

PKF Munkebo Vindelev
Statsautoriseret Revisionsaktieselskab



Annual report 2017

Company reg. no. 34 62 19 42

Var2 Pharmaceuticals ApS

c/o Cobis A/S

Ole Maaløes Vej 3

2200 København N

The annual report has been submitted and approved by the general meeting on 12 May 2018.

Ali El-Salanti
Chairman of the meeting

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Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The board of directors and the executive board have today presented the annual report of Var2 Pharmaceuticals ApS for the financial year 1 January to 31 December 2017.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2017 and of the company's results of its activities in the financial year 1 January to 31 December 2017.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

København N, 12 May 2018

Executive board

Ali El-Salanti

Mads Daugaard

Ulf Andreas Linderoth Norlin

Board of directors

Mads Daugaard
Chairman

Peter Schröcksnadel

Poul Henrik Bredahl Sørensen

Ali El-Salanti

Thor Grundtvig Theander

Mai-Britt Zocca

Independent auditor's report

To the shareholders of Var2 Pharmaceuticals ApS

Opinion

We have audited the annual accounts of Var2 Pharmaceuticals ApS for the financial year 1 January to 31 December 2017, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Glostrup, 12 May 2018

PKF Munkebo Vindelev
State Authorised Public Accountants
Company reg. no. 14 11 92 99

Kasper Vindelev
State Authorised Public Accountant
MNE-nr. 29389

Company data

The company

Var2 Pharmaceuticals ApS

c/o Cobis A/S

Ole Maaløes Vej 3

2200 København N

Company reg. no. 34 62 19 42

Established: 1 June 2012

Domicile: The City of Copenhagen

Financial year: 1 January - 31 December
6th financial year

Board of directors

Mads Daugaard, Chairman

Peter Schröcksnadel

Poul Henrik Bredahl Sørensen

Ali El-Salanti

Thor Grundtvig Theander

Mai-Britt Zocca

Executive board

Ali El-Salanti

Mads Daugaard

Ulf Andreas Linderoth Norlin

Auditors

PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab

Hovedvejen 56

2600 Glostrup

Bankers

Danske Bank, Holmens Kanal 2, 1090 København K

Parent company

Oncomal ApS

Financial highlights

DKK in thousands.	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Profit and loss account:					
Gross loss	-3.958	-1.633	-654	-829	68
Results from operating activities	-5.589	-2.365	-824	-1.035	68
Net financials	-17	-8	-25	-15	-3
Results for the year	-4.379	-1.857	-770	-1.013	66
Balance sheet:					
Balance sheet sum	14.193	10.172	3.645	1.112	181
Equity	13.660	9.855	3.533	906	118
Employees:					
Average number of full time employees	3	0	0	0	0

Management's review

The principal activities of the company

The company is founded to directly or indirectly through ownership of other companies, develop products for diagnosis and treatment of cancer or related activities

Development in activities and financial matters

The gross loss for the year is DKK -3.958.000 against DKK -1.633.000 last year. The results from ordinary activities after tax are DKK -4.379.000 against DKK -1.857.000 last year. The management consider the results satisfactory.

The management considers the 2017 results satisfactory. All activities in 2017 were executed according to the plan and vision of the company. Key claims supporting both the diagnostic and therapeutic development have been granted in the most important markets (US, Europe, Eurasia). In the US we will pursue additional claims from the first patent applications. Similar we have expanded new patents to the most important markets in the world. The pre-clinical development project is progressing according to plan and the clinical study plan is now being drafted with our clinical advisors.

VAR2 Pharmaceuticals have secured funding for all 2018 activities. A number of feasibility studies with Pharmaceutical industrial partners have been initiated. In 2018 the ambition is to further strengthen our immunotherapy portfolio.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Accounting policies used

The annual report for Var2 Pharmaceuticals ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Accounting policies used

THE PROFIT AND LOSS ACCOUNT

Gross loss

The gross loss comprises other operating income, development costs and external costs.

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise.

Other external costs comprise costs for sales, premises and administration.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

THE BALANCE SHEET

Intangible fixed assets

Patents

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

Accounting policies used

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

Financial fixed assets

Equity investment in group enterprise

Equity investment in group enterprise is measured at cost. In case the recoverable amount is lower than the cost, writedown takes place to this lower value.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Available funds

Available funds comprise cash at bank.

Equity

Share premium

Share premium comprises amounts paid as premium in connection with the issue of shares. Costs in connection with a carried through issue are deducted in the premium. The premium reserve may be utilised as dividend, issue of bonus shares, and for payment of losses.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Accounting policies used

According to the rules of joint taxation, Var2 Pharmaceuticals ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

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

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2017</u>	<u>2016</u>
Gross loss	-3.957.851	-1.632.537
1 Staff costs	-1.630.924	-732.572
Operating profit	-5.588.775	-2.365.109
Other financial income from group enterprises	39.587	12.605
Other financial costs	-56.899	-20.487
Results before tax	-5.606.087	-2.372.991
2 Tax on ordinary results	1.226.614	516.255
Results for the year	-4.379.473	-1.856.736
Proposed distribution of the results:		
Allocated from results brought forward	-4.379.473	-1.856.736
Distribution in total	-4.379.473	-1.856.736

Balance sheet 31 December

All amounts in DKK.

Assets		
Note	2017	2016
Fixed assets		
3 Acquired concessions, patents, licenses, trademarks and similar rights	0	0
Intangible fixed assets in total	0	0
4 Equity investment in group enterprise	45.000	0
5 Deposits	12.378	0
Financial fixed assets in total	57.378	0
Fixed assets in total	57.378	0
Current assets		
Trade debtors	83.310	0
Amounts owed by group enterprises	2.289.253	971.864
Other debtors	1.212.032	584.239
Debtors in total	3.584.595	1.556.103
Available funds	10.550.603	8.615.776
Current assets in total	14.135.198	10.171.879
Assets in total	14.192.576	10.171.879

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2017</u>	<u>2016</u>
Equity			
6	Contributed capital	95.607	94.648
7	Share premium account	0	0
8	Results brought forward	13.564.540	9.760.684
	Equity in total	<u>13.660.147</u>	<u>9.855.332</u>
Liabilities			
	Bank debts	0	4.435
	Trade creditors	223.521	220.364
	Other debts	308.908	91.748
	Short-term liabilities in total	<u>532.429</u>	<u>316.547</u>
	Liabilities in total	<u>532.429</u>	<u>316.547</u>
	Equity and liabilities in total	<u>14.192.576</u>	<u>10.171.879</u>

9 Contingencies

Notes

All amounts in DKK.

	<u>2017</u>	<u>2016</u>
1. Staff costs		
Salaries and wages	1.555.024	725.011
Pension costs	65.025	7.182
Other costs for social security	9.088	379
Other staff costs	1.787	0
	<u>1.630.924</u>	<u>732.572</u>
Average number of employees	<u>3</u>	<u>0</u>
2. Tax on ordinary results		
Tax of the results for the year	<u>-1.226.614</u>	<u>-516.255</u>
	<u>-1.226.614</u>	<u>-516.255</u>
3. Acquired concessions, patents, licenses, trademarks and similar rights		
Cost 1 January 2017	<u>86.486</u>	<u>86.486</u>
Cost 31 December 2017	<u>86.486</u>	<u>86.486</u>
Amortisation and writedown 1 January 2017	<u>-86.486</u>	<u>-86.486</u>
Amortisation and writedown 31 December 2017	<u>-86.486</u>	<u>-86.486</u>
Book value 31 December 2017	<u>0</u>	<u>0</u>
4. Equity investment in group enterprise		
Acquisition sum, opening balance 1 January 2017	0	0
Additions during the year	<u>45.000</u>	<u>0</u>
Cost 31 December 2017	<u>45.000</u>	<u>0</u>
Book value 31 December 2017	<u>45.000</u>	<u>0</u>

Notes

All amounts in DKK.

	<u>31/12 2017</u>	<u>31/12 2016</u>
5. Deposits		
Cost 1 January 2017	0	0
Additions during the year	<u>12.378</u>	<u>0</u>
Cost 31 December 2017	<u>12.378</u>	<u>0</u>
Book value 31 December 2017	<u>12.378</u>	<u>0</u>
6. Contributed capital		
Contributed capital 1 January 2017	94.648	93.689
Cash capital increase	<u>959</u>	<u>959</u>
	<u>95.607</u>	<u>94.648</u>
7. Share premium account		
Share premium account 1 January 2017	0	0
Share premium account for the year	8.183.329	8.178.421
Transferred to results brought forward	<u>-8.183.329</u>	<u>-8.178.421</u>
	<u>0</u>	<u>0</u>
8. Results brought forward		
Results brought forward 1 January 2017	9.760.684	3.438.999
Profit or loss for the year brought forward	-4.379.473	-1.856.736
Transferred from share premium to results brought forward	<u>8.183.329</u>	<u>8.178.421</u>
	<u>13.564.540</u>	<u>9.760.684</u>

Notes

All amounts in DKK.

9. Contingencies

Contingent assets

A deferred tax asset of t.DKK 292 has not been recognised due to uncertainty regarding future usage.

Contingent liabilities

Rental liabilities

The company has entered into a tenancy agreement. The company has a rental commitment of t.DKK 14 as of 31 December 2017.

Joint taxation

Oncomal ApS, company reg. no 34 58 03 67 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.