

**Cytovac AB**

**Business Registration No. 559162-3318**

**Interim Report  
January– March 2019**

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## Management's review

### Primary activities

Cytovac performs research and development of cell-based pharmaceuticals for treatment of cancer, based on the patient's own immune system (immunotherapy).

### Formation of the Group

December 10, 2018 Cytovac A/S established a new corporate structure for the Cytovac Group. A Swedish Parent company, Cytovac AB was formed by the former shareholders of Cytovac A/S through a non-cash issue of their shares in Cytovac A/S to Cytovac AB. The restructuring is reported as a group restructuring in which Cytovac A/S's assets and liabilities are reported at historical carrying amounts and are not revalued to fair value. The consolidated financial statements of Cytovac AB are a continuation of Cytovac A/S financial reports with a retrospective adjustment of equity.

December 18, 2018 Cytovac AB acquired additional 7.1% of the shares in Cytovac A/S for MSEK 5.5, which corresponds to 714,000 shares. Further a non-cash issue of 0,4% of the shares in Cytovac A/S have been performed as of March 31, 2019. Cytovac AB then owns 100% of the shares in Cytovac A/S.

### Development in activities

Cytovac has in first quarter of 2019 inrolled all planned patients in the ongoing phase II trial in Glioblastoma and has also made a successful pre-IPO in Denmark. Preparations for the coming investigator driven study within Triple Negative Breast Cancer has been done and submission to the Danish authorities are planned for Q2 2019. The organization has been strengthen with a new COO, CMO and HR manager. Preparations for the planned listing at First North Premier in Q2 2019 has taken place during Q1 2019 and all preparations are on track with the project plan.

### Outlook

Immunotherapy continues to be an area in cancer research and treatment that has high priority. Cytovac has developed the ALECSAT therapy, which potentially can improve cancer treatment by a gentle treatment method. It is the opinion of the Board of Directors and Management that the need for new products is still high and that the market continues to show a great interest in immunotherapy-based products. In this light, it is the expectation that there will be significant interest in Cytovac and its products, especially when the company gets the clinical results from the ongoing phase II trial in Glioblastoma in Sweden. These results are expected in first half of 2020.

In 2019 the company will focus on the following activities:

- Preparing for the planned listing at First North Premier in Sweden
- Further development of the documentation and preparation for the commercial use of ALECSAT
- Start of new phase II studies within triple negative breast cancer and start preparations for the new phase II study within soft tissue sarcoma. This study is expected to start in 2020
- Continue our international collaboration relations

## Management's review

### Financial review for the first three months of 2019

#### Income statement

For the first three months of 2019 Cytovac reported a net loss of SEK 15.6 million compared to a net loss of SEK 6.0 million for the same period 2018. The increase is primarily due to increased research and development activities as well as costs associated with the company's preparation for upcoming listing on First North Premier.

#### Research and development costs

Research and development costs for the period totaled SEK 11.3 million 2019 compared to SEK 6.0 million to the same period in 2018. The increase in costs was mainly due to the ongoing Glioblastoma CV006 Phase IIa trial, the remaining of the 62 patients have been included

#### Administration expenses

Administration expenses were SEK 6.4 million for the period in 2019 compared to 1.3 million during the same period in 2018, the increase is mainly due to changes in management and board and costs related to consultants preparing for a share issue and the listing at First North Premier.

#### Finance cost

Finance cost of SEK 0.3 million for the period in 2019 compared to SEK 0.0 million during the same period in 2018. Finance cost consist primarily of interest expenses on loans from shareholders.

#### Income tax

Income tax totaled SEK 2,4 million during the period in 2019 compared to SEK 1.3 million during the same period in 2018.

Income tax for both the periods 2019 and 2018 relates to tax credit for research and development expenses at the applicable tax rate under the Danish Corporate Income Tax Act.

### Statement of financial position

#### Cash and cash equivalents

As of March 31, 2019, the company had cash and cash equivalents of SEK 7.3 million compared to SEK 1.5 million as of December 31, 2018.

#### Equity

As of March 31, 2019, equity amounted to SEK 2.7 million compared to SEK 10.9 million as of December 31, 2018.

## Management's review

### Cash flows

#### Cash flow from operation activities

Net cash flow from operation activities for during the period 2019 was an outflow of SEK -1.4 million compared to an outflow of SEK -9.0 million during the same period in 2018. Net cash flow from operation activities is attributable primarily to clinical development activities and as well administrative expenses related to preparation of the listing at Firt North Premier.

#### Cash flow from financing activities

Net cash flow from financing activities amounted to an inflow of SEK 7.2 million during the period 2019 compared to an inflow of SEK 10.5 million during the same period in 2018. Net cash flow from financing activities mainly consist of capital increases.

### Significant risks and uncertainties

It is the opinion of Cytovac that the working capital available as of March 31, 2019 is not sufficient for the Group's present working capital needs for the twelve months following this date. Cytovac intends to finance its operations for the twelve months following this date using the funds from the share issue for the listing received Q1 2019 and the funds from the expected Initial Public Offering on First North Premier in Sweden in second quarter of 2019. In case the offering is not completed, Cytovac will seek alternative methods of finance in cooperation with its existing shareholders.

### Development projects

For development projects, management estimates on an ongoing basis whether this is likely to generate future economic benefits for the Company in order to be recognised as intangible assets. The development projects are evaluated on technical as well as commercial criteria. The development of CV-006 is at an early state which means that the evaluation of the possibility of generation of future economic benefits is assessed to be too low for recognition, hence the development costs are recognised directly in the income statement when incurred.

## Condensed Consolidated Income Statement

	<u>Note</u>	<b>01-01-2019 31-03-2019 SEK'000</b>	<b>01-01-2018 31-03-2018 SEK'000</b>	<b>01-01- 2018 31- 12-2018 SEK'000</b>
Administrative expenses		-6,386	-1,259	-12,523
Research and development costs		-11,342	-5,990	-37,877
<b>Operating profit (loss)</b>		<b>-17,728</b>	<b>-7,249</b>	<b>-50,400</b>
Finance cost		-274	-43	-278
<b>Profit (loss) before tax</b>		<b>-18,002</b>	<b>-7,292</b>	<b>-50,678</b>
Income tax	5	2,373	1,304	7,566
<b>Profit (loss) for the period</b>		<b>-15,629</b>	<b>-5,988</b>	<b>-43,112</b>
<i>Attributable to:</i>				
Owners of the Parent company		-15,629	-5,988	-41,806
Non-controlling interests		-	-	-1,306
Earnings per share, basic (SEK)		-1.51	-11.98	-83.6
Earnings per share, diluted (SEK)		-1.51	-11.98	-83.6

## Condensed Consolidated statement of comprehensive income

	<u>Note</u>	<u>01-01-2019</u> <u>31-03-2019</u> <u>SEK'000</u>	<u>01-01-2018</u> <u>31-03-2018</u> <u>SEK'000</u>	<u>01-01-2018</u> <u>31-12-2018</u> <u>SEK'000</u>
<b>Profit (loss) for the period</b>		-15,629	-5,988	-43,112
<b>Other comprehensive income</b>				
Items that may be reclassified to profit or loss:				
Foreign exchange differences		-15	308	1,799
<b>Total comprehensive income for the period</b>		<u>-15,644</u>	<u>-5,680</u>	<u>-41,313</u>
<i>Attributable to:</i>				
Owners of the Parent company		-15,644	-5,680	-40,061
Non-controlling interests		-	-	-1,252

## Condensed Consolidated balance sheet

	<u>Note</u>	<u>31-03-19</u> <u>SEK`000</u>	<u>31-12-18</u> <u>SEK`000</u>
Subscribed non-paid issue proceeds		0	8,310
<b>Total Subscribed non-paid issue proceeds</b>		<u>0</u>	<u>8,310</u>
Other fixtures and fittings, tools and equipment		490	523
<b>Total property, plant and equipment</b>		<u>490</u>	<u>523</u>
Deposits		771	723
Non-current tax assets	5	2,373	0
<b>Total Financial assets</b>		<u>3,084</u>	<u>723</u>
<b>Total non-current assets</b>		<u>3,634</u>	<u>1,246</u>
Current tax assets	5	7,656	7,570
Other current receivables		1,470	18,950
Prepaid expenses and accrued income		130	82
<b>Total current receivables</b>		<u>9,256</u>	<u>26,602</u>
<b>Cash and cash equivalents</b>		<u>7,267</u>	<u>1,487</u>
<b>Total current assets</b>		<u>16,523</u>	<u>28,089</u>
<b>Total assets</b>		<u>20,157</u>	<u>37,645</u>



## Condensed Consolidated balance sheet

	<u>Note</u>	<u>31-03-19</u> <u>SEK`000</u>	<u>31-12-18</u> <u>SEK`000</u>
Share capital	7	1,124	50
Other paid-in capital	8	77,239	71,021
Foreign exchange translation reserve		1,728	1,743
Retained earnings including profit (or loss) for the year		-77,395	-61,902
<b>Equity attributable to owners of the Parent company</b>		<u>2,696</u>	<u>10,912</u>
Non-controlling interests		0	-21
<b>Total equity</b>		<u>2,696</u>	<u>10,891</u>
Liabilities to credit institutions		27	68
Accounts payable		0	4,885
Other current liabilities		17,410	21,801
<b>Total current liabilities</b>		<u>17,437</u>	<u>26,754</u>
<b>Total liabilities</b>		<u>17,437</u>	<u>26,754</u>
<b>Total equity and liabilities</b>		<u>20,157</u>	<u>37,645</u>

## Condensed Consolidated statement of changes in equity

	Share capital SEK'000	Other paid-in capital SEK'000	Foreign exchange translation reserve SEK'000	Retained earnings including profit (or loss) for the year SEK'000	Equity attributable to owners of the parent company SEK'000	Non- controlling interests SEK'000	Total SEK'000
<b>Opening balance at January 1, 2019</b>	50	71,021	1,743	-61,902	10,912	-21	10,891
Profit (or loss) for the year	-	-	-	-15,629	-15,629	-	-15,629
Other comprehensive income:							
Foreign exchange differences	-	-	-15	-	-15	-	-15
Total other comprehensive income	-	-	-15	-	-15	-	-15
<b>Total comprehensive income</b>	-	-	-15	-15,629	-15,644	-	-15,644
Transactions with owners:							
Registration of shares	1,124	-1,124	-	-	-	-	-
New share issue	-	8,047	-	-	8,047	-	8,047
Transaction with non controlling interest [SS1]	-	48	-	-69	-21	21	0
Issue costs	-	-753	-	-	-753	-	-753
Capital decrease	-50	-	-	-	-50	-	-50
Share-based payments	-	-	-	205	205	-	205
<b>Total transactions with owners</b>	<b>-50</b>	<b>6,218</b>	-	<b>136</b>	<b>7,428</b>	<b>21</b>	<b>7,450</b>
<b>Closing balance at March 31, 2019</b>	<b>1,124</b>	<b>77,239</b>	<b>1,728</b>	<b>-77,395</b>	<b>2,696</b>	-	<b>2,696</b>
<b>Opening balance at January 1, 2018</b>	-	19204	-56	-14,364	4,784	-	4,784
Profit (or loss) for the year	-	-	-	-5,988	-5,988	-	-5,988
Other comprehensive income:							
Foreign exchange differences	-	-	308	-	308	-	308
Total other comprehensive income	-	-	308	-	308	-	308
<b>Total comprehensive income</b>	-	-	<b>308</b>	<b>-5,988</b>	<b>-5,680</b>	-	<b>-5,680</b>
Transactions with owners:							
New share issue	-	10,055	-	-	10,055	-	10,055
<b>Total transactions with owners</b>	-	<b>10,055</b>	-	<b>9,342</b>	<b>10,055</b>	-	<b>10,055</b>
<b>Closing balance at March 31, 2018</b>	-	<b>29,295</b>	<b>252</b>	<b>-20,352</b>	<b>9,159</b>	-	<b>9,159</b>

## Condensed Consolidated cash flow statement

	<u>Note</u>	<b>01-01-2019</b> <b>31-03-2019</b> <b>SEK'000</b>	<b>01-01-2018</b> <b>31-03-2018</b> <b>SEK'000</b>
Operating profit (loss)		-17,728	-7,249
Adjustments for non-cash items:			
Depreciations		40	155
Change in working capital			
Other finance cost		-135	
Interest paid		-139	-43
Warrants		203	0
<b>Cash flow from operating activities before changes in working capital</b>		<u><b>-17,759</b></u>	<u><b>-7,137</b></u>
Decrease(+)/Increase(-) in current receivables		25,694	-127
Decrease(-)/Increase(+) in current liabilities		-9,371	-1,708
<b>Changes in working capital</b>		<u><b>16,323</b></u>	<u><b>-1,835</b></u>
<b>Cash flow from operating activities</b>		<u><b>-1,436</b></u>	<u><b>-8,972</b></u>
Purchases of property, plant and equipment		0	0
<b>Cash flow from investing activities</b>		<u><b>0</b></u>	<u><b>0</b></u>
New share issue		8,047	10,495
Expenses capital increase		-831	0
<b>Cash flow from financing activities</b>		<u><b>7,216</b></u>	<u><b>10,495</b></u>
Net cash flow		<u><b>5,780</b></u>	<u><b>1,523</b></u>
Cash, 1 January		1,487	303
<b>Cash 31 March</b>		<u><u><b>7,267</b></u></u>	<u><u><b>1,826</b></u></u>

### Restricted cash

The cash and cash equivalents presented above in the cash flow statement includes TSEK 329 (March 31, 2018: TSEK 275) restricted cash and placed as collateral for the bank engagement, and therefore not available for The Group's general use.

## Parent company Condensed Income Statement

	<u>Note</u>	01-01-2019 31-03-2019 <u>SEK'000</u>
Administrative expenses		-3,368
<b>Operating profit (loss)</b>		<u>-3,368</u>
Interest expense and similar loss items		-95
<b>Profit (loss) before tax</b>		<u>-3,463</u>
Tax for the period		0
<b>Profit (loss) for the period</b>		<u>-3,463</u>

## Parent company Statement of comprehensive income

<b>Profit (loss) for the period</b>	-3,463
Other comprehensive income	-
<b>Total comprehensive income for the period</b>	-3,463

## Parent company Balance sheet

<u>Note</u>	<u>31-03-19</u> <u>SEK'000</u>	<u>31-12-18</u> <u>SEK'000</u>
Subscribed non-paid issue proceeds	-	8,310
<b>Total Subscribed non-paid issue proceeds</b>	<b>-</b>	<b>8,310</b>
Participations in group companies	16,725	16,677
<b>Total Financial assets</b>	<b>16,725</b>	<b>16,677</b>
<b>Total non-current assets</b>	<b>16,725</b>	<b>16,677</b>
Fordringer hos koncernföretag	17,950	-
Paid issue proceeds on external client account	-	16,872
<b>Total current receivables</b>	<b>17,950</b>	<b>16,872</b>
<b>Cash and cash balances</b>	<b>4,156</b>	<b>50</b>
<b>Total current assets</b>	<b>22,106</b>	<b>16,922</b>
<b>Total assets</b>	<b>38,831</b>	<b>41,909</b>

## Parent company Balance sheet

<u>Note</u>	<u>31-03-19</u> <u>SEK`000</u>	<u>31-12-18</u> <u>SEK`000</u>
<b>Restricted equity</b>		
Share capital	1,124	50
New share issue/Non-cash issue in progress	66	1,124
<b>Total restricted equity</b>	<b>1,190</b>	<b>1,174</b>
<b>Non-restricted equity</b>		
Share premium reserve	40,030	32,753
Profit or loss brought forward	-936	221
Profit (loss) for the year	-3,463	-1,361
<b>Total non-restricted equity</b>	<b>35,631</b>	<b>31,613</b>
<b>Total equity</b>	<b>36,821</b>	<b>32,787</b>
Liabilities to Group companies	0	812
Other current liabilities	2,010	8,310
<b>Total current liabilities</b>	<b>2,010</b>	<b>9,122</b>
<b>Total liabilities</b>	<b>2,010</b>	<b>9,122</b>
<b>Total equity and liabilities</b>	<b>38,831</b>	<b>41,909</b>

## Notes

1. General information
2. Significant accounting policies
3. Financial assets and liabilities
4. Share-based payments
5. Income tax and deferred tax subsidiaries in Denmark
6. Composition of The Group
7. Share capital
8. Other paid-in capital
9. Subsequent events

## Notes

### 1. General information

Cytovac AB, Corporate Registration No. 559162-3318 is a limited liability company incorporated in Sweden domiciled in Malmö. The address to the headquarter is c/o Bird&Bird Advokat KB, Norrlandsgatan 15, P.O.Box 7714, SE-103 95 Stockholm. The composition of The Group is disclosed in note 6.

### 2. Significant accounting policies

The interim report has been prepared in accordance with IAS 34 Interim reporting. The Group applies the International Financial Reporting Standards (IFRS) and interpretations of IFRS IC as adopted by the EU, the Annual Accounts Act and the Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups.

The Parent Company has prepared its financial statements in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities. According to RFR 2, the Parent Company shall apply all the International Financial Standards endorsed by the EU as far as this is possible within the framework of the Swedish Annual Accounts Act.

The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in Swedish kronor (SEK) which is also the accounting currency of the Parent Company.

The applied accounting principles and methods are in accordance with those described in the Annual Report for 2018. More detailed information about the Group's and the Parent Company's accounting and valuation principles can be found in the Annual Report for 2018, which is available on [www.cytovac.com](http://www.cytovac.com). New and amended standards and interpretations implemented as of January 1, 2019, has not had any significant impact on the Group's financial statements.

Disclosures in accordance with IAS 34 Interim Financial Reporting are presented either in the notes or elsewhere in the interim report.

#### **New standards effective as per January 1, 2019**

As of January 1, 2019 IFRS 16 Leases replaced IAS 17 Leases. IFRS 16 has a single leasing model for lessees, which means that almost all leases are to be recognised in the statement of financial position. The right-of-use asset (the lease asset) and the liability are measured to the present value of future the lease payments payable. The right-of-use asset also includes any initial direct costs incurred in obtaining the lease contract. In the income statement depreciations of the right-of-use asset and interest expenses are recognised.

As the Group has limited number lease commitments why the implementation of IFRS 16 have no material effect on the financial statements for the Group for Q1 2019.



### 3. Financial assets and liabilities

All financial assets are classified as financial assets at amortized cost and all financial liabilities are classified as financial liabilities at amortized cost. These financial instruments are consequently measured at amortized cost and the carrying amount is a reasonable approximation of fair value.

### 4. Share-based payments

At Cytovac A/S' Annual General Meeting May 29, 2017, it was decided that the Board of Directors for the period up to the year 2023, may issue and convert 1.45 million warrants.

To motivate and retain employees and other related parties, Cytovac A/S has issued equity-related share-based payments to the Board of Directors, employees, consultants and to the Company's advisors. The share-based payments consist of warrants.

50 warrants were issued in 2017, originally in Cytovac A/S, but in connection with the share exchange, the warrants were transferred to Cytovac AB, corresponding to 50,000 warrants in Cytovac AB. In 2019 another 50,000 warrants were issued in Cytovac AB

Warrants issued in 2017:

Exercise price (SEK per share) 22.5  
Grant date's market price (SEK per share) 16.0  
Expected volatility (%) 50  
Risk free rate (%) 0.0

Warrants issued in 2019:

Exercise price (SEK per share) 22.5  
Grant date's market price (SEK per share) 16.0  
Expected volatility (%) 50  
Risk free rate (%) 0.0

The cost of equity-settled equity instruments amounted to 205 TSEK in The Group, which in total effect's The Group's equity.

As at 31.03.2019 no warrants have been granted to Management.

### 5. Income tax and deferred tax subsidiaries in Denmark

Tax on income for the year, consisting of the year's current tax and deferred tax, is recognized in the income statement to the extent that it relates to the income or loss for the period and in other comprehensive income or equity to the extent that it relates thereto.

The Group recognized a tax income of TSEK 2,373 (Q1 2018: tax income of TSEK 1,304) during the first quarter of 2019. This amount has been recognized under non-current tax assets in accordance to the accounting policies described below.

## Notes

### 5. Income tax and deferred tax subsidiaries in Denmark (continued)

Under the Danish R&D tax credit scheme (Skattekreditordningen), loss-making R&D entities can obtain a tax credit which is equal to the tax value of the incurred research and development expenses. The tax credit is payable in November in the following financial year. The R&D expense tax-base is capped to DKK 25 million equal to a tax credit of DKK 5.5 million at a tax rate of 22%. Research and development tax-credits under the Danish R&D tax credit scheme is recognized in the income statement to the extent that it relates to the research and development expenses for the period and the company expects to fulfil the requirement for tax credit for the year. The tax credit under the Danish R&D tax credit scheme is recognized in the balance sheet under current tax assets if payable within 12 months and under non-current tax assets if payable after 12 months. As of March 31, 2019, the Group had SEK 7.6 million in current tax asset, which will be payable in November 2019, and SEK 2.4 million in non-current tax assets which will be payable in November 2020.

### 6. Composition of The Group

The Group has the following subsidiaries at March 31, 2019:

<u>Name and Corporate registration number</u>	<u>Principal activities and place of business</u>	<u>Ownership (%)*</u>
Cytovac A/S corp.reg.no 31 26 26 66	Research and development, Denmark	100 %

\* Ownership interests and voting rights held by the Parent company.

### 7. Share capital

As of March 31, 2019, the share capital consists of 11 237 109 shares with a quota value of 0,1 SEK. The average number of shares for the first quarter of 2019 was 10 383 025 shares 500 000 shares in the first quarter of 2018).

### 8. Other paid-in capital

Other paid-in capital as of March 31, 2019 and December 31, 2017 consists of subscribed but not registered new share issue and subscribed and registered share issue.

### 9. Subsequent events

No events have occurred after the balance sheet date that will have a material effect on the parent company's or the Group's financial position.

## Statement by Management

The Chief Executive Officer and the Board of Directors have today discussed and approved the interim financial report for Cytovac AB for the first quarter of 2019


The interim financial report has been prepared in accordance with accordance with IAS 34 Interim reporting.

It is opinion of the Chief Executive Officer and the Board of Directors that the consolidated interim reporting gives a true and fair view of the Group's and the Parent Company's operations, and overall financial position, as well as a description of the most significant risks and uncertainties that the Group and the parent company faces.

Malmö, April 19, 2019

### Board of Directors


  
Jan Kuhlmann Andersen  
Chairman

  
Lars Peter Bjerrek

  
Lars-Christian Brask

  
Per Falholt

  
Peter Bonne Eriksen

  
Kim Arvid Nielsen  
Chief Executive Officer

# Review Report

## **Introduction**

We have reviewed the interim report for Cytovac AB (publ) for the period January 1 – March 31, 2019. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

## **Disclosure of particular importance**

Without effect on our conclusion above, we would like to draw the attention to the statement by the Board of Directors on page 3 "Significant risks and uncertainties". In case the company fails to obtain financing, it might have a material impact on the company's ability to continue its operations.

Malmö April 19, 2019

Deloitte AB

*Signature on Swedish original*

Jeanette Roosberg  
Authorized Public Accountant