

**Evaxion Biotech ApS**  
Bredgade 34 E  
1260 København K  
Business Registration No  
31762863

## **Annual report 2018**

The Annual General Meeting adopted the annual report on 29.03.2019

### ***Dirigent***

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Name: Lars Wegner

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## Entity details

### Entity

Evaxion Biotech ApS  
Bredgade 34 E  
1260 København K

Central Business Registration No (CVR): 31762863

Registered in: København

Financial year: 01.01.2018 - 31.12.2018

### Board of Directors

Thomas William Wylonis  
Steven J. Projan  
Roberto Prego Pineda

### Executive Board

Andreas Holm Mattsson  
Niels Iversen Møller  
Lars Aage Staal Wegner

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
0900 København 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 Evaxion Biotech ApS for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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, 26.02.2019

### Executive Board

Andreas Holm Mattsson

Niels Iversen Møller

Lars Aage Staal Wegner

### Board of Directors

Thomas William Wylonis

Steven J. Projan

Roberto Prego Pineda

# Independent auditor's report

## To the shareholders of Evaxion Biotech ApS

### Opinion

We have audited the financial statements of Evaxion Biotech ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, 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 the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with 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.

## Independent auditor's report

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 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.

### **Violation of company law and similar legislation**

In connection with our audit, we found that all shareholders have not been registered in the public register of major shareholders and, consequently, Management can be held accountable.

Copenhagen, 26.02.2019

## **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

Lisbeth Hansen  
State Authorised Public Accountant  
Identification No (MNE) mne32788

## Management commentary

### Primary activities

The activities of Evaxion Biotech ApS consist in development of vaccines and immune detection platforms for the identification of new vaccines against bacterial, viral and cancer diseases.

### Development in activities and finances

Evaxion Biotech ApS develops new vaccine candidates for the global market. In recent years, the company has built and maintained Danish and foreign strategic partnerships. The aim has been to establish synergies between vaccine technologies.

Evaxion Biotech ApS has invested resources in the development of identified vaccine candidates with a view to developing best-in-class and new vaccine candidates. Furthermore, investments have been made in the development of the immune detection platform so that the Company can identify vaccine candidates for viral diseases and cancer. Investments have also been made in the expansion and maintenance of the Company's patent portfolio.

Evaxion Biotech ApS' economic development in 2019 is based on the capital increase made in 2018. In 2018, Evaxion Biotech ApS delivered negative financial results of DKK 20,165 thousand before tax, which Management refers to as satisfactory.

### Uncertainty relating to recognition and measurement

Evaxion Biotech's Management has assessed and estimated that there is no significant uncertainty relating to recognition and measurement, and it is estimated that the Company's capital resources are sufficient and satisfactory.

Evaxion Biotech's Management has assessed and estimated that there are no unusual circumstances which affect the annual report.

### Outlook

Results are expected to remain satisfactory in 2019.

### Events after the balance sheet date

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



## Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
<b>Gross loss</b>		<b>(8.390.221)</b>	<b>(4.454.032)</b>
Staff costs	1	(12.362.047)	(8.142.429)
Depreciation, amortisation and impairment losses	2	<u>(752.391)</u>	<u>(565.992)</u>
<b>Operating profit/loss</b>		<b>(21.504.659)</b>	<b>(13.162.453)</b>
Other financial income		479.953	15.798
Other financial expenses		<u>(678.165)</u>	<u>(88.016)</u>
<b>Profit/loss before tax</b>		<b>(21.702.871)</b>	<b>(13.234.671)</b>
Tax on profit/loss for the year	3	<u>4.642.434</u>	<u>2.864.066</u>
<b>Profit/loss for the year</b>		<b><u>(17.060.437)</u></b>	<b><u>(10.370.605)</u></b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		<u>(17.060.437)</u>	<u>(10.370.605)</u>
		<b>(17.060.437)</b>	<b>(10.370.605)</b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Acquired patents		0	710.008
<b>Intangible assets</b>		<b>0</b>	<b>710.008</b>
Other fixtures and fittings, tools and equipment		130.421	129.281
<b>Property, plant and equipment</b>		<b>130.421</b>	<b>129.281</b>
Deposits		120.297	197.097
<b>Fixed asset investments</b>		<b>120.297</b>	<b>197.097</b>
<b>Fixed assets</b>		<b>250.718</b>	<b>1.036.386</b>
Trade receivables		0	3.202.654
Other receivables		695.491	292.359
Income tax receivable		4.642.434	2.864.722
Contributed capital in arrears		0	7.008.939
Prepayments		64.638	0
<b>Receivables</b>		<b>5.402.563</b>	<b>13.368.674</b>
<b>Cash</b>		<b>48.461.612</b>	<b>2.905.007</b>
<b>Current assets</b>		<b>53.864.175</b>	<b>16.273.681</b>
<b>Assets</b>		<b>54.114.893</b>	<b>17.310.067</b>

## Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		358.807	358.807
Share premium		38.023.835	31.126.147
Reserves for loans and collateral		39.744.712	0
Reserve for non-paid contributed capital		0	7.008.939
Retained earnings		<u>(39.712.896)</u>	<u>(22.652.459)</u>
<b>Equity</b>		<b><u>38.414.458</u></b>	<b><u>15.841.434</u></b>
Bank loans		134.618	0
Convertible and dividend-yielding debt instruments	4	11.652.737	0
Prepayments received from customers		304.025	0
Trade payables		904.535	368.842
Payables to shareholders and management		743.792	0
Other payables		<u>1.960.728</u>	<u>1.099.791</u>
<b>Current liabilities other than provisions</b>		<b><u>15.700.435</u></b>	<b><u>1.468.633</u></b>
<b>Liabilities other than provisions</b>		<b><u>15.700.435</u></b>	<b><u>1.468.633</u></b>
<b>Equity and liabilities</b>		<b><u>54.114.893</u></b>	<b><u>17.310.067</u></b>
Unrecognised rental and lease commitments	5		
Contingent liabilities	6		

## Statement of changes in equity for 2018

	<b>Contributed capital DKK</b>	<b>Share premium DKK</b>	<b>Reserves for lendings and securities DKK</b>	<b>Reserve for non-paid contributed capital DKK</b>
Equity beginning of year	358.807	31.126.147	0	7.008.939
Other entries on equity	0	6.897.688	39.744.712	(7.008.939)
Profit/loss for the year	0	0	0	0
<b>Equity end of year</b>	<b>358.807</b>	<b>38.023.835</b>	<b>39.744.712</b>	<b>0</b>
			<b>Retained earnings DKK</b>	<b>Total DKK</b>
Equity beginning of year			(22.652.459)	15.841.434
Other entries on equity			0	39.633.461
Profit/loss for the year			(17.060.437)	(17.060.437)
<b>Equity end of year</b>			<b>(39.712.896)</b>	<b>38.414.458</b>

## Notes

	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>1. Staff costs</b>		
Wages and salaries	11.547.105	7.884.140
Pension costs	442.052	0
Other social security costs	(358.345)	(342.670)
Other staff costs	731.235	600.959
	<b>12.362.047</b>	<b>8.142.429</b>
Average number of employees	<b>18</b>	<b>13</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	176.041	176.041
Impairment losses on intangible assets	533.967	0
Depreciation of property, plant and equipment	42.383	25.212
Profit/loss from sale of intangible assets and property, plant and equipment	0	364.739
	<b>752.391</b>	<b>565.992</b>
	<b>2018</b>	<b>2017</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Tax on profit/loss for the year</b>		
Current tax	(4.642.434)	(2.864.066)
	<b>(4.642.434)</b>	<b>(2.864.066)</b>
<b>4. Convertible and dividend-yielding short-term debt instruments</b>		
Convertible debt instruments, to shareholders and management		743,792
Convertible debt instruments, others		11,652,737
<b>Total debt instrument</b>		<b>12,396,529</b>
Equity instrument, first issue		911,249
Equity instrument, second issue		38,833,462
<b>Total equity instrument</b>		<b>39,744,711</b>
<b>Total</b>		<b>52,141,240</b>

## Notes

### First issue:

In the period 17 August 2018 to 16 November 2018, the Company issued convertible debt instruments of a nominal value of DKK 11.7 million subscribed at par. The convertible debt instruments including accrued interest are converted into common shares at a pre-money valuation of USD 57.5 million at any time until the day before the maturity date, which is 12 months from the date of issue.

If the debt instruments are not converted into share capital, they fall due for repayment at the maturity date, which is 12 months from the date of issue. In the period from the disbursement date until the date of repayment, the convertible debt instruments will carry interest at the rate of 7.5% annually, which will accrue until the convertible loans are converted or repaid.

The net proceeds from the issuance of the debt instruments are divided between a debt instrument and an equity instrument, respectively, the latter representing the fair value at the date of issue of the inherent right to convert the debt instruments into shares in the Company.

	<u>DKK</u>
Proceeds at issuance of convertible debt instruments	12,711,100
Fair value of equity instrument (before tax)	<u>(911,249)</u>
<b>Fair value of financial liability at the date of issue</b>	<b>11,799,851</b>
Calculated interest	<u>401,103</u>
<b>Carrying amount of financial liability at 31 December</b>	<b><u>12,200,954</u></b>

The fair value of the debt instrument at the time of issue is calculated on the basis of an expected repayment at the maturity date (12 months from the date of issue), using an interest rate of 15.0% a year. The interest rate is estimated as an addition to credit risk.

Sensitivity: At an interest rate level of 15% annually, the equity instrument amounts to DKK 911 thousand, and the fair value of the debt instrument is DKK 11,800 thousand. At an interest rate level of 14% annually, the numbers would be DKK 794 thousand/DKK 11,917 thousand, respectively, and at an interest rate level of 16% annually, the numbers would be DKK 1,027 thousand / 11,684 thousand, respectively.

### Second issue:

In the period 2 October 2018 to 28 December 2018, the Company issued convertible debt instruments of a nominal value of DKK 38.3 million subscribed at par. The convertible debt instruments including accrued interest are converted into common shares at a pre-money valuation of USD 57.6 million at the maturity date, which is 31 December 2020. If the debt instruments are not converted into share capital, they fall due for repayment at the maturity date, which is 31 December 2020. In the period from the disbursement date until the date of repayment, the convertible debt instruments will carry interest at the rate of 7.5% annually, which will accrue until the convertible loans are converted or repaid.

## Notes

As the lender may not demand a cash repayment of the loan, except in the event of a sale of the Company, the net proceeds from the issuance of the debt instruments are divided between a debt instrument by 0% and an equity instrument by 100%, the latter representing the fair value at the date of issue of the inherent right to convert the debt instruments into shares in the Company.

	<u>DKK</u>
Proceeds at issuance of convertible debt instruments	38,833,462
Fair value of equity instrument (before tax)	<u>(38,833,462)</u>
<b>Fair value of financial liability at the date of issue</b>	<b>0</b>
Calculated interest	<u>0</u>
<b>Carrying amount of financial liability at 31 December</b>	<b><u>0</u></b>

	<u>2018</u>	<u>2017</u>
	<u>DKK</u>	<u>DKK</u>
<b>5. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<u>657.203</u>	<u>1.110.816</u>

### 6. Contingent liabilities

In 2016 to 2017, the Entity decided on a warrant programme under which the Entity to certain extent is obligated to issue shares to key employees of the Entity if a sale takes place.

## 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 enterprises with addition of certain provisions for reporting class C.

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

### 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 rate 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 sales, cost of raw materials and consumables and external expenses.

#### Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.



## Accounting policies

### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

### Cost of sales

Cost of sales for the financial year is measured at cost.

### Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year.

### 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 writedowns 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

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, 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 interest income, payables and transactions in foreign currencies.

### Other financial expenses

Other financial expenses comprise interest expenses, payables and transactions in foreign currencies

### 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.

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights etc comprise development projects, patents and licences.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical utilisation, sufficient resources, and a potential, future market or development potential can be demonstrated, and provided that it is the intention to produce, market, or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates

## Accounting policies

that future earnings will cover costs for production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Patents and licences are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the contract period, however, for a maximum of 10 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

### 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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Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Contributed capital in arrears consists

Contributed capital in arrears consists of capital subscribed, but not paid up, which is recognised as a separate amount receivable in assets and a separate reserve in equity (gross method). The amount receivable is measured at amortised cost.

### Receivables

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

### Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed 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.

## Accounting policies

### Cash

Cash comprises cash in hand and bank deposits.

### Other financial liabilities

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

### Convertible debt instruments

Convertible debt instruments are considered embedded instruments consisting of a financial liability measured at amortised cost and an equity instrument by way of an inherent conversion right.

At the date of issue, the fair value of the financial liability is determined using a market rate for a corresponding non-convertible debt instrument. The difference between the proceeds from the issue of the convertible debt instrument and the fair value of the financial liability, corresponding to the inherent option to convert the liability to equity, is recognised in equity.

The issue costs are allocated between the financial liability and the equity instrument of the convertible debt instrument based on their relative carrying amount at the date of issue. The part relating to the equity instrument is recognised directly in equity.

The interest expense relating to the financial liability is calculated using the applicable market rate for a corresponding non-convertible debt instrument. Any difference between the calculated interest expense and the actual interest paid according to the nominal interest rate of the debt instrument is added to the carrying amount of the financial liability. The financial liability is subsequently measured at amortised cost.

### Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.