

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

Annual report 2015/16

The Annual General Meeting adopted the annual report on 30.11.2016

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: 01.07.2015 - 30.06.2016

Board of Directors

Søren Elmann Ingerslev, Chairman

Douglas Frank Sweet

Poul Valentin Hansen

Patrik Olof Dahlén

Executive Board

Henrik Pedersen, 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 01.07.2015 - 30.06.2016.

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 30.06.2016 and of the results of its operations for the financial year 01.07.2015 - 30.06.2016.

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, 14.11.2016

Executive Board

Henrik Pedersen
Chief Executive Officer

Board of Directors

Søren Elmann Ingerslev
Chairman

Douglas Frank Sweet

Poul Valentin Hansen

Patrik Olof Dahlén

Independent auditor's reports

To the owners of Immudex ApS

Report on the financial statements

We have audited the financial statements of Immudex ApS for the financial year 01.07.2015 - 30.06.2016, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30.06.2016 and of the results of its operations for the financial year 01.07.2015 - 30.06.2016 in accordance with the Danish Financial Statements Act.

Emphasis of matter affecting the financial statements

Without modifying our opinion we point out that material uncertainty exists which may cast significant doubt upon the Company's ability to continue as a going concern. We refer to the disclosures in note 1 from which it appears that the Company has entered into a number of conditional agreements, including agreements on renewal of the loan of DKK 8.5 million or conversion of debt into equity. The Company's ability to continue as a going concern depends on either a renewal of the above loan or a conversion of the loan into equity. It will remain open till the end of November 2016 whether the conditions agreed will be met.

At the presentation of the financial statements, Management has taken for granted that either the loan will be renewed or it will be converted into equity for which reason Management has presented the financial statements on the assumption that the Company is a going concern.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 14.11.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Jens Rudkjær
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

The main activity of the financial year has been further development of the two primary diagnostic products and promotion and increase of the RUO Dextramer sale.

Development in activities and finances

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

- i) increase sales of RUO (research-use-only) reagents
- ii) increase sales of IVD (in vitro diagnostic) reagents and kits and pursue the approval and marketing of IVD products on the North American market, as well as pursue the further development of the Borrelia/Lyme disease diagnostic kit

The total sale of RUO and IVD reagents has increased by about 40% relative to the previous fiscal year. About 60% of the sale is to North American customers. About 70% of the sale is to customers in the cancer vaccine/immunotherapy market.

A 510(K) application has been submitted to the FDA in the U.S. Once approved, this will allow Immudex to pursue US customers for the IVD kit as well as research reagents. The IVD kit will initially target the bone marrow and solid organ transplant area, as well as the HIV patient segment. The application is under prosecution and it is expected that an approval will be granted over the next months.

The development of the Borrelia product progressed well during the year, and it is expected that a clinical study will be initiated by the end of the year 2016/beginning of the year 2017.

The Company has invested significant resources in the development of diagnostic kits, maintenance and prosecution of core patents and patent applications, as well as promotion of its products. A new product, DNA Barcode Dextramers, was developed. This product is expected to become a very important tool for the biopharmaceutical companies in their development of cancer vaccines/immunotherapies. Thus, the DNA Barcode Dextramer is expected to generate very significant sales over the next years.

Going concern

The Company has a loan of DKK 8.5 million that falls due on 31.12.2016. On 14.11.2016, the Company entered into a conditional agreement with the lender on either a renewal of the loan till after 30.06.2017 or a conversion of the loan into equity. Please see note 1 for further details.

Management commentary

Outlook

In the next financial year, a continued increase in the sale of RUO and IVD reagents is expected and continued progress within Borrelia and TB research and development. Management therefore has positive expectations for next year's developments within the company's significant focus areas.

Events after the balance sheet date

On 14.11.2016, the Company entered into a conditional agreement with the lender of DKK 8.5 million on either a renewal of the loan till after 30.06.2017 or a conversion of the loan into equity. Apart from this, no events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

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.

Accounting policies

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue 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.

Amortisation, depreciation 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.

Accounting policies

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 transactions.

Income taxes

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

Balance sheet

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.

Accounting policies

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

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

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

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

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.

Income statement for 2015/16

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Gross profit		10.163.371	4.637.130
Staff costs	2	(6.551.290)	(6.428.307)
Depreciation, amortisation and impairment losses	3	<u>(51.912)</u>	<u>(89.856)</u>
Operating profit/loss		3.560.169	(1.881.033)
Other financial income		878.886	640.164
Impairment of financial assets		(4.332.136)	(3.113.827)
Other financial expenses		<u>(1.207.195)</u>	<u>(1.641.077)</u>
Profit/loss from ordinary activities before tax		(1.100.276)	(5.995.773)
Tax on profit/loss from ordinary activities	4	<u>0</u>	<u>163.021</u>
Profit/loss for the year		<u>(1.100.276)</u>	<u>(5.832.752)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(1.100.276)</u>	<u>(5.832.752)</u>
		<u>(1.100.276)</u>	<u>(5.832.752)</u>

Balance sheet at 30.06.2016

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Other fixtures and fittings, tools and equipment		122.205	104.620
Property, plant and equipment	5	<u>122.205</u>	<u>104.620</u>
Investments in group enterprises		0	0
Other receivables		349.616	330.262
Fixed asset investments	6	<u>349.616</u>	<u>330.262</u>
Fixed assets		<u>471.821</u>	<u>434.882</u>
Work in progress		5.314.000	3.480.800
Inventories		<u>5.314.000</u>	<u>3.480.800</u>
Trade receivables		2.129.361	977.072
Receivables from group enterprises		3.226.257	3.694.690
Other short-term receivables		175.840	305.006
Income tax receivable		0	1.726.214
Prepayments		62.548	35.850
Receivables		<u>5.594.006</u>	<u>6.738.832</u>
Cash	7	<u>406.023</u>	<u>727.386</u>
Current assets		<u>11.314.029</u>	<u>10.947.018</u>
Assets		<u>11.785.850</u>	<u>11.381.900</u>

Balance sheet at 30.06.2016

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Contributed capital	8	479.340	430.306
Retained earnings		984.811	(5.103.298)
Equity		<u>1.464.151</u>	<u>(4.672.992)</u>
Trade payables		1.015.768	790.024
Other payables		9.305.931	15.264.868
Current liabilities other than provisions		<u>10.321.699</u>	<u>16.054.892</u>
Liabilities other than provisions		<u>10.321.699</u>	<u>16.054.892</u>
Equity and liabilities		<u><u>11.785.850</u></u>	<u><u>11.381.900</u></u>
Going concern	1		
Unrecognised rental and lease commitments	9		
Contingent liabilities	10		

Statement of changes in equity for 2015/16

	Contributed capital DKK	Retained ear- nings DKK	Total DKK
Equity beginning of year	430.306	(5.103.298)	(4.672.992)
Increase of capital	49.034	7.188.385	7.237.419
Profit/loss for the year	0	(1.100.276)	(1.100.276)
Equity end of year	<u>479.340</u>	<u>984.811</u>	<u>1.464.151</u>

Notes

1. Going concern

The Company has a loan of DKK 8.5 million that falls due on 31.12.2016. On 14.11.2016, the Company entered into a conditional agreement with the lender on either a renewal of the loan till after 30.06.2017 or a conversion of the loan into equity.

The key conditions to be met are:

- A capital increase is to be adopted at the next ordinary general meeting.
- Implementation of the agreement entered into with the CEO on his resignation and his future connection to the Company as adviser as well as cancellation of his shareholder privileges in accordance with the shareholders' agreement.
- The CEO has entered into agreement on his resignation etc provided that an agreement entered into on 25.10.2016 between him/Chemgene Holding ApS and a third party on the sale of the great majority of Chemgene Holding ApS's shares in Immudex ApS is fulfilled, or that the other shareholders included in the shareholders' agreement exercise their pre-emption rights expiring on 25.11.2016.

In consequence of the above conditions of either a conversion or a renewal of the loan, material uncertainty exists which may cast significant doubt upon the Company's ability to continue as a going concern. However, the Executive Board and the Board of Directors assess that the conditions can be met for which reason Management has decided to present the financial statements on the assumption that the Company is a going concern.

	<u>2015/16</u> <u>DKK</u>	<u>2014/15</u> <u>DKK</u>
2. Staff costs		
Wages and salaries	5.444.619	5.373.936
Pension costs	1.015.854	969.939
Other social security costs	90.817	84.432
	<u>6.551.290</u>	<u>6.428.307</u>
 Average number of employees	 <u>12</u>	 <u>11</u>
	 <u>2015/16</u> <u>DKK</u>	 <u>2014/15</u> <u>DKK</u>
3. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	51.912	89.856
	<u>51.912</u>	<u>89.856</u>

Notes

	2015/16 DKK	2014/15 DKK			
4. Tax on ordinary profit/loss for the year					
Current tax	0	(168.021)			
Adjustment relating to previous years	0	5.000			
	0	(163.021)			
		Other fixtures and fittings, tools and equipment DKK			
5. Property, plant and equipment					
Cost beginning of year		775.454			
Additions		69.497			
Cost end of year		844.951			
Depreciation and impairment losses beginning of the year		(670.834)			
Depreciation for the year		(51.912)			
Depreciation and impairment losses end of the year		(722.746)			
Carrying amount end of year		122.205			
	Investments in group enterprises DKK	Other receivables DKK			
6. Fixed asset investments					
Cost beginning of year	734.526	330.262			
Additions	0	19.354			
Cost end of year	734.526	349.616			
Impairment losses beginning of year	(734.526)	0			
Impairment losses end of year	(734.526)	0			
Carrying amount end of year	0	349.616			
	Equity DKK	Profit/loss DKK			
Subsidiaries:	Registered in	Corpo- rate form	Equity interest %	Equity DKK	Profit/loss DKK
Immudex USA	USA, Virginia	LLC	100,00	(18.008.847)	(3.055.242)

Notes

7. Cash and cash equivalents

In cash is included DKK 300,000 which has been deposited in a guarantee cover account as security for debt recognized under current liabilities other than provisions.

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
8. Contributed capital			
Shares	479.340	479.340,00	479.340
	479.340		479.340

	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>	<u>2012/13 DKK</u>	<u>2011/12 DKK</u>	<u>2010/11 DKK</u>
Changes in contributed capital					
Contributed capital beginning of year	430.306	377.460	374.460	374.460	357.522
Increase of capital	49.034	52.846	3.000	0	16.938
Contributed capital end of year	479.340	430.306	377.460	374.460	374.460

9. Unrecognised rental and lease commitments

The Company's rental agreement has a rental period until 5 October 2019, where it can be terminated with a six month's notice. The rental commitment constitutes DKK 779 thousand.

10. Contingent liabilities

Management has chosen not to capitalise a tax asset due to uncertainty regarding utilisation of the Company's tax asset. The Company has uncapitalised deferred tax of a total of DKK 6,389 thousand concerning the Danish income. Moreover, Immudex US, LLC has deferred tax constituting tax loss carryforwards.

The Company's other payables of DKK 8 million are secured by way of a company charge.