

Annual Report for 2017

(29.11-31.12.2017)

IGM Biosciences A/S
CVR no. 39 12 36 49

The Annual Report has been presented and adopted at the Annual General Meeting on
May 30, 2018

Chair of the meeting,
Henrik Gaarn Bak

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Management's review

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Letter from the Chairman

IGM Biosciences A/S is established in 2017 by a stock for stock exchange of the shares in IGM Biosciences, Inc.

It is the company's first financial year covering the period from November 29 to December 31, 2017.

The company's activities are within biotech research.

The profit for the period is a loss of DKK 580 thousand and corresponds to the expectations.

The result for the coming year is also expected to be a deficit, as significant amounts will be spent in the coming year for research.

The balance sheet and cash flow was impacted by the purchase of patents, patents under development and know-how from the subsidiary IGM Biosciences, Inc. for DKK 214,872 thousand which was paid by a long term-loan from the subsidiary.

IGM expect another busy year in 2018 with significant progress. On the technical side the internal programs had very positive developments moving several projects closer to an IND filing. Furthermore, IGM successfully expects to secure significant IP, strengthening the company's position as the undisputed leader in the field of IgM antibodies. Regarding research and/or commercial partnerships there continues to be significant interest from the pharma- and biotech industry.

Five-year summary

DKK 1,000

| Income statement | 2017 ¹⁾ |
|-------------------------------------|--------------------|
| Revenue | 0 |
| EBITDA | -577 |
| EBIT | -577 |
| Net financial expenses etc. | -92 |
| Net profit | -580 |
| Balance sheet | |
| Balance sheet total | 268,788 |
| Equity | 19,884 |
| Net working capital | -33,857 |
| Net indebtedness | 182,964 |
| Cash flow | |
| Cash flow from operating activities | -92 |
| Cash flow from investing activities | -214,872 |
| Cash flow from financing activities | 246,958 |
| Change in cash and cash equivalents | 31,994 |
| Employees | |
| Average number of employees | 0 |
| Ratios in % | |
| Equity ratio | 7.4 |

1) Period for income statement and cash flow is November 29 – December 31

Outlook for 2018

IGM Biosciences A/S and its subsidiary IGM Biosciences, Inc. is expected to continue its scientific progress. We have had significant interest from the pharma and biotech industries which have led to numerous discussions with potential corporate partners. We expect this development to continue at a high pace in 2018. The scientific progress made so far, and the positive outlook of the future have enabled the parent company, Haldor Topsøe Holding A/S, to commit full funding of the operation of the activity to the end of 2018 so far. We expect that the progress will be intensified over the coming years, eventually paving the way for a commercialization of the novel technologies developed by IGM Biosciences.

Forward-looking statements

IGM Biosciences A/S' financial reports, whether in the form of annual reports or interim reports, as well as any presentations based on such financial reports, and any other written information released, or oral statements made, to the public based on this annual report or in the future on behalf of IGM Biosciences A/S, may contain forward-looking statements.

These forward-looking statements are based on current plans, estimates and projections. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which may be outside IGM Biosciences A/S' influence, and which could materially affect such forward-looking statements.

IGM Biosciences A/S cautions that a number of factors, including those described in the risk management part of this report, could cause actual results to differ materially from those contemplated in any forward-looking statements.

Risk management

Strategic and operational risks

Intellectual property (IP) protection

As a highly innovative company, we pursue IP protection through for instance patents. However, our IP could be challenged, invalidated, circumvented, or rendered unenforceable. Defending and prosecuting our IP rights are therefore of paramount importance.

Biotech risk

As with all biotech startup ventures the risk of turning science and early development work into a commercial product is substantial. This also applies to IGM Biosciences and there is no guarantee that it will be possible to attract commercial development partner or eventually develop marketable products. Whereas the commercialization risk is very high the science developed at IGM Biosciences is very well protected by valuable solid IPR and patents.

Financial risks

Currencies

The company's transactions with its US subsidiary, IGM Biosciences, Inc., are subject to the risk of USD currency fluctuations, which may impact the income statement, balance sheet, and cash flows. The risk is evened out on Group level and hence, not hedged.

Interest rates

Non-current debt consists of loans with fixed interest rates, hence there is no interest rate risk.

Credit

The credit risk of the company is primarily related to tax receivables and group enterprises, which is considered without material risk.

Liquidity

The company must maintain sufficient liquidity to fund daily operations, debt service, and expansion. The company's access to liquidity consists of cash

and cash equivalents and the parent company's intention to support the company in the coming year.

Statement by the Executive Management and Board of Directors on the Annual Report

The Executive Management and Board of Directors have today considered and approved the Annual Report for the period November 29 – December 31 2017 of IGM Biosciences A/S.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

In our opinion, the financial statements give a true and fair view of the financial position of the company at December 31, 2017 and of the results and cash flows of the company operations for

November 29 – December 31 2017 in accordance with the applied accounting policies.

In our opinion, the Management's review includes a true and fair account of the development in the operations and financial circumstances, of the results for the year and of the financial position of the company as well as a description of the most significant risks and elements of uncertainty facing the company.

We recommend that the Annual Report be adopted at the annual general meeting.

Lyngby, May 24, 2018

Executive Management

Fred Max Schwarzer

Board of Directors

Michael Dewey Loberg
(Chairman)

Nelson Nan-Hsiung Teng

Christina Teng Topsøe

Jakob Haldor Topsøe

Henrik Topsøe

Dana Roy Leach

Independent Auditor's report

To the shareholders of IGM Biosciences A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at December 31, 2017 and of the results of the Company's operations as well as the cash flows for the financial year November 29 to December 31, 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of IGM Biosciences A/S for the financial year November 29 - December 31, 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies as well as statement of comprehensive income ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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.

Statement on Management's review

Management is responsible for Management's review.

Our opinion on the financial statements does not cover Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's review.

Management's responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, May 24, 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR nr. 33 77 12 31

Mikkel Sthyr
State Authorized Public Accountant
mne26693

Maj-Britt Nørskov Nannestad
State Authorized Public Accountant
mne32198

Accounting policies

Basis of preparation

Basis of preparation

The financial statements of IGM Biosciences A/S have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, as well as additional Danish disclosure requirements applying to enterprises of reporting class B.

New standards, amendments and interpretations not yet effective

The following new standards, amendments and interpretations have been adopted by the IASB and adopted by the EU. IGM Biosciences will adopt the standards when they become effective:

- IFRS 9 “Financial instruments”: The standard introduces an expected loss model for impairment losses on loans and receivables. As an overriding main rule, this new model will imply larger impairment losses than those incurred under IAS 39. The number of classification categories for financial assets is reduced to three: amortized cost, fair value through profit or loss and fair value through other comprehensive income. Fair value changes to financial liabilities which are attributable to the fair value and which arise from changes in own credit risks must be recognized in other comprehensive income. Simplified rules on hedge accounting are introduced. The standard will be effective for financial years beginning on or after January 1, 2018.

IGM Biosciences has assessed that the standard will not have a significant impact on the financial statements. However, implementation of the standard will impact disclosures.

The IASB has issued the following new standards, amendments and new interpretations that are relevant to IGM Biosciences, but which have not yet been adopted by the EU:

- IFRS 9 “Financial instruments”: A minor amendment concerning the classification of receivables in situations where a borrower has a prepayment option and where such a prepayment has negative consequences for the borrower. They are to be measured at amortized cost or fair value with adjustments through other comprehensive income if certain criteria are met. The amendment will be effective for financial years beginning on or after January 1, 2019.
- IFRIC 22 “Foreign currency transactions and advance consideration”: IAS 21 requires an enterprise to use the exchange rate at the date of the transaction which is defined as the date on which the transaction first qualifies for recognition. The amendment will be effective for financial years beginning on or after January 1, 2018.
- IFRIC 23 “Uncertainty over income tax treatments”: The interpretation clarifies that it must be determined whether each tax position is to be treated individually or collectively with other uncertain tax positions. The assessment should be based on the assumption that the tax authorities have the same knowledge of the enterprise’s circumstances and, therefore, the assessment should disregard any detection risk. This determination may be based on e.g. how tax statements are prepared, or how the enterprise expects the tax authorities to treat the uncertain tax positions. The uncertain tax position must be recognized if it is probable that the enterprise will have to pay or receive refunds. The uncertain tax position must be measured so as to better reflect the receivable/liability and the related uncertainty. The amendment will be effective for financial years beginning on or after January 1, 2019.

- Annual improvements (2015-2017): Include three minor clarifications:
 - IAS 12 "Income taxes": Income tax consequences of dividends should be recognized in profit or loss, see IAS 12.
 - IAS 23 "Borrowing costs": Borrowing costs incurred on specific-purpose borrowing may subsequently change into borrowing costs on general borrowing, see IAS 23.
 - IFRS 3 "Business combinations": Clarifies that a step acquisition of a joint venture by which an enterprise obtains control must be treated in accordance with IFRS 3.

The amendments will be effective for financial years beginning on or after January 1, 2019.

The above standards and interpretations will be applied when they become effective. None of these are expected to have a significant impact on the financial statements of IGM Biosciences.

General

The financial statements have been prepared in accordance with the historical cost convention.

Part of the information required by IFRS appears from Management's Review. The remaining information appears from the following sections.

Functional and presentation currency

The financial statements are presented in Danish kroner (DKK), which is the functional and presentation currency of the company.

Translation policies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Foreign currency monetary items are translated into the functional currency at the exchange rates prevailing at the balance sheet date.

Realized and unrealized foreign exchange gains and losses are recognized in financial income and financial expenses.

Income statement

Other external expenses

Other external expenses comprise advisory fees as well as office expenses, etc.

Financial income and expenses

Financial income and expenses comprise of interest and realized and unrealized foreign currency translation adjustments.

Tax

Tax consists of current tax for the year and deferred tax. Tax attributable to the profit for the year is recognized in the income statement, whereas tax attributable to equity transactions is recognized directly in equity.

IGM Biosciences A/S is jointly taxed with the ultimate parent company. Tax for the individual companies is allocated fully on the basis of expected taxable income.

Balance sheet

Patents

Patents are measured at cost less accumulated amortization and impairment losses. Patents are amortized on a straight-line basis over the remaining patent term.

The useful lives of the assets are assessed annually and adjusted if necessary at the balance sheet date.

Patents is tested for impairment when there is an indication of impairment. Impairment indicators comprise e.g.:

- Reduced expected future results

- Material negative development trends in the sector
- Changed probability of success including passing of phases
- Changed expected life of product

Impairment losses relating to other intangible assets are reversed if the recoverable amount subsequently increases.

Know-how

Know-how patents are measured at cost less accumulated impairment losses.

Know-how is tested for impairment once a year and if there is an indication of impairment. Material impairment indicators which may lead to an impairment test are similar to those stated in the section on patents. Know-how is written down to the lower recoverable amount.

Impairment loss relating to know-how is not reversed.

Gains or losses from divestment of intangible assets are recognized in the income statement under "Other external expenses".

Investments in group enterprises

Enterprises in which the company directly or indirectly holds the majority of the voting rights or in which the company through share ownership or otherwise exercises control are recognized as group enterprises.

Investments in group enterprises are recognized and measured at cost.

Investment in group enterprises is tested for impairment, when there is an indication of impairment.

Receivables

Receivables are measured in the balance sheet at the lower of amortized cost and net realizable

value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Current tax receivables and liabilities

Current tax liabilities and current tax receivable are recognized in receivables in the balance sheet in the event of overpayment of tax on account, in debt in the event of underpayment of tax on account.

Deferred tax

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities. The tax base of tax loss carryforwards is deducted from deferred tax when it is probable that the losses may be utilized.

Deferred tax is measured on the basis of the tax rules and tax rates expected to be in force on elimination of temporary differences. Any changes in deferred tax due to changes in tax rates are recognized in the income statement with the share attributable to the results for the year and directly in equity with the share attributable to equity transactions.

Financial liabilities

Loans which are expected to be held to maturity are recognized initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortized cost, corresponding to capitalized value, using the effective interest rate; the difference between the proceeds and the nominal value is recognized in the income statement over the loan period. Other debts are measured at amortized cost, mainly corresponding to nominal value.

Other areas

Cash flow statement

The cash flow statement, which is prepared according to the indirect method, shows the cash flows for the year broken down by operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of the year.

The cash comprises the cash and cash equivalents.

Financial highlights

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2015".

| | |
|--------------|--|
| Equity ratio | $\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$ |
|--------------|--|

Key accounting estimates and judgements

In accordance with general accounting policies, determination of the carrying amount of certain assets and liabilities requires assessments and estimates of future events. Assessments and estimates are performed based on historical experience and other factors which management considers reasonable under the circumstances. These assumptions may be incomplete or inaccurate and unexpected issues may arise, which implies that the assessments and estimates made are subject to some uncertainty. Special risks for the Company appears from the “Risk management” section.

Patents and patents under development

Patents is tested for impairment if there is an indication of impairment. The impairment test requires that Management estimates various significant factors, including probability of success, expected life of product, expected future cash flows, discount rates and growth rates for the period. The sensitivity of estimates made can, combined or individually, be significant.

Income statement and statement of comprehensive income of IGM Biosciences A/S

Income statement

| | <u>Note</u> | November 29- December 31 2017 <u>DKK 1,000</u> |
|--------------------------|-------------|---|
| Other external expenses | | <u>-577</u> |
| EBIT | | -577 |
| Financial expenses | 2 | <u>-92</u> |
| Profit before tax | | -669 |
| Tax | 3 | <u>89</u> |
| Net profit | | <u>-580</u> |

Statement of comprehensive income

| | |
|-----------------------------------|--------------------|
| Net profit | -580 |
| Other comprehensive income | <u>0</u> |
| Total comprehensive income | <u>-580</u> |

Balance sheet at December 31 of IGM Biosciences A/S

Assets

| | <u>Note</u> | <u>2017</u> DKK 1,000 |
|---------------------------------|-------------|--------------------------|
| Patents | | 9,001 |
| Know-how | | 1,062 |
| Patents under development | | <u>204,809</u> |
| Intangible assets | 4 | <u>214,872</u> |
| Investment in group enterprises | | <u>21,833</u> |
| Investments | 5 | <u>21,833</u> |
| Non-current assets | | <u>236,705</u> |
| Other receivables | 6 | <u>89</u> |
| Receivables | | <u>89</u> |
| Cash | | <u>31,994</u> |
| Current assets | | <u>32,083</u> |
| Assets | | <u>268,788</u> |

Balance sheet at December 31 of IGM Biosciences A/S Equity and liabilities

| | <u>Note</u> | <u>2017</u> DKK 1,000 |
|--------------------------------|-------------|--------------------------|
| Share capital | 7 | 3,734 |
| Share premium | | 16,730 |
| Retained earnings | | -580 |
| Equity | | <u>19,884</u> |
| | | |
| Payables to group enterprises | 8 | <u>214,958</u> |
| Non-current liabilities | | <u>214,958</u> |
| | | |
| Payables to group enterprises | 8 | 32,000 |
| Other payables | | <u>1,946</u> |
| Current liabilities | | <u>33,946</u> |
| | | |
| Liabilities | | <u>248,904</u> |
| | | |
| Equity and liabilities | | <u>268,788</u> |

Statement of changes in equity of IGM Biosciences A/S

| | Share capital | Share premium | Retained earnings | Total equity |
|---------------------------------------|------------------|------------------|----------------------|---------------|
| | DKK 1,000 | DKK 1,000 | DKK 1,000 | DKK 1,000 |
| Incorporation at November 29, 2017 | 3,300 | 14,525 | 0 | 17,825 |
| Net profit | 0 | 0 | -580 | -580 |
| Other comprehensive income | 0 | 0 | 0 | 0 |
| Comprehensive income | 0 | 0 | -580 | -580 |
| Increase of share capital | 434 | 2,205 | 0 | 2,639 |
| Transactions with owners | 434 | 2,205 | 0 | 2,639 |
| Equity at December 31, 2017 | 3,734 | 16,730 | -580 | 19,884 |

Cash flow statement of IGM Biosciences A/S

| | <u>Note</u> | <u>2017</u> DKK 1,000 |
|---|-------------|--------------------------|
| Net profit | | -580 |
| Adjustments for non-cash items | 14 | -1,366 |
| Change in working capital | 15 | <u>1,946</u> |
| Cash flows from operating activities before financial items and tax | | 0 |
| Interest paid, etc. | | <u>-92</u> |
| Cash flows from operating activities | | <u>-92</u> |
| Purchase of intangible assets | | <u>-214,872</u> |
| Cash flows from investing activities | | <u>-214,872</u> |
| Loan from parent company | | 32,000 |
| Raising of long-term loans | | <u>214,958</u> |
| Cash flows from financing activities | | <u>246,958</u> |
| Change in cash and cash equivalents | | 31,994 |
| Cash and cash equivalents at November 29 | | <u>0</u> |
| Cash and cash equivalents at December 31 | | <u>31,994</u> |
| Cash | | <u>31,994</u> |
| Cash and cash equivalents at December 31 | | <u>31,994</u> |

Notes to the Annual Report of IGM Biosciences A/S

List of notes

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Notes to the Annual Report of IGM Biosciences A/S

1 Staff expenses

The company has no employees and hasn't paid salary or board fee.

| | <u>2017</u> DKK 1,000 |
|------------------------------------|--------------------------|
| 2 Financial expenses | |
| Interest expenses | 6 |
| Interest paid to group enterprises | <u>86</u> |
| Total financial expenses | <u>92</u> |
| | |
| | <u>2017</u> DKK 1,000 |
| 3 Tax | |
| Current tax for the year | <u>-89</u> |
| Total tax | <u>-89</u> |
| | |
| | <u>2017</u> % |
| Danish corporate tax rate | 22.0 |
| Non-deductible expenses | <u>-8.7</u> |
| Effective tax rate | <u>13.3</u> |

Notes to the Annual Report of IGM Biosciences A/S

4 Intangible assets

| | Patents DKK 1,000 | Know-how DKK 1,000 | Patents under develop- ment DKK 1,000 |
|---|----------------------|-----------------------|---|
| Cost at November 29, 2017 | 0 | 0 | 0 |
| Additions during the year | 9,001 | 1,062 | 204,809 |
| Cost at December 31, 2017 | 9,001 | 1,062 | 204,809 |
| | | | |
| Carrying amount at December 31, 2017 | 9,001 | 1,062 | 204,809 |

5 Investments

| | Investments in group enterprises DKK 1,000 |
|---|---|
| Cost at November 29, 2017 | 17,825 |
| Additions during the year | 4,008 |
| Cost at December 31, 2017 | 21,833 |
| | |
| Carrying amount at December 31, 2017 | 21,833 |

| Name | Registered office | Voting and ownership share |
|-----------------------|--------------------|----------------------------------|
| IGM Biosciences, Inc. | Mountain View, USA | 100% |

Notes to the Annual Report of IGM Biosciences A/S

| | |
|---|------------------|
| | <u>2017</u> |
| 6 Other receivables | DKK 1,000 |
| Tax receivables | <u>89</u> |
| Other receivables at December 31 | <u>89</u> |
| Of this, due after more than 1 year | <u>0</u> |

| | | | |
|--|------------------------------------|------------------------------------|------------------------------------|
| | Common shares | Series A Preferred Stock | Series B Preferred Stock |
| 7 Share capital | Number of shares of 0.01 EUR | Number of shares of 0.01 EUR | Number of shares of 0.01 EUR |
| Incorporation at November 29, 2017 by contribution in kind | 5,085,415 | 0 | 39,257,109 |
| Capital increase by contribution in kind | <u>2,895,000</u> | <u>2,650,000</u> | <u>286,198</u> |
| Shares at December 31, 2017 | <u>7,980,415</u> | <u>2,650,000</u> | <u>39,543,307</u> |

The share capital consists of 50,173,722 shares with a nominal value of EUR 0.01 each equal to a nominal value of 501,737 EUR. The equivalent value in DKK is 3,734 thousand.

All shares are fully issued and paid up.

The shares are divided into 3 classes. Common shares as well as preferred stock are entitled to 1 vote per share/stock. Preferred Stock has preference and priority to dividend and in case of liquidation.

| | |
|--|--|
| | <u>2017</u> |
| | Number of common shares of 0.01 EUR |
| Own shares at November 29, 2017 | 5,085,415 |
| Addition | <u>0</u> |
| Own shares at December 31, 2017 | <u>5,085,415</u> |

Own shares relates to share program in IGM Biosciences, Inc.

Notes to the Annual Report of IGM Biosciences A/S

| | <u>2017</u> |
|---|----------------|
| | DKK 1,000 |
| 8 Non-current liabilities | |
| Group enterprises | |
| After 5 years | 214,958 |
| Between 1 and 5 years | 0 |
| More than 1 year | <u>214,958</u> |
| Less than 1 year | 32,000 |
| Group enterprises at December 31 | <u>246,958</u> |
| | |
| Interest bearing debt at November 29 | 0 |
| New loan | 214,958 |
| Interest bearing debt at December 31 | <u>214,958</u> |

Notes to the Annual Report of IGM Biosciences A/S

| | <u>2017</u> |
|---|----------------|
| | DKK 1,000 |
| 9 Assets provided as security | |
| Carrying amount of non-current assets (patents and know-how) provided as security | <u>214,872</u> |
| Remaining balance of loans secured by non-current assets | <u>214,958</u> |

10 Contingent liabilities

Through participation in joint taxation scheme with Haldor Topsøe Holding A/S, the company is jointly and severally liable for taxes etc. payable in Denmark.

11 Fee to auditors appointed at the general meeting

Please refer to the note in the consolidated financial statements for the parent company, Haldor Topsøe Holding A/S.

12 Related parties

Control

Haldor Topsøe Holding A/S, Lyngby, Denmark - shareholder

| | <u>2017</u> |
|---|-------------|
| | DKK 1,000 |
| Payables to the parent company at December 31 | 32,000 |

| <u>Related parties</u> | <u>Transactions</u> | <u>2017</u> |
|------------------------|---------------------|-------------|
| | | DKK 1,000 |
| Subsidiary | Loan | 214,958 |
| | Interests | 86 |

Remuneration to Executive Management and Board of Directors, please see note 1.

Notes to the Annual Report of IGM Biosciences A/S

13 Financial assets and liabilities

| | 2017 |
|---|-----------------------|
| | <u>DKK 1,000</u> |
| Cash | 31,994 |
| Financial assets at December 31 | <u>31,994</u> |
| Group enterprises | 246,958 |
| Other financial liabilities | 1,946 |
| Financial liabilities at December 31 | <u>248,904</u> |
| Financial assets measured at amortized cost | 31,994 |
| Classification of financial assets at December 31 | <u>31,994</u> |
| Financial liabilities measured at amortized cost | 248,904 |
| Classification of financial liabilities at December 31 | <u>248,904</u> |
| Group enterprises: | |
| Payments: | |
| After 5 years | 282,937 |
| Between 1 and 5 years | 35,614 |
| Less than 1 year | 32,000 |
| Group enterprises at nominal value | <u>350,551</u> |
| Future finance charges | -103,593 |
| Leasing obligations at present value | <u>246,958</u> |
| Other financial liabilities: | |
| Less than 1 year | 1,946 |

Notes to the Annual Report of IGM Biosciences A/S

13 Financial assets and liabilities (continued)

Financial risks

Currencies

The company's transactions with its US subsidiary, IGM Biosciences, Inc., are subject to the risk of USD currency fluctuations, which may impact the income statement, balance sheet, and cash flows. The risk is evened out on Group level and hence, not hedged.

Interest rates

Non-current debt consists of loans with fixed interest rates, hence there is no interest rate risk.

Credit

The credit risk of the company is primarily related to tax receivables and group enterprises, which is considered without material risk.

Liquidity

The company must maintain sufficient liquidity to fund daily operations, debt service, and expansion. The company's access to liquidity consists of cash and cash equivalents and the parent company's intention to support the company.

| | 2017 |
|---|---------------|
| | DKK 1,000 |
| 14 Adjustments for non-cash items | |
| Financial expenses | 92 |
| Tax | -89 |
| Other adjustments | -1,369 |
| Total adjustments for non-cash items | -1,366 |
| | 2017 |
| | DKK 1,000 |
| 15 Change in working capital | |
| Increase / decrease (-) in other payables, etc. | 1,946 |
| Total change in working capital | 1,946 |

16 Subsequent events

No events materially affecting the Company's financial position at December 31, 2017 have occurred after the balance sheet date.

17 Consolidated financial statements

The Company has elected not to prepare consolidated financial statements. The parent company Haldor Topsøe Holding A/S, Haldor Topsøes Allé 1, 2800 Lyngby, Denmark, prepares consolidated financial statements, which include the Company and its group enterprises.