitute the asset the lease contracts does not constitute a lease in respect of IFRS 16, why the implementation has no impact on the financial statements.

Lease payments are therefore 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

The Company has a rent obligation corresponding to 6 months rent totaling DKK 694 thousand.

A part of the rent/lease is irrevocable during the period February 1, 2019 to January 31, 2022 corresponding to DKK 235,200.

Notes

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 24 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 was 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 recognised directly in the income statement when incurred. Unfortunately Cytovac was unable to detect any significant difference in effect on brain cancer development between the 2 treatment groups and thus we have decided to terminate the study.

3. Going concern

It is the opinion of Cytovac A/S that the working capital available as of 31 December 2019 is not sufficient for the Company's present working capital needs for the twelve months following this date.

During the first half of 2020 Cytovac has been granted a short term loan from a shareholder of DKK 4.5 million and has successfully completed a private share issue of million SEK 11.3 million.

Further Cytovac is currently working on several initiatives in order to secure the company's financials for 2020 including applications for grants via relevant schemes.

Cytovac is in dialogue with an external partner, who will start a Contract Development and Manufacturing Organization (CDMO) based on Cytovac's scientific development platform and know-how in cell culture, which can contribute revenue and financing of Cytovac's other activities for a period.

Lastly a private share issue is planned in Q4 2020 in order to secure sufficient financing.

It is Management's assessment that these abovementioned initiatives will secure the company's financials for 2020.

Notes

	2019 DKK'000	2018 DKK'000
4. Staff costs		
Wages and salaries	17,777	9,480
Cash bonus	28	2,567
Pensions	1,375	492
Other social security costs	184	115
Other staff costs	362	177
Total	19,726	12,830
Average numbers of employees during the year	23	18
Board of Directors and Executive Board		
Remuneration	2,864	4,776
Pension	411	228
	3,275	5,004

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.

	2019 DKK'000	2018 DKK'000
Recognised in the income statement under the following items:		
Research and development costs	12,568	9,995
Administrative expenses	7,157	2,835
Total	19,725	12,830
Average number of employees	23	18

Cytovac's research and development focuses on the development of the CV006 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.

Notes

5. Depreciation, amortisation and impairment

Amortisation of intangible assets	0	10
Depreciation of tangible assets	<u>245</u>	<u>512</u>
	<u>245</u>	<u>522</u>

Recognised in the income statement under the following items:

Research and development costs	<u>245</u>	<u>522</u>
Total	<u>245</u>	<u>522</u>

6. Other operating income

Management fee management fee invoiced to Cytovac AB	<u>1,303</u>	<u>153</u>
	<u>1,303</u>	<u>153</u>

2019	2018
DKK'000	DKK'000

7. Financial income

Interest income	<u>69</u>	<u>0</u>
	<u>69</u>	<u>0</u>

8. Financial expenses

Interest expenses	1,400	171
Foreign exchange losses and other adjustments	<u>720</u>	<u>0</u>
	<u>2,120</u>	<u>171</u>

9. Tax for the year

Current tax for the year income	5,500	5,500
Changes in deferred tax	<u>0</u>	<u>0</u>
	<u>5,500</u>	<u>5,500</u>
Recognised as receivable tax credit	<u>5,500</u>	<u>5,500</u>
	<u>5,500</u>	<u>5,500</u>

Income tax benefits for both the years 2019 and 2018 relates to tax credit for research and development expenses at the applicable tax rate under the Danish Corporate Income Tax Act.

Notes

9. Tax for the year (continued)

	2019 DKK'000	2018 DKK'000
Tax calculated as 22% of profit/loss before tax	-8,721	-7,887
Non-capitalised tax assets	3,054	2,037
Non-deductible expenses	167	350
Effective tax	-5,500	-5,500
Tax rate for the year (%)	14.0	15.9

Due to uncertainty of utilisation of the tax loss carry-forward, Cytovac has not recognised any deferred tax assets. Tax assets amount to DKK 12,393 thousand.

	2019 DKK'000	2018 DKK'000
10. Earnings per share		
Profit attributable to shareholders of Cytovac A/S	-34,142	-30,352
Weighted average number of ordinary shares ('000)	100,540	92,246
Basic earnings per share, DKK	-0.34	-0.33
Diluted earnings per share, DKK	-0.34	-0.33

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

	2019 DKK'000	2018 DKK'000
11. Acquired rights		
Cost as at 1 January	200	200
Additions	0	0
Cost as at 31 December	200	200
Amortisation and impairment as at 1 January	-200	-190
Amortisations for the year	0	-10
Amortisations and impairment as at 31 December	-200	-200
Carrying amount as at 31 December	0	0

Notes

	2019	2018
	DKK'000	DKK'000
12. Other fixtures and fittings, tools and equipment		
Cost as at 1 January	4,075	3,951
Additions	190	124
Cost as at 31 December	4,265	4,075
Depreciation and impairment as at 1 January	-3,695	-3,183
Depreciation for the year	-245	-512
Amortisations and impairment as at 31 December	-3,940	-3,695
Carrying amount as at 31 December	325	380
13. Deposits		
Cost as at 1 January	526	469
Additions during the year	168	57
Cost at 31 December	694	526
14. Receivables		
Receivables from affiliated companies	0	554
Income tax receivables	5,500	5,500
Receivables from public authorities	35	1,340
Other receivables	55	170
Prepayments	81	60
Receivables as at 31 December	5,671	7,624

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.

Notes

	2019	2018
	DKK'000	DKK'000
15. Financial instruments by category		
Financial assets measured at amortised cost		
Receivables from affiliated companies	0	554
Deposits	694	526
Other receivables, current	5,590	7,010
Cash	814	1,043
Total	7,098	9,133
Financial liabilities measured at amortised cost		
Payables to affiliated companies	38,480	0
Trade payables	4,080	7,996
Other payables	2,879	5,370
Total	45,439	13,366

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.

	2019	2018
	DKK'000	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	100,540	78,900
Capital increase	0	21,640
Share capital as at 31 December	100,540	100,540

Notes

17. Other payables

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

18. Other contingent liabilities

The Company has a rent obligation corresponding to 6 months rent totaling DKK 694 thousand.

A part of the rent/lease is irrevocable during the period February 1, 2019 to January 31, 2022 corresponding to DKK 235,200.

	<u>2019</u> <u>DKK'000</u>	<u>2018</u> <u>DKK'000</u>
19. Change in operating activities		
Change in receivables and prepayments	1,959	-1,267
Change in trade payables and other debt etc.	<u>-6,414</u>	<u>10,326</u>
	<u>-4,455</u>	<u>9,058</u>

20. Related parties

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

2019: Intra-Group balance (payable) of DKK 38,480 thousand and income DKK 1,303 thousand.

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

2019:

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 0 (2018: DKK 32 thousand).

Arvid Consulting a company controlled by the former 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 0 (2018: DKK 110 thousand).

2019:

Individuals related to the Board of Directors and the Executive Management have received remuneration of DKK 5.6 million (2018: DKK 2.5 million).

Notes

21. Subsequent events

Cytovac is in dialogue with an external partner, who will start a Contract Development and Manufacturing Organization (CDMO) based on Cytovac's scientific development platform and know-how in cell culture. Cytovac has regulatory approvals in place to start such a project during H1 2020. The Market value of cell therapy is estimated at US \$ 150 billion by 2025, of which approx. 70% are produced by CDMO's. The project will be reviewed and period ahead towards a proof of concept, after which Cytovac's shareholders will be invited to invest in a new established independent company. The above project can contribute revenue and financing of Cytovac's other activities for a period.

Cytovac has been granted a short term loan from a shareholder of DKK 4.5 million and has successfully completed a private share issue of million SEK 11.3 million. A Private share issue is planned in Q4 2020. These initiatives will to secure the company's financials for 2020.

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

22. 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 parent company are paid mainly in SEK . Except from this there are no currency risks at 31.12.2019.

Relevant matters regarding the Company's risk management are described in the following sections. In 2019, 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 comprise of a grants from the parent company which carries interest with a fixed interest rate and a smaller loan from a shareholder which was repaid in 2019.

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 amortised cost.

Notes

22. 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. The Company and the Company's parent company, however, is dependent on additional liquidity being raised in 2020.

The Company has been granted a loan January 21, 2020, which fall due no later than 30 November 2020 amounted to DKK 4,5 million.

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

	2019	2018
	DKK'000	DKK'000
Cash	814	1,044
Total	814	1,044

Credit risks

The primary credit risk in the Company is related to receivables from affiliated companies where the risk of loss at 31 December 2019 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 2019, 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.

Cytovac is in dialogue with an external partner, who will start a Contract Development and Manufacturing Organization (CDMO) based on Cytovac's scientific development platform and know-how in cell culture. Cytovac has regulatory approvals in place to start such a project during H1 2020. The Market value of cell therapy is estimated of US \$ 150 billion by 2025, of which approx. 70% are produced by CDMO's. The project will be reviewed and period ahead towards a proof of concept, after which Cytovac's shareholders will be invited to invest in a new established independent company. The above project can contribute revenue and financing of Cytovac's other activities for a period.

Notes

22. Financial risks (continued)

Cytovac has January 21, 2020 been granted a short term loan from a shareholder of DKK 4.5 million and has successfully completed a private share issue of SEK 11.3 million. Further a private share issue is planned in Q4 2020 up to 15, 0 million. These initiatives will to secure the company's financials for 2020.

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

23. 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

23. Accounting policies (continued)

Income statement

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.

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.

Notes

23. Accounting policies (continued)

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 2019 and 2018 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.

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 in to 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

23. 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 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 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 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.

Notes

23. Accounting policies (continued)

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

24. New standards

The following new or amended IFRS Standards and Interpretations of relevance to the Company became effective as of 1 January 2020:

- Amendments to IAS 1 and IAS 8 'Definition of material'
- Amendments to IFRS 3 'Business Combinations'
- Amendments to 'Reference to the Conceptual Framework in IFRS Standards'
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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 2019.

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

