

Immudex ApS
Fruebjergvej 3
DK-2100 Copenhagen Ø
Central Business Registration No
31348854

Annual report 2016/17

The Annual General Meeting adopted the annual report on 30.11.2017

Chairman of the General Meeting

Name: Søren Elmann Ingerslev

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Entity details

Entity

Immudex ApS
Fruebjergvej 3
DK-2100 Copenhagen Ø

Central Business Registration No: 31348854

Registered in: Copenhagen

Financial year: 01.07.2016 - 30.06.2017

Board of Directors

Søren Elmann Ingerslev, Chairman

Douglas Frank Sweet

Patrik Olof Dahlén

Executive Board

Helene Kähler Hjenner, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Immudex ApS for the financial year 01.07.2016 - 30.06.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2017 and of the results of its operations for the financial year 01.07.2016 - 30.06.2017.

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

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

Copenhagen, 13.11.2017

Executive Board


Hølene Kähler Hjenner
Chief Executive Officer

Board of Directors


Søren Elmfarin Ingerslev
Chairman


Douglas Frank Sweet


Patrik Olof Dahlén

Independent auditor's report

To the shareholders of Immudex ApS

Opinion

We have audited the financial statements of Immudex ApS for the financial year 01.07.2016 - 30.06.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2017 and of the results of its operations for the financial year 01.07.2016 - 30.06.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Independent auditor's report

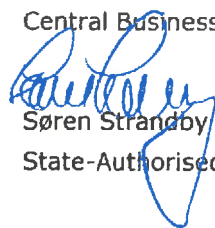
Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 13.11.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556



Søren Strandby

State-Authorised Public Accountant

Management commentary

Primary activities

The main activities of Immudex is to provide MHC Dextramer® reagents and diagnostic kits for improved T cell monitoring to be used in research, clinical development and diagnostics.

Development in activities and finances

The Company has during the fiscal year had the following focus areas:

- i) Increase sales of RUO (research-use-only) reagents and IVD (in vitro diagnostic) reagents and kits
- ii) Pursue (and achieve) FDA clearance of Immudex' primary IVD product on the US market
- iii) Expand the product portfolio of RUO Dextramers

The total sales of RUO and IVD reagents increased by 27 % relative to the previous fiscal year. About 60% of the sales were in North America.

Immudex continued to invest significant resources in the development of new reagents and diagnostic kits, and used resources to maintain and protect existing patent portfolio. Immudex' marketing and sales activities were increased with current, as well as new employees.

In March 2017, Immudex' got its first diagnostic product cleared for the USA market, as Immudex reached 510k clearance from FDA for its Dextramer® CMV Kit, which quantifies viral immune responses and enables personalized treatment of cytomegalovirus in transplant patients.

The Dextramer® CMV Kit is an addition to the current standard of care, aiding in identifying those transplant patients, who are at elevated risk for Cytomegalovirus (CMV) reactivation from those able to control the virus without the administration of antiviral drugs.

Immudex expanded its product portfolio noticeably by launching RUO MHC class II Dextramers, which is an ideal supplement to the prevailing MHC class I Dextramer portfolio.

The development of additional diagnostic kits, such as the Lyme Borreliosis disease diagnostic kit, was further progressed.

The Company has realised a profit of DKK 3.9 million. The profit is negatively affected by costs related to changes in the Company's management, but is considered satisfactory taking this fact into account.

The Company's equity increased during the financial year by DKK 12.2 million, partly through a capital increase of DKK 8.3 million, and partly through a realised profit of DKK 3.9 million. Equity now amounts to DKK 13.7 million at 30.06.2017. In 2017, Immudex hired a new CEO, Helene Kähler Hjenner.

Outlook

In the next financial year, a continued increase in sales and marketing activities of RUO and IVD reagents is expected, in addition to the continued progress of the research and development portfolio.

Management commentary

Events after the balance sheet date

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

Income statement for 2016/17

	<u>Notes</u>	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
Gross profit		12.621.227	10.163.371
Staff costs	1	(8.193.889)	(6.551.290)
Depreciation, amortisation and impairment losses	2	(48.036)	(51.912)
Operating profit/loss		4.379.302	3.560.169
Other financial income		1.094.457	878.886
Impairment of financial assets		(4.281.397)	(4.332.136)
Other financial expenses		(1.270.537)	(1.207.195)
Profit/loss before tax		(78.175)	(1.100.276)
Tax on profit/loss for the year	3	3.945.740	0
Profit/loss for the year		3.867.565	(1.100.276)
Proposed distribution of profit/loss			
Retained earnings		3.867.565	(1.100.276)
		3.867.565	(1.100.276)

Balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
Other fixtures and fittings, tools and equipment		635.340	122.205
Property, plant and equipment	4	<u>635.340</u>	<u>122.205</u>
Investments in group enterprises		0	0
Other receivables		241.190	349.616
Fixed asset investments	5	<u>241.190</u>	<u>349.616</u>
Fixed assets		<u>876.530</u>	<u>471.821</u>
Work in progress		6.714.056	5.314.000
Inventories		<u>6.714.056</u>	<u>5.314.000</u>
Trade receivables		2.962.498	2.129.361
Receivables from group enterprises		4.269.888	3.226.257
Deferred tax	6	3.945.740	0
Other receivables		616.174	175.840
Prepayments		55.522	62.548
Receivables		<u>11.849.822</u>	<u>5.594.006</u>
Cash	7	<u>6.766.445</u>	<u>406.023</u>
Current assets		<u>25.330.323</u>	<u>11.314.029</u>
Assets		<u>26.206.853</u>	<u>11.785.850</u>

Balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
Contributed capital	8	536.124	479.340
Retained earnings		<u>13.176.910</u>	<u>984.811</u>
Equity		<u>13.713.034</u>	<u>1.464.151</u>
Trade payables		1.984.008	1.015.768
Other payables		<u>10.509.811</u>	<u>9.305.931</u>
Current liabilities other than provisions		<u>12.493.819</u>	<u>10.321.699</u>
Liabilities other than provisions		<u>12.493.819</u>	<u>10.321.699</u>
Equity and liabilities		<u>26.206.853</u>	<u>11.785.850</u>
Unrecognised rental and lease commitments	9		
Contingent liabilities	10		

Statement of changes in equity for 2016/17

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	479.340	984.811	1.464.151
Increase of capital	56.784	8.324.534	8.381.318
Profit/loss for the year	0	3.867.565	3.867.565
Equity end of year	536.124	13.176.910	13.713.034

Notes

	<u>2016/17</u> DKK	<u>2015/16</u> DKK
1. Staff costs		
Wages and salaries	7.020.983	5.444.619
Pension costs	1.091.790	1.015.854
Other social security costs	81.116	90.817
	<u>8.193.889</u>	<u>6.551.290</u>
Average number of employees	<u>12</u>	<u>12</u>
	<u>2016/17</u> DKK	<u>2015/16</u> DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	48.036	51.912
	<u>48.036</u>	<u>51.912</u>
	<u>2016/17</u> DKK	<u>2015/16</u> DKK
3. Tax on profit/loss for the year		
Change in deferred tax for the year	(3.945.740)	0
	<u>(3.945.740)</u>	<u>0</u>
		<u>Other fixtures and fittings, tools and equipment DKK</u>
4. Property, plant and equipment		
Cost beginning of year		844.951
Additions		561.171
Cost end of year		<u>1.406.122</u>
Depreciation and impairment losses beginning of the year		(722.746)
Depreciation for the year		(48.036)
Depreciation and impairment losses end of the year		<u>(770.782)</u>
Carrying amount end of year		<u>635.340</u>

Notes

	Investments in group enterprises DKK	Other receivables DKK
5. Fixed asset investments		
Cost beginning of year	734.526	349.616
Additions	0	59.615
Disposals	0	(168.041)
Cost end of year	734.526	241.190
Impairment losses beginning of year	(734.526)	0
Impairment losses end of year	(734.526)	0
Carrying amount end of year	0	241.190

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK	Profit/loss DKK
Investments in group enterprises comprise:					
Immudex USA	USA, Virginia	LLC	100,0	(3.830.981)	14.023.180

6. Deferred tax

Management has chosen not to capitalise tax assets related to tax loss before joint taxation due to uncertainty about utilisation of the Company's tax assets. The deferred tax asset of DKK 3,946 thousand which can be used in the joint taxation with the Parent has been recognised in the financial statements. The Company has uncapitalised deferred tax of DKK 4,813 thousand concerning the Danish income prior to joint taxation. Moreover, Immudex US LLC has deferred taxes regarding tax loss carryforwards.

7. Cash

Cash includes DKK 301,460 which has been deposited in a bank guarantee cover account as security for debt recognised under current liabilities other than provisions.

Notes

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
8. Contributed capital			
Shares	536.124	536124	536.124
	536.124		536.124

9. Unrecognised rental and lease commitments

The Company's rental agreement has a rental period with expiry 5 October 2019. As of this date it can be terminated with a six months' notice. The rental commitment constitutes DKK 861 thousand.

10. Contingent liabilities

DKK 9 million of the Company's other payables are secured by way of a company charge.

During the financial year, the Company has entered a Danish joint taxation arrangement in which Viggo Harboe 2006 Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore subsidiary liable for income taxes etc and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies limited to the ownership share, by which the Company is included in the Group. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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

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

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

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

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

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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses.

Accounting policies

Revenue

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

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Impairment of financial assets

Impairment of financial assets comprises impairment of financial assets which are not measured at fair value on a current basis.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currency.

Tax on profit/loss for the year

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

Accounting policies

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
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Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Receivables

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

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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