



EXPRES²ION

BIOTECHNOLOGIES

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Annual report

2017

ExpreS²ion Biotech Holding AB

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CEO Steen Klysner summarises 2017

It is with great pleasure that I look back at a very eventful and successful 2017 for ExpreS²ion.

During the third quarter, we created a new business area for the company by finalizing our joint venture AdaptVac together with our partner NextGen Vaccines. This was made possible by the proceeds from our successful rights issue. AdaptVac is based on a synergistic combination of NextGen's groundbreaking virus-like particle (VLP) platform and ExpreS²ion's core platform technology. We now have the structure in place for developing our own, highly valued projects, which is very satisfying.



Shortly thereafter, AdaptVac presented a strong proof of concept in animals (POCA) for the first pipeline project AV001 at a scientific conference in Singapore, as well as in the renowned scientific journal "Immuno Oncology". AV001 is a therapeutic breast cancer vaccine that is being developed with the aim to reach a market valued at several billions of dollars, and AdaptVac is now able to seek additional funding and initiate partner activities for the project. This progress was also reflected in ExpreS²ion's share price, an indication of the strong potential in the ground-breaking VLP platform as well as the development strategy for our own projects. The strategy is fully replicable and will be used to develop several highly valued therapeutic and prophylactic vaccines.

During the year we also saw the strength in our core business based on the ExpreS² platform, and the company's turnover more than doubled in 2017 driven by increased sales and market activity. During the year, we signed two important commercial license agreements for multiple products opening up the important market for the development of diagnostics which is closely linked to the development of pharmaceuticals and vaccines. The agreements were signed with American IBT regarding commercial reagent products, and with Institut Virion\Serion GmbH in Würzburg regarding in vitro diagnostics. These agreements as well as our new research license agreement with University of Pennsylvania will generate annual recurring revenue for the company.

Another important event, which takes us closer to being able to offer a complete platform for early clinical development, was the signing of a collaboration agreement with our Dutch partner IntraVacc. IntraVacc has more than 100 years of experience in vaccine development, including certified production of material for clinical studies. We also signed an agreement within development of an Ebola anti-serum with French Abivax, produced two malaria vaccines with the ExpreS² platform that are now in clinical phase I/II studies, and presented a patent collaboration within additional malaria vaccines with Walter and Eliza Hall Institute of Medical Research in Australia. In addition to this we received a patent for our core platform in India, which constitutes a valuable and growing market.

The high level of activity during the year, and the significant opportunities in new business areas that we now have access to, also meant higher costs and delayed realised revenue, as well as some frustration as we did not have enough working capital to fully take advantage of the company's potential for further value creation. After the end of the year, the Board therefore decided on an aggressive new issue of MSEK 19.2 which was successfully conducted in Q1 2018.

In summary, we have fully met the general objectives for 2017 that we set up in connection with our listing, and we have successfully repositioned the company to also become a therapeutic vaccine development company with the first highly valued product in our portfolio. We are very pleased that we have achieved these advances in such a short period of time, and with the recent capital injection we are now looking forward to realising ExpreS²ion's full potential in the interest of our shareholders.

Dr. Steen Klysner
CEO, ExpreS²ion Biotech Holding AB

About ExpreS²ion Biotech Holding AB

A key part in the development of modern biopharmaceuticals is the complex proteins that constitutes the active substance. These proteins are produced using technology platforms based on genetic modification of cells. This method is for instance used when developing human insulin, antibodies and a large number of new vaccines. However, these proteins are difficult to develop and produce in a safe and cost-effective manner, as well as with the level of quality required by authorities for use in human medicine.

The operating subsidiary, ExpreS²ion Biotechnologies ApS, was established in 2010 as a spinout from the Danish pharmaceutical company Affitech A/S. The company was founded by the doctors Charlotte Dyring, Wian de Jongh and Martin Roland Jensen, with the business idea to provide proteins to research institutions and vaccine producing companies using a new platform technology. Although the company's platform technology is constantly in development, it is currently a complete commercialised product. Since the company was founded, the platform has been a part in the development of over 250 different proteins and used by or for almost one hundred different clients and partners, such as Hoffman La-Roche and Novartis Pharma.

The ExpreS² platform

The main component of the ExpreS² platform is S2 cells that can produce proteins, as well as the company's patented expression vectors that are the part of the platform that, among other things, makes it possible for the cells to generate a high yield. The platform has a number of features that, according to the Board's assessment, distinguish it from competing technologies:

- It has on occasion been the only known method for producing specific proteins.
- It is significantly less costly and time-consuming than alternative methods, which is an important competitive advantage, considering for example time-to-market and patent validity, but it also makes the platform particularly valuable in the development of diagnostics and vaccines for infectious and rapidly growing pandemics.
- The method generates a significantly higher yield, i.e. amount of protein per manufacturing batch, compared to competing systems.
- The method provides very homogeneous manufacturing batches, which is a requirement in pharmaceutical development.

Business model and market potential

ExpreS²ion Biotechnologies' business model is structured in a way that allows the Company to not only market licenses to use the ExpreS² platform as a whole, but also parts of it, thus allowing the client to participate in or be entirely responsible for the development of the required proteins. The company can also sell reagents and kits, including diagnostics. The Company may also charge clients for the production and delivery of proteins as finished products, using the ExpreS² platform. The Company has two main categories of clients; pharmaceutical companies and research institutions. The Company can address both types of organisations since the ExpreS² platform can be adapted to both basic academic research and commercial drug development. The Company's clients are not limited to any geographic area and are located in several different parts of the world. The Company's overall objective for the ExpreS² platform is to consolidate it as a preferred method for protein production within research and development of vaccines and immunotherapy, as well as utilising the platform for the development of its own and partly owned products. ExpreS² ion Biotechnologies is to be the obvious partner when clients or partners need rapid development and advanced proteins during the process of developing new vaccines and immunotherapy. In addition, the Company is actively working with developing new products within its core technology, as well as to identify and include new valuable technology platforms and products with synergy effects to ExpreS²ion's platform.

The market potential for ExpreS²ion is difficult to estimate, but according to the Board's assessment, it is very large. The treatment for malaria for example, had a global economic value of USD 2.7 billion in 2013. The total global vaccine market is growing, and it is estimated to reach a total value of approximately USD 49 billion in 2022 from being valued at around USD 32 billion in 2016. (Markets and Markets 2017)

In addition to ExpreS² ion's core business activities described above, the Company initiated the Joint Venture AdaptVac ApS ("AdaptVac") in 2017 together with NextGen Vaccines ApS ("NextGen"), a company established by researchers from the University of Copenhagen. AdaptVac is the exclusive, global license holder of a new "Plug-and-Play Virus Like Particle" (VLP) technology, which enables accelerated development of effective therapeutic and prophylactic vaccines within high-value market segments in oncology, infectious diseases and immunological diseases. The aim of AdaptVac is to establish a world class company for the development of competitive vaccines and therapeutic treatments in this segment. The combination of

ExpreS²ion's technology and know-how and NextGen's unique expertise within the VLP technology has the potential to create a robust and versatile company within the field of new vaccines and immunotherapies.

With AdaptVac, ExpreS²ion also enters the market for immuno-oncology which, according to Research and Markets 2018, is estimated to surpass a market value of USD 100 billion by 2022.

Company structure and shareholding

ExpreS²ion Biotech Holding AB has a fully owned subsidiary, ExpreS²ion Biotechnologies ApS. All operational activity takes place in the subsidiary, and ExpreS²ion Biotech Holding AB's only operational activity is to own the subsidiary ExpreS²ion Biotechnologies ApS. In addition to this, ExpreS²ion Biotechnologies ApS owns 50 percent of the shares in AdaptVac ApS. This company is accounted for as a jointly governed company. In addition to the above, the Company does not own any shares in other companies.

Shareholder structure

The table below lists all shareholders who held more than 5% of the capital and voting shares in ExpreS²ion Biotech Holding AB as of December 31st, 2017.

| Name | Number of shares | Share of votes and capital |
|--|------------------|----------------------------|
| ExpreS ² ion Holding ApS ¹ | 1 744 370 | 18,17% |
| AR Consult ApS ² | 1 204 626 | 12,55% |
| FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION | 806 136 | 8,40% |
| Ericsson, Anders | 559 529 | 5,83% |
| Summary shareholders over 5 % | 4 314 661 | 44,94% |
| Remaining shareholders (below 5 %) | 5 286 951 | 55,06% |
| Total 2017-12-31 | 9 601 612 | 100,00% |

- ¹ Chairman of the board Martin Roland Jensen holds 32.22% of the voting and capital shares in ExpreS²ion Holding ApS. COO Charlotte Dyring owns 39.23% of the voting and capital shares in ExpreS²ion Holding ApS. CSO Wian de Jongh owns 28.55% of the voting and capital shares in ExpreS²ion Holding ApS.
- ² Board member Allan Rosetzsky owns 100% of the shares in AR Consult ApS.

The share

ExpreS²ion Biotech Holding AB's share was listed at Nasdaq Stockholm First North on July 29, 2016. The trading name of the share is EXPRS2 and the ISIN-code is SE0008348262. As of January 1, 2017, the number of shares in ExpreS²ion Biotech Holding AB amounted to 8,728,739. As of December 31, 2017, the number of shares in ExpreS²ion Biotech Holding AB amounted to 9,601,612. The average amount of shares in 2017 amounted to 8,973,335. There is one single class of shares in the Company. All shares carry equal rights to a share of the Company's assets and earnings.

Board of Directors and CEO

Dr. Martin Roland Jensen – Chairman

Dr. Martin Roland Jensen (born 1960) has extensive leadership experience from the biopharmaceutical industry, and he has also founded and co-founded several biotech companies. He also has extensive experience with scientific work, mainly in immunology, cell biology and development of cancer vaccines. Dr. Jensen has a PhD in Cell and Molecular Biology from the University of Copenhagen. Dr. Jensen is a co-founder of the Company.

Dr. Allan Rosetzsky – Board Member

Dr. Allan Rosetzsky (born in 1948) graduated as a Doctor of Medicine from the University of Copenhagen in 1973, after which he worked in the Danish health care system for several years. Dr. Rosetzsky also held several leading positions within the drug development of the Rhone-Poulenc Group. In addition, he founded, developed and managed his own company, KLIFO, that had international assignments within with contract research. Dr. Rosetzsky is furthermore active in Business Angels Öresund.

Gitte Pedersen – Board Member

Gitte Pedersen (born 1963) holds a Master's degree in Chemical Engineering and a Graduate diploma in business science. Gitte Pedersen has over 20 years' experience from the biotech and pharma industry. She has worked at Novo Nordisk R&D, production and marketing, as well as in charge of marketing with global responsibility for a large product portfolio. Gitte Pedersen has also acted as a business advisor to biotech and pharma companies, in both early and later stages, in North America. In this role, she also acted as advisor to the Danish Foreign Ministry and has secured business contracts worth several billion USD for companies in the Danish biotech industry. Gitte Pedersen has founded the companies Genomic Expression and Legomics.

Jakob Knudsen – Board Member

Jakob Knudsen (born 1968) is the CEO of ViroGates A/S, an international biotechnology company located in Denmark. He has a Law Degree from the University of Copenhagen, DK, and an MBA from Imperial College, UK. Following his graduation in 1994, Jakob Knudsen has built up extensive experience in commercial operations, including IP, marketing and finance. He has held various positions at ALK-Abelló A/S, a listed mid-sized biotechnology company, including the manager of its Corporate Business Development. Furthermore, he has held positions as CCO and CFO at the pharmaceutical company Egalet Ltd.

Dr. Steen Klysner – CEO

Dr. Steen Klysner (Born 1961) holds a Master's degree in Biochemistry from the University of Copenhagen, followed by a PhD from the Danish Technical University and an Industrial Research degree. Dr. Klysner has more than 25 years of experience from Danish as well as international biotech and biopharmaceutical companies within research and development management, most recently from managing a business unit for Merck KGaA in Germany. Dr. Klysner also has experience from a number of Board assignments and extensive expertise in business strategy and business development, for example related to due diligence activities, strategy and partnering. Thanks to his scientific experience, Dr. Klysner also has a good understanding of the technical part of the Company's activities.

Director's report

Business operations

ExpreS²ion Biotechnologies has developed a platform technology that enables cost-effective and robust production of complex proteins, which constitute the active substance in new vaccines and are therefore fundamental in diagnostics, research and development of these new vaccines. Since 2010, the Company has collaborated with research institutions and biopharmaceutical companies and has through its patented ExpreS² platform produced over 200 different proteins with an efficiency and success rate surpassing competing technologies.

The Company operates in a market with an estimated annual value of over USD 30 billion with a strong growth. The business model includes to develop, manufacture and deliver proteins, and also to generate recurring revenue through the out-licensing of the ExpreS² platform to research institutes and pharmaceutical companies who, on their own or in collaboration with the Company, wants to develop vaccines and other biological pharmaceuticals. In this way, the Company will also receive future royalties, license fees and milestone payments through the products that are developed with ExpreS².

The Company was listed at Nasdaq Stockholm First North on July 29, 2016.

Group structure

ExpreS²ion Biotech Holding AB is the parent company of the Group, which also includes the fully owned Danish operating subsidiary ExpreS²ion Biotechnologies ApS. In addition to this, ExpreS²ion Biotech Holding AB does not own any shares in other companies. The fully owned subsidiary ExpreS²ion Biotechnologies ApS owns 50 percent of the joint venture AdaptVac ApS.

Significant events during the first quarter of 2017

- On the 23 of January 2017, ExpreS²ion Biotech Holding AB announced that the fully owned subsidiary ExpreS²ion Biotechnologies ApS received a preliminary approval of a Eurostars grant application made in a consortium together with Abera Bioscience AB and The University of Copenhagen under the project name 'OptiFemVac'. The overall project budget covers a period of 36 months and amounts to EUR 1.6 million. The grant award is approximately EUR 750,000 of which ExpreS²ion can expect to receive in the order of EUR 300,000.
- On February 9, 2017, ExpreS²ion announced that VaxInnate Corporation ("VaxInnate"), a US based research licensee of the ExpreS² platform, is winding down its operations. This in effect terminates the Research License Agreement announced September 20, 2016. As all payments for the license to the ExpreS² platform was received up-front, this has no financial impact on ExpreS²ion.
- On March 17, 2017, the Company invited its shareholders to an extraordinary general meeting.
- On March 30, ExpreS²ion announced the final approval for a Eurostars grant for the project named 'OptiFemVac' in which ExpreS²ion is one of the parties. The approval follows the initial approval which was communicated in a press release on January 23, 2017.

Significant events during the second quarter of 2017

- On April 6, 2017, ExpreS²ion Biotech Holding AB announced that the fully owned subsidiary ExpreS²ion Biotechnologies ApS filed a joint patent application for an improved blood-stage malaria vaccine together with the Walter and Eliza Hall Institute of Medical Research, Melbourne, Australia.
- On April 19, 2017, ExpreS²ion Biotech Holding AB held its extraordinary general meeting. In this meeting, Jakob Knudsen was appointed as a new member of the board. The general meeting also approved the implementation of an incentive program for the board and employees in the Company consisting of share options.
- On April 20, 2017, it was communicated that ExpreS²ion entered into a non-exclusive license agreement with Abivax for the commercial use of the ExpreS² platform.

- On May 31, 2017, ExpreS²ion Biotech Holding AB held the annual general meeting. More information is available in the report, published on the Company's website www.expres2ionbio.com.
- On June 21, 2017, it was communicated that the fully owned subsidiary ExpreS²ion Biotechnologies ApS established a joint venture named AdaptVac ApS ("AdaptVac") with NextGen Vaccines ApS ("NextGen"), a company recently formed by scientists from the University of Copenhagen. AdaptVac has a worldwide exclusive license to a new Plug-and-Play Virus Like Particle (VLP) technology, which enables accelerated development of efficient therapeutic and prophylactic vaccines within high value segments of oncology, infectious diseases and immunological disorders. The aim of the Joint Venture is to create a world class unit for the development of highly competitive vaccines and therapeutics for infectious diseases, cancer, and immunological disorders.

Significant events during the third quarter of 2017

- On July 5, 2017, ExpreS²ion Biotech Holding AB announced that the Jenner Institute of the University of Oxford, a licensee of the fully owned subsidiary ExpreS²ion Biotechnologies ApS, has initiated recruiting for a Phase IIa clinical trial following a successful Phase I safety study of its new blood stage malaria vaccine. The Phase IIa trial will assess safety, immunogenicity and efficacy of the blood-stage malaria vaccine, which is produced in ExpreS²ion's patented ExpreS² platform.
- On July 17, 2017, ExpreS²ion Biotech Holding AB announced that the fully owned subsidiary ExpreS²ion Biotechnologies ApS has entered a Master Services Agreement and a Research & Commercial License Agreement with the US based Integrated BioTherapeutics, Inc. ("IBT"). The purpose is for ExpreS²ion to develop and deliver products to IBT's research protein portfolio. The board of ExpreS²ion expects the collaboration to generate annual revenues of up to SEK 1.0 million for ExpreS²ion.
- On July 28, 2017, ExpreS²ion Biotech Holding AB announced that the Board has decided, pursuant to the authorisation granted by an Extraordinary General Meeting, to carry out a preferential rights issue of a maximum of MSEK3.9. The proceeds from the issue is mainly intended to accelerate the Company's planned development. This includes for example development and commercialisation of the joint venture AdaptVac ApS and its VLP technology as well as the expansion of ExpreS²ion's core activities through additional operations within services, products and patents connected to ExpreS²ion's access to VLP technology through AdaptVac ApS.
- On August 7, 2017, ExpreS²ion Biotech Holding AB published the memorandum for the upcoming rights issue.
- On August 10, 2017, the subscription period of ExpreS²ion Biotech Holding AB's rights issue started.
- On August 30, 2017, ExpreS²ion Biotech Holding AB announced the outcome of the rights issue. The rights issue was subscribed at approximately SEK 6 million, corresponding to a subscription rate of approximately 153 percent. Through the rights issue, 872,873 new shares were issued and ExpreS²ion received approximately SEK 3.9 million before the emission costs.

Significant events during the fourth quarter of 2017

- On October 2, 2017, ExpreS²ion Biotech Holding AB announced that the fully owned subsidiary ExpreS²ion Biotechnologies ApS and NextGen Vaccines ApS finalised all agreements for the AdaptVac ApS joint venture following the successful share issue in August 2017.
- On October 18, ExpreS²ion Biotech Holding AB announced that its joint venture, AdaptVac ApS ("AdaptVac"), reached proof of concept in advanced animal models (POCA) for AV-001, its novel vaccine treatment against breast cancer tumours. This is a significant milestone for AdaptVac in the progress towards clinical development. AdaptVac will now initiate discussions with large pharmaceutical companies regarding a license or collaboration agreement for the clinical development of the project.

- On November 8, 2017, ExpreS²ion Biotech Holding AB announced that its fully owned subsidiary ExpreS² on Biotechnologies ApS, had signed a Research License Agreement with University of Pennsylvania, granting it the right to conduct research using the Company's ExpreS² platform.
- On November 28, ExpreS²ion Biotech Holding AB announced that AdaptVac's scientific paper presenting proof of concept in animals (POCA) for its novel breast cancer vaccine candidate, AV001, would be published in the peer reviewed scientific journal 'OncoImmunology'. The results demonstrate that AV001 is effective for both prevention and therapy of breast cancer in an advanced mouse model.
- On December 4, ExpreS²ion Biotech Holding AB announced that it has signed two collaboration agreements with the Germany based Institut Virion\Serion GmbH ("Virion"). Virion is granted access to evaluate a number of new in vitro diagnostic product candidates, as well as commercial rights to promote, sell and distribute protein antigens produced using ExpreS² platform. The Board expects that the annual revenues as a result of these agreements will be in excess of 250,000 EUR, when the collaboration is implemented.
- On December 11, ExpreS²ion Biotech Holding AB and the Institute for Translational Vaccinology ("IntraVacc") announced the signing of a collaboration agreement. This agreement strengthens ExpreS²ion's ability to service customers and partners across the full value chain of vaccine development and expands the commercial opportunities for both organisations. Under the agreement, IntraVacc will serve as a preferred GMP (Good Manufacturing Practice) partner for ExpreS²ion.
- On December 28, ExpreS²ion Biotech Holding AB announced that the Company's patent application "Improved Protein Expression System", that covers the entire ExpreS² platform, has been approved in India and will be granted with expiry June 12, 2029.

Significant events after the end of the period

- On January 16, 2018, ExpreS²ion Biotech Holding AB announced that the Board decided, pursuant to the authorisation granted by an Extraordinary General Meeting, to carry out a preferential rights issue with the aim to accelerate the Company's development. The preferential rights issue comprises a maximum of 2,400,403 shares with a subscription price of 8.00 SEK per share. Upon full subscription of the rights issue, ExpreS²ion will raise approximately MSEK 19.2 before issue expenses. The proceeds from the preferential rights issue are expected to finance ExpreS²ion's possibilities to pursue additional projects regarding vaccines and candidate drugs that the Company regularly encounter on the market. In addition to this, the preferential rights issue will provide resources to create more value in the joint venture AdaptVac and its development projects. Finally, the preferential rights issue will finance further development of the Company's platform with new products that will strengthen the Company's position in new market segments and generate new clients, thereby increasing the Company's short-term earnings as well as long-term possibilities.
- On February 1, 2018, ExpreS²ion Biotech Holding AB held an extraordinary general meeting with decisions in accordance with the suggestions from the board.

Expected future development

The board is pleased with the Company's development and its business operations in 2017 and expects this positive development to continue in 2018 and onwards.

Risk factors

A number of risk factors may have an adverse impact on the operations in ExpreS²ion Biotech Holding AB and its subsidiary ExpreS²ion Biotechnologies ApS. It is therefore very important to consider the relevant risks alongside the Company's possibilities of growth. For obvious reasons, not all risk factors can be assessed, but rather a collective evaluation of other information in the annual report has been done together with a general assessment of the general environment the Company operates in

Risk related to the Company

A brief history

ExpreS² ion Biotech Holding AB was established in 2015 and its operating subsidiary, ExpreS² ion Biotechnologies ApS, was established in 2010. The Company's relationships with customers as well as suppliers are relatively newly established, whereby the relationships can be difficult to evaluate, affecting the future prospects of the Company. There is a risk that long-term stable customer and supplier relationships cannot be established, hence there is a risk that the Company's sales are adversely affected, or that no revenue is received at all.

No released pharmaceuticals

A key part of the Company's business model includes milestone payments and royalties from approved pharmaceuticals that have been developed with the ExpreS² platform. The operating subsidiary ExpreS²ion Biotechnologies ApS was established in 2010, and so far its platform technology has neither individually or via partners resulted in any pharmaceuticals that have gained market approval. The Company has conducted limited sales activities and generated revenues. It can therefore be difficult to evaluate the Company's sales potential, and there is a risk that future substantial revenues will be adversely affected or that no revenues will be received at all.

Financing needs and capital

ExpreS² ion Biotechnologies' development of platform technology for pharmaceuticals and diagnostics entail increasing costs for the Company. There is a risk that a delay in a market breakthrough results in a deterioration in earnings for the Company. There is also a risk that any delays in product development leads to a delay in the generation of substantial cash flow. There is a risk that ExpreS² ion Biotechnologies may need to raise additional capital in the future and there is a risk that any additional capital cannot be raised. Thus, there is a risk that the development is temporarily halted or that the Company is forced to conduct its operations at a slower pace than desired, which can lead to delays or that commercialisation is not implemented, and no revenue is generated.

Suppliers/Manufacturers

ExpreS²ion Biotechnologies has collaborations with suppliers and manufacturers. There is a risk that one or more of these parties decide to suspend the cooperation with the Company, which can have a negative impact on the business operations. There is also the risk that the Company's suppliers and/or manufacturers do not fully meet the quality standards, which the Company has established. There is a risk that the establishment of relationships with new suppliers or manufacturers will be costlier and/or take longer than the Company estimates, whereby there is a risk that the Company's operations are adversely affected.

Clinical trials

Before medicinal products may be put on the market, safety and effectiveness in treating humans must be ensured, which is done by clinical studies/trials. There is a risk that the results in the planned clinical trials will not be satisfactory, and there is a risk that the candidate drugs that are developed with the Company's platform technology will not indicate sufficient safety and efficacy in order to be put out on the market. The outcome from preclinical studies do not always correspond with the results that are obtained in clinical trials in humans. Nor do the results from smaller clinical trials always correspond with the results in more comprehensive clinical trials, whereupon one finds several risks on the pathway to the release of a drug to the market. Unless the candidate drugs developed with the Company's platform are sufficiently safe and effective, there is a risk that the Company is adversely affected, which could materially affect the Company's revenue and result.

Registration and licensing at agencies/governmental authorities

In order to market and sell pharmaceuticals and diagnostics, authorisation must be obtained, and registration take place at the appropriate agency/governmental authority in their respective markets, such as the Food and Drug Administration (FDA) in the U.S. and the European Medicines Agency (EMA) in Europe. In the event the Company, directly or through collaboration

partners, fails to obtain the requisite authorisations and registrations from the agencies/governmental authorities, there is a risk that the Company's ability to generate revenues may be significantly impeded. There is also a risk that the views concerning the Company's proposed approach to planned collaborations regarding clinical trials result in delays and/or higher costs for the Company. The current rules and interpretations are subject to change, and there is therefore a risk that the Company's preconditions for fulfilling regulatory requirements is adversely affected. There is a risk that the Company, directly or through collaboration partners, does not obtain the necessary authorisations and registrations with the governmental authorities. In the event this occurs, there is a risk that the Company's earnings potential and financial position are affected in a negative manner.

Key individuals and employees

ExpreS² ion Biotechnologies' key employees have extensive expertise along with considerable experience in the Company's area of operations. There is a risk that a loss of one or more key employees would have adverse consequences for the Company's business operations and financial results.

Unauthorised disclosure of information

It is not possible to fully protect against unauthorised disclosure of information, with the risk that competitors may receive information about and take advantage of the know-how developed by the Company, which may adversely affect the Company's revenue or entail that no revenue is received.

Competitors

Some of the Company's competitors are multinational companies with significant financial resources. An extensive investment and product development from a competitor could pose risks in the form of limited revenue. Furthermore, a company with global operations, which is presently active in adjacent fields, could decide to establish themselves within the Company's field of activity. There is a risk that increased competition results in adverse impacts on sales and earnings potential for the Company in the future.

Clients

ExpreS²ion Biotechnologies' operating revenues have so far been generated from a limited number of clients. Certain clients may account for a large proportion of the Company's total operating revenues for limited periods of time. There is a risk that a loss of a major customer could adversely affect the Company's sales in the short term.

Grant funding

Grant funding is a part of ExpreS²ion Biotechnologies' business model where the Company receives parts of different types of research grants and funding for pharmaceutical development in collaboration with clients. There is a risk that these contributions for various reasons, which may be outside the Company's control, will not be received. This may adversely affect the Company's revenues and earnings.

Business cycles and exchange rate risk

There is a risk that external factors such as inflation, exchange and interest rate fluctuations, supply and demand and phases of economic growth and decline, will have an impact on operating costs and selling prices and share prices. There is a risk that ExpreS²ion Biotechnologies' future revenues and share price will be adversely affected by these factors, which are outside of the Company's control. A portion of the sales revenues may be received in international currencies. Exchange rates can change substantially.

Political risk

In various ways, ExpreS² ion Biotechnologies is active in and through a large number of different countries. Risks can arise from changes in laws, taxes, customs duties, exchange rates and other conditions for foreign companies. The Company is also affected by political and economic uncertainties in these countries. There is a risk that the Company will be adversely affected by possible domestic policy decisions. There is a risk that the above results in negative consequences for the Company's business operations and its financial results.

Market growth

ExpreS² ion Biotechnologies plans to expand extensively in the coming years, partly by increasing the market share in the countries and regions where the Company is already established, and partly by establishing the Company in additional countries and regions. An establishment in new countries and regions can entail problems and risks that are difficult to

predict. Additionally, establishments may be delayed and thereby result in loss of revenue. Rapid growth can also entail that the Company acquires other companies. Lost synergy effects and less successful integration processes can adversely affect the Company's operations and financial result. Rapid growth can cause organisational problems. It may be difficult to recruit the right employees, and there may be difficulties in successfully integrating new employees into the organisation.

Product Liability

Considering that ExpreS² ion Biotechnologies operates in the pharmaceutical industry, risks associated with product liability are relevant and present. There is also a risk that ExpreS² ion Biotechnologies can be held responsible for any incidents occurring during clinical trials, even if the clinical trials are carried out by an external party. If an incident does occur during a clinical trial, and if ExpreS² ion Biotechnologies is held liable for this, there is a risk that the Company's insurance coverage may not be sufficiently adequate to fully cover any future legal claims. There is a risk that this can negatively affect ExpreS² ion Biotechnologies, both in terms of reputation as well as financially.

Patents and intellectual property rights

ExpreS²ion Biotechnologies has filed a patent application for the method and process for the ExpreS² platform. There is a risk that the existing and/or future patent portfolio and other intellectual property rights held by the Company and AdaptVac will not provide an adequate commercial protection. There is also a risk that the Company's or AdaptVac's potential future patent applications will not be approved. There is also no guarantee that approved patents will provide a long-term protection, as objections or other invalidity claims on issued patents can be made after the patent has been approved. The outcome of such procedures may be a limitation of already approved patents, for example a limitation of the scope of the application area or rejection of the patent. The outcome may also be that the patent is rejected. The rejection of a patent means that no one is granted exclusive rights, which means that no one can be hindered by the rejected patent from practising the invention defined therein. The outcome of an opposition process can be appealed, which means that the final result of an opposition is difficult to predict.

Development costs

ExpreS²ion Biotechnologies will continue to develop and further develop products within its area of operations. Aspects of time and costs connected with the product development can be difficult to determine beforehand. There is therefore a risk that the planned product development will be costlier than planned.

Pricing

ExpreS²ion Biotechnologies' business model includes milestone payments and royalties from approved pharmaceuticals that have been developed with the Company's platform technology. General pricing of pharmaceuticals is outside of the Company's control. In the event of a general decline in the prices for pharmaceuticals, there is a risk that this could negatively impact the Company's revenue opportunities. Pricing of pharmaceuticals is in some cases determined at the regulatory level. This is outside of the Company's control. A lower pricing means less favourable revenue possibilities for the Company. There is a risk that the pricing of pharmaceuticals will be lower than what the Board of the Company expects.

Risks related to the share

Sales of shares from existing shareholders

There is no applicable lock-up agreement that governs principal shareholders' possibility to sell their shares in the Company. There is therefore a risk that the current principal shareholders will sell all or part of their holdings in the Company. There is a risk that a potential sale by principal shareholders affects the share price an adverse manner.

Price movements

There is a risk that the share price will undergo large price movements. Share price fluctuations may arise from major changes in purchase and sales volumes and may not necessarily have a connection with ExpreS²ion Biotechnologies underlying value. Price movements may negatively affect the Company's share price

Psychological factors

There is a risk that the securities market is influenced by psychological factors. There is a risk that the Company's shares are affected in the same way as any other securities that are regularly traded on various stock exchanges. Psychological factors and their impact on the movements in the share price are often difficult to predict and there is a risk that this affects the Company's share price in a negative manner

Marketplace

First North is an MTF (multilateral trading facility) operated by the equity markets included in Nasdaq OMX. First North does not have the same legal status as a regulated marketplace. Companies whose shares are listed on First North are governed by the First North rulebook, a less extensive regulatory framework than for companies whose shares are traded on a regulated marketplace. Investing in a company listed at First North is therefore riskier than investing in a company listed on a regulated market.

Distribution of dividends

ExpreS²ion Biotechnologies has not made any distribution dividends to shareholders as of yet. The Company is in an initial developmental phase and any surpluses are primarily planned to be invested in the Company's continued development. There is a risk that future cash flows will not exceed the Company's needs for capital and that future shareholder meetings will not decide to issue dividends.

Group

| Overview (KSEK) | 2017 | 2016 |
|-----------------------------------|-------------|-------------|
| Net sales | 9 795 | 4 652 |
| Profit/loss after financial items | - 11 750 | -9 412 |
| Total assets | 17 235 | 24 615 |
| Equity/assets ratio (%) | 39,1% | 52,3% |
| Average number of employees | 11 | 10 |

Parent company

| Overview (KSEK) | 2017 | 2016 |
|-----------------------------------|-------------|-------------|
| Net sales | 305 | 34 |
| Profit/loss after financial items | - 1 710 | -1 169 |
| Total assets | 22 147 | 20 555 |
| Equity/assets ratio (%) | 99,3% | 97,8% |
| Average number of employees | 0 | 0 |

Environment

The Company's management is not aware of any changed market conditions or significant needs of decontamination nor has any approvals related to this issue been exceeded.

Proposed appropriation of retained earnings

(Amounts in SEK)

Proposed appropriation of retained earnings

Retained earnings at the disposal of the Annual

General Meeting:

Share premium reserve

22 645 524

Loss for the year

- 1 709 660

20 935 864

The Board proposes that:

The loss for the year is settled against the share premium fund and to the share premium fund is carried forward

20 935 864

The operations in ExpreS²ion Biotech Holding AB, the parent company of the group, started on 2015-11-03. The group relationship arose on 2016-05-02. For that reason, the comparison figures correspond to the period 2016-05-02 –2016-12-31.

Income statement - group

| KSEK | Note | 2017-01-01 - 2017-12-31 | 2016-05-02 - 2016-12-31 |
|--|------|----------------------------|----------------------------|
| Operating income | | | |
| Net sales | 3 | 9 795 | 4 652 |
| <i>Total operating income</i> | | <u>9 795</u> | <u>4 652</u> |
| Operating costs | | | |
| Raw materials and consumables | | - 2 193 | - 1 355 |
| Other external costs | 4 | - 5 928 | - 4 169 |
| Personnel costs | 5 | - 10 319 | - 6 801 |
| Depreciation of tangible and intangible fixed assets | | - 2 281 | - 1 489 |
| Result in jointly governed companies | | - 509 | 0 |
| <i>Total operating costs</i> | | <u>- 21 230</u> | <u>- 13 814</u> |
| Operating profit/loss | | - 11 435 | - 9 162 |
| Result from financial investments | | | |
| Interest income and similar profit/loss items | 6 | 146 | 307 |
| Interest expense and similar profit/loss items | 7 | - 461 | - 557 |
| <i>Total result from financial investments</i> | | <u>- 315</u> | <u>- 250</u> |
| Profit/loss after financial items | | - 11 750 | - 9 412 |
| Tax | 8 | 1 915 | 874 |
| Net profit/loss for the year | | <u>- 9 835</u> | <u>- 8 538</u> |

Balance sheet - group

| KSEK | Note | 2017-12-31 | 2016-12-31 |
|--|------|---------------|---------------|
| Assets | | | |
| Concessions, patents, licenses, trademarks and similar intellectual rights | 9 | 8 241 | 9 461 |
| Goodwill | 10 | 1 900 | 2 403 |
| Total intangible fixed assets | | 10 141 | 11 864 |
| Plant and machinery | 11 | 632 | 679 |
| Total tangible assets | | 632 | 679 |
| Interest in group companies | 12 | 0 | 0 |
| Other long-term receivables | 13 | 408 | 279 |
| Financial fixed assets | | 408 | 279 |
| Total fixed assets | | 11 181 | 12 822 |
| Accounts receivable | | 1 086 | 1 894 |
| Tax receivables | | 1 478 | 1 300 |
| Other receivables | | 1 331 | 2 112 |
| Receivables from group companies | | 315 | 0 |
| Prepaid expenses and accrued income | 14 | 336 | 229 |
| | | 4 546 | 5 535 |
| Cash and cash equivalents | | 1 508 | 6 258 |
| Total current assets | | 6 054 | 11 793 |
| TOTAL ASSETS | | 17 235 | 24 615 |
| Shareholder's equity and liabilities | | | |
| Share capital | | 1 067 | 970 |
| Other capital contributions | | 23 815 | 20 307 |
| Other equity including net profit for the period | | - 18 145 | - 8 397 |
| Total equity | 15 | 6 737 | 12 880 |
| Accrued tax liabilities | 16 | 1 813 | 2 278 |
| Total liabilities | | 1 813 | 2 278 |
| Other liabilities | | 6 324 | 5 872 |
| Total long-term liabilities | 17 | 6 324 | 5 872 |
| Liabilities to credit institutions | | 75 | 0 |
| Accounts payable | | 470 | 799 |
| Other liabilities | | 1 816 | 2 786 |
| Total contingent liabilities | | 2 361 | 3 585 |
| TOTAL SHAREHOLDER EQUITY AND LIABILITIES | | 17 235 | 24 615 |

Changes in equity – group

| KSEK | Share capital | Non-restricted equity | Other equity incl. profit/loss for the year | Total equity |
|---|---------------|-----------------------|---|---------------|
| Opening balance as of 2015-11-03 | 50 | -50 | - 43 | - 43 |
| Issuance of new shares | 970 | 22 469 | | 23 439 |
| Issuing expenses | | - 2 112 | | - 2 112 |
| Redemption of shares | -50 | | | - 50 |
| Exchange difference for the year | | | 184 | 184 |
| Profit/loss for the year | | | - 8 538 | - 8 538 |
| Total equity as of 2016-12-31 | 970 | 20 307 | - 8 397 | 12 880 |

| KSEK | Share capital | Non-restricted equity | Other equity incl. profit/loss for the year | Total equity |
|---|---------------|-----------------------|---|---------------|
| Opening balance as of 2017-01-01 | 970 | 20 307 | - 8 397 | 12 880 |
| Issuance of new shares | 97 | 3 831 | | 3 928 |
| Issuing expenses | | - 402 | | - 402 |
| Redemption of options | | 79 | | 79 |
| Exchange difference for the year | | | 87 | 87 |
| Profit/loss for the year | | | - 9 835 | - 9 835 |
| Total equity as of 2017-12-31 | 1 067 | 23 815 | - 18 145 | 6 737 |

The number of shares amount to 9 601 612 (8 728 739), with a quota value of SEK 0,1111 per share.

Cash flow statement in brief – group

| KSEK | Note | 2017-01-01 – 2017-12-31 | 2016-05-02 – 2016-12-31 |
|--|------|----------------------------|----------------------------|
| Operating profit | | - 11 435 | - 9 165 |
| Adjustments for items not included in the cash flow | 18 | | |
| Depreciation | | 2 281 | 1 489 |
| Received interest | | 91 | 0 |
| Interest paid | | - 581 | - 489 |
| Company tax paid | | 1 262 | 1 020 |
| Cash flow from operating activities before changes in working capital | | - 8 382 | - 7 145 |
| Decrease(+)/increase(-) of current receivables | | 1 446 | - 2 116 |
| Decrease(-)/increase(+) of current liabilities | | - 1 672 | 2 240 |
| Cash flow from operating activities | | - 8 608 | - 7 021 |
| Investments in tangible fixed assets | | - 206 | - 720 |
| Cash flow from investing activities | | - 206 | - 720 |
| Repayment of loans | | 0 | - 1 179 |
| Leasing agreement | | 380 | 0 |
| Redemption of options | | 79 | - 50 |
| Issuance of new shares | | 3 928 | 17 995 |
| Costs of issuing shares | | - 402 | - 2 112 |
| Cash flow from financing activities | | 3 985 | 14 654 |
| Cash flow for the year | | - 4 829 | 6 913 |
| Cash and cash equivalents at the beginning of the year | | 6 258 | 317 |
| Exchange difference cash and cash equivalents | | 79 | - 972 |
| Cash and cash equivalents at the end of the year | | 1 508 | 6 258 |

Income statement – parent company

| KSEK | Note | 2017-01-01 - 2017-12-31 | 2016-05-02 - 2016-12-31 |
|--|------|----------------------------|----------------------------|
| Operating income | | | |
| Net sales | 3 | 305 | 34 |
| <i>Total operating income</i> | | <u>305</u> | <u>34</u> |
| Operating costs | | | |
| Other external costs | 4 | - 1 859 | - 1 290 |
| Personnel costs | 5 | - 234 | - 39 |
| <i>Total operating costs</i> | | <u>- 2 093</u> | <u>1 329</u> |
| Operating profit/loss | | - 1 788 | - 1 295 |
| Result from financial investments | | | |
| Interest income and similar profit/loss items | 6 | 83 | 349 |
| Interest expense and similar profit/loss items | 7 | - 5 | - 223 |
| Total result from financial investments | | <u>78</u> | <u>126</u> |
| Profit/loss after financial items | | - 1 710 | - 1 169 |
| Tax | 8 | 0 | 0 |
| Net profit/loss for the year | | <u>- 1 710</u> | <u>- 1 169</u> |

Balance sheet – parent company

| KSEK | Note | 2017-12-31 | 2016-12-31 |
|-------------------------------------|------|---------------|---------------|
| Assets | | | |
| Shares in group companies | 12 | 17 496 | 17 496 |
| Receivables from group companies | | 4 099 | 45 |
| Other long-term receivables | 13 | 50 | 50 |
| Total financial fixed assets | | 21 645 | 17 591 |
| Total fixed assets | | 21 645 | 17 591 |
| Tax receivables | | 15 | 15 |
| Other receivables | | 202 | 66 |
| Prepaid expenses | 14 | 71 | 71 |
| Total current receivables | | 288 | 152 |
| Cash and cash equivalents | | 214 | 2 812 |
| Total current assets | | 502 | 2 964 |
| TOTAL ASSETS | | 22 147 | 20 555 |
| Equity and Liabilities | | | |
| Share capital | | 1 067 | 970 |
| Share premium account | | 22 645 | 20 306 |
| Result for the year | | - 1 710 | - 1 169 |
| Total equity | | 22 002 | 20 107 |
| Other liabilities | | 145 | 448 |
| Total contingent liabilities | | 145 | 448 |
| Total liabilities | | 145 | 448 |
| TOTAL EQUITY AND LIABILITIES | | 22 147 | 20 555 |

Changes in equity – parent company

| KSEK | Share capital | Share premium account | Retained earnings incl. Profit/loss for the year | Total equity |
|---|---------------|-----------------------|--|---------------|
| Opening balance as of 2015-11-03 | 50 | 0 | 0 | 50 |
| Redemption of shares | - 50 | | | - 50 |
| Issuance of new shares | 970 | 22 469 | | 23 439 |
| Issuing expenses | | - 2 163 | | - 2 163 |
| Profit/loss for the year | | | - 1 169 | - 1 169 |
| Total equity as of 2016-12-31 | 970 | 20 306 | 0 | 20 107 |

| KSEK | Share capital | Share premium account | Retained earnings incl. Profit/loss for the year | Total equity |
|---|---------------|-----------------------|--|---------------|
| Opening balance as of 2017-01-01 | 970 | 20 306 | - 1 169 | 20 107 |
| Appropriation of retained earnings according to the AGM | | - 1 169 | 1 169 | 0 |
| Redemption of options | | 79 | | 79 |
| Issuance of new shares | 97 | 3 831 | | 3 928 |
| Issuing expenses | | - 402 | | - 402 |
| Profit/loss for the year | | | - 1 710 | - 1 710 |
| Total equity as of 2017-12-31 | 1 067 | 22 645 | - 1 710 | 22 002 |

The number of shares amount to 9 601 612 (8 728 739), with a quota value of SEK 0,1111 per share.

Cash flow statement – parent company

| KSEK | Note | 2017-01-01 – 2017-12-31 | 2016-05-02 – 2016-12-31 |
|--|------|----------------------------|----------------------------|
| Operating profit | | - 1 788 | - 1 295 |
| Interest paid | | - 5 | - 199 |
| Company tax paid | | 3 | - 14 |
| Cash flow from operating activities before changes in working capital | | - 1 790 | - 1 508 |
| Decrease(+)/increase(-) of current receivables | | - 134 | - 187 |
| Decrease(-)/increase(+) of current liabilities | | - 308 | 441 |
| Cash flow from operating activities | | - 2 232 | - 1 254 |
| Investments in subsidiaries | | 0 | - 4 000 |
| Loans group company | | - 3 971 | - 12 192 |
| Cash flow from investing activities | | - 3 971 | - 16 192 |
| Issuance of new shares | | 3 928 | 21 849 |
| Costs of issuing shares | | - 402 | - 1 541 |
| Redemption of options/redemption of shares | | 79 | - 50 |
| Cash flow from financing activities | | 3 605 | 20 258 |
| Cash flow for the year | | - 2 598 | 2 812 |
| Cash and cash equivalents at the beginning of the year | | 2 812 | 0 |
| Cash and cash equivalents at the end of the year | | 214 | 2 812 |

Additional information

Note 1

Accounting principles and valuation principles

The Swedish Annual Accounts Act and Swedish Accounting Standards Board's general standard BFNAR 2012:1 (K3) are applied when preparing the financial statements.

Reporting currency

The annual accounts are prepared in Swedish krona and the amounts are given in KSEK unless stated otherwise.

Consolidated accounts

The consolidated accounts comprise the parent company and the subsidiaries in which the parent company directly or indirectly holds more than 50% of the votes or otherwise has a controlling influence. The consolidated accounts have been prepared in accordance with the acquisition method, which means that equity in the subsidiaries at the acquisition date is eliminated in its entirety. Thus, in the group's equity, only the part of the subsidiaries' equity that has been added after the acquisition is included.

Appropriations and untaxed reserves are divided into equity and deferred tax liabilities. Deferred tax attributable to this year's appropriations is included in the profit for the year. The deferred tax liability has been recognized as a provision, while the remaining part is added to the group's equity. Deferred tax in untaxed reserves has been calculated at 22%.

If the group's acquisition cost for the shares exceeds the value of the Company's net assets in the acquisition analysis, the difference is reported as consolidated goodwill. This value is amortized over a period of 5 years in the consolidated accounts. The amortization rate is based on the long-term strategic importance of the acquisition for the group.

Internal profits within the Group are eliminated in their entirety.

When translating foreign subsidiaries, the current method is used. This means that the balance sheets are translated at the closing date's exchange rates and that the income statements are translated at the average exchange rates for the period. The translation differences that arise are reported directly against the group's equity.

Non-controlling interest

The group processes transactions with non-controlling interests as transactions with group shareholders. The share of assets and liabilities, incl. goodwill that belongs to non-controlling interests has been valued on the basis of the group's acquisition cost in the acquisition. In the case of acquisitions from non-controlling interests, the difference between the paid purchase price and the actual acquired share of the carrying amount of the subsidiary's net assets is recognized in equity. Gains and losses on divestments to non-controlling interests are also reported in equity. When the group no longer has a controlling influence, any remaining holdings are revalued at fair value and the change in carrying amount is recognized in the consolidated income statement. The fair value is used as the first carrying amount and forms the basis for the continued accounting.

Shares in group companies

Shares in group companies are reported at acquisition cost in the parent company and includes any transaction costs directly attributable to the acquisition of the shares. Issue payments and shareholders' contributions are added to the acquisition cost. Should the fair value be lower than the carrying amount, the shares are written down to the fair value if the decline in value can be assumed to be permanent.

Cashflow statement

The cash flow statement has been prepared in accordance with the indirect method whereby adjustments are made for transactions that do not entail payments in or out. Assets that are classified as cash and cash equivalents are, apart from cash and bank balances, balances on group bank accounts and short-term liquid investments that can be converted to a known amount and that is exposed to an insignificant risk of value fluctuation.

Valuation principles, etc.

Assets, provisions and liabilities are valued at cost unless otherwise is stated below.

Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer and when the revenue can be measured reliably.

Performed fixed-price service assignments are recognized as the work is done. This means that the revenue is recognized based on the degree of completion. The degree of completion is calculated as contracted expenses for work performed in

relation to estimated total expenses in order to complete the assignment. For assignments where the outcome cannot be calculated satisfactorily, revenues corresponding to costs incurred is reported. Expected losses are recognized as soon as they are known. Assignments on a current account are recognized as revenues as the work is performed.

Tangible and intangible fixed assets

Tangible and intangible fixed assets are reported at acquisition cost less amortization/depreciation based on an assessment of asset's useful life.

The following depreciation periods apply to both parent and group companies.

| | |
|---|------------|
| Concessions, patents, licenses, trademarks and similar rights | 5-13 years |
| Goodwill | 5 years |
| Equipment | 5 years |

Goodwill is amortized over 5 years based on the assessment that the acquisition attributable to the asset will generate benefits for at least this time.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been translated at the exchange rate of the closing date. The difference between cost and closing day value has been recognized in the income statement. Insofar as claims and liabilities in foreign currency have been hedged, they are translated at the forward rate.

Impairment

Should there be an indication of a decline in the value of an asset, its recovery value is determined. If the asset's book value exceeds the recovery value, the asset is written down to this value. The recovery value is defined as the highest of either the market value or the value in use. The value in use is defined as the present value of the estimated future payments that the asset generates. Impairments are recognized in the income statement.

Income taxes

Income tax accounting includes current tax and deferred tax. The tax is reported in the income statement, except in cases where it relates to items recognized directly in equity. In such cases, tax is also reported in equity. Deferred tax is reported in accordance with the balance sheet method on all significant temporary differences. A temporary difference exists when the book value of an asset or liability differs from the tax value.

Deferred tax is calculated using the tax rate that has been decided or announced at the closing date, which is currently 22%.

Deferred tax assets are reported to the extent that future tax surpluses are deemed to be available against which the temporary differences can be utilized.

Provisions

Provisions are recognized when the group has or may be considered to have an obligation as a result of an event occurring and it is likely that payments will be required to fulfil the obligation. A prerequisite is that a reliable estimate of the amount to be paid can be made.

Note 2**Estimates and assessments**

Management makes estimates and assumptions about the future. These estimates rarely match the real outcome. The estimates and assumptions that could lead to the risk of significant adjustments in the reported values of assets and liabilities are mainly valuation of goodwill and concessions, patents, licenses, trademarks and similar rights.

Each year, there is a test to see if there is any indication that the value of the assets is lower than the carrying amount. If there is an indication, the asset's recovery value is calculated, which is the higher of the asset's fair value less selling costs and value in use.

INFORMATION ON INDIVIDUAL ITEMS**Note 3****Net sales per geographic market**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|-----------------|---------------|---------------|----------------|----------------|
| The Nordics | 435 | 237 | 305 | 34 |
| Other countries | 9 360 | 4 415 | 0 | 0 |
| Total | 9 795 | 4 652 | 305 | 34 |

Note 4**Remuneration of auditors**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|--|---------------|---------------|----------------|----------------|
| Remuneration and reimbursements | | | | |
| <u>Mazars SET Revisionsbyrå AB</u> | | | | |
| Audit assignment | 97 | 160 | 97 | 160 |
| Other audit-related fees | 10 | 0 | 0 | 0 |
| Tax advice | 0 | 0 | 10 | 0 |
| Other services | 10 | 198 | 10 | 198 |
| | 117 | 358 | 117 | 358 |
| <u>Other auditors</u> | | | | |
| Audit assignment | 128 | 83 | 0 | 0 |
| Other audit-related fees | 0 | 0 | 0 | 0 |
| Tax advice | 0 | 4 | 0 | 0 |
| Other services | 318 | 566 | 0 | 0 |
| | 446 | 653 | 0 | 0 |
| Total | 563 | 1 011 | 117 | 358 |

Note 5**Average number of employees and personnel cost**

| | 2017 | | 2016 | |
|------------------------------------|---------------------|--------------|---------------------|--------------|
| | Number of employees | Of which men | Number of employees | Of which men |
| Average number of employees | | | | |
| Parent company | | | | |
| Sweden | 0 | 0 | 0 | 0 |
| Subsidiaries | | | | |
| Denmark | 10 | 6 | 10 | 6 |
| Total subsidiaries | 10 | 6 | 10 | 6 |
| Group total | 10 | 6 | 10 | 6 |

| | 2017 | | 2016 | |
|-----------------------------|-------|-----|-------|-----|
| | Women | Men | Women | Men |
| Board and management | | | | |
| Board | 1 | 3 | 1 | 2 |
| CEO and rest of management | 0 | 1 | 0 | 1 |

| KSEK | 2017 | | 2016 | |
|-----------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | Salaries and remunerations | Social security contributions | Salaries and remunerations | Social security contributions |
| Personnel cost | | | | |
| Parent company | | | | |
| Board and CEO | 174 | 0 | 39 | 0 |
| Other employees | 0 | 0 | 0 | 0 |
| Subsidiaries | 10 426 | 108 | 6 511 | 88 |
| Group total | 10 600 | 108 | 6 550 | 88 |

To the board and CEO, bonuses of 1 689 KSEK have been paid. The CEO has a period of notice of 6 months when quitting. When the Company terminates the CEO's employment, a notice period of 9 months applies.

Note 6**Other interest income and similar items**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|----------------------------------|------------|------------|-------------|-------------|
| Interest income, group companies | 0 | 0 | 83 | 332 |
| Interest income, others | 146 | 307 | 0 | 17 |
| Total | 146 | 307 | 83 | 349 |

Note 7**Interest costs and similar items**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|--------------------------------|------------|------------|-------------|-------------|
| Interest cost, group companies | 0 | 0 | 0 | 0 |
| Interest cost, others | 461 | 557 | 5 | 223 |
| Total | 461 | 557 | 5 | 223 |

Note 8**Tax**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|--------------|---------------|---------------|----------------|----------------|
| Current tax | 1 383 | 874 | 0 | 0 |
| Deferred tax | 532 | 0 | 0 | 0 |
| Total | 1 915 | 874 | 0 | 0 |

Theoretical tax

| | | | | |
|--------------------------|---------|--------|--------|--------|
| Pre-tax profit | -11 750 | -9 412 | -1 710 | -1 169 |
| Tax at current rate, 22% | 2 585 | 2 071 | 376 | 257 |

Reconciliation of reported tax

| | | | | |
|--|--------------|------------|----------|----------|
| Effect of foreign tax rate | - | - | - | - |
| Effect of non-deductible costs | -112 | -4 | - | - |
| Effect of non-taxable income | - | - | - | - |
| Effect of amortization of group goodwill | -123 | -81 | - | - |
| Effect of deductible issue costs directly against equity | 88 | 476 | 88 | 476 |
| Effect of unrecognized loss carryforwards | -736 | -1 588 | -464 | -733 |
| Effect from previous year | 213 | - | - | - |
| Total | 1 915 | 874 | 0 | 0 |

Note 9**Concessions, patents, licenses, trademarks and similar intellectual rights**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|---|---------------|---------------|----------------|----------------|
| Opening cost | 10 423 | 0 | 0 | 0 |
| Acquisitions | 0 | 10 000 | 0 | 0 |
| Translation differences | 291 | 423 | 0 | 0 |
| Closing accumulated cost | 10 714 | 10 423 | 0 | 0 |
| Opening depreciation | -962 | 0 | 0 | 0 |
| Depreciation for the year | -1 453 | -962 | 0 | 0 |
| Translation differences | -58 | 0 | 0 | 0 |
| Closing accumulated depreciation | -2 473 | -962 | 0 | 0 |
| Closing carrying amount | 8 241 | 9 461 | 0 | 0 |

Not 10**Goodwill**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|---|---------------|---------------|----------------|----------------|
| Opening cost | 2 771 | 0 | 0 | 0 |
| Acquisitions | 0 | 2 659 | 0 | 0 |
| Translation differences | 77 | 112 | 0 | 0 |
| Closing accumulated cost | 2 848 | 2 771 | 0 | 0 |
| Opening depreciation | -368 | 0 | 0 | 0 |
| Depreciation for the year | -558 | -368 | 0 | 0 |
| Translation differences | -22 | 0 | 0 | 0 |
| Closing accumulated depreciation | -948 | -368 | 0 | 0 |
| Closing carrying amount | 1 900 | 2 403 | 0 | 0 |

Note 11**Machinery and equipment**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|---|----------------|----------------|----------------|----------------|
| Opening cost | 2 096 | 1 315 | 0 | 0 |
| Acquisitions | 244 | 721 | 0 | 0 |
| Sales and retirements | - 38 | 0 | 0 | 0 |
| Translation difference | 58 | 60 | 0 | 0 |
| Closing accumulated cost | 2 360 | 2 096 | 0 | 0 |
| Opening depreciation | - 1 417 | - 1 202 | 0 | 0 |
| Depreciation for the year | - 271 | - 161 | 0 | 0 |
| Sales and retirements | 4 | 0 | 0 | 0 |
| Translation difference | - 44 | - 54 | 0 | 0 |
| Closing accumulated depreciation | - 1 728 | - 1 417 | 0 | 0 |
| Closing carrying amount | 632 | 679 | 0 | 0 |

Note 12**Shares in subsidiaries / Jointly controlled companies****The parent company**

| Company | Corporate ID | Registered office | Capital share | Carrying amount | |
|--|--------------|-------------------|---------------|-----------------|---------------|
| | | | | 2017-12-31 | 2016-12-31 |
| ExpresS ² ion Biotechnologies ApS | 32 77 04 87 | Hørsholm, Denmark | 100 % | 17 496 | 17 496 |
| | | | | 17 496 | 17 496 |

| | Parent 2017-12-31 | Parent 2016-12-31 |
|------------------------|----------------------|----------------------|
| Opening cost | 17 496 | 1 042 |
| Rights issue | 0 | 16 454 |
| Carrying amount | 17 496 | 17 496 |

Group

| Company | Corporate ID | Registered office | Capital share | Carrying amount | |
|--------------|--------------|-------------------|---------------|-----------------|------------|
| | | | | 2017-12-31 | 2016-12-31 |
| AdaptVac ApS | 38 73 27 30 | Hørsholm, Denmark | 50 % | 0 | - |
| | | | | 0 | - |

| | Group 2017-12-31 | Group 2016-12-31 |
|------------------------|---------------------|---------------------|
| Opening cost | 0 | - |
| Rights issue | 25 | - |
| Impairment | - 25 | - |
| Carrying amount | 0 | - |

Note 13**Receivables**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|---|---------------|---------------|----------------|----------------|
| Long-term part, other long-term receivables | 408 | 279 | 50 | 50 |
| Short-term part, other receivables | 0 | 0 | 0 | 0 |
| Total | 408 | 279 | 50 | 50 |

Note 14**Accrued expenses and deferred income**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|------------------------|---------------|---------------|----------------|----------------|
| Prepaid insurance | 89 | 73 | 0 | 0 |
| Other prepaid costs | 247 | 156 | 71 | 71 |
| Carrying amount | 336 | 229 | 71 | 71 |

Note 15**Equity**

The number of shares is 9 601 612 and the quota value is 0,111 SEK per share.

Note 16**Deferred tax liabilities**

Deferred tax liabilities refer to tax on step-up values in connection with the acquisition of (issue for non-cash consideration) subsidiary. The accumulated tax loss carryforwards in the parent company amounts to 5,4 MSEK and in the Danish subsidiary to 12,1 MDKK. None of these loss carryforwards have been recorded at any value in the balance sheet. They run without a time limit.

Note 17**Long-term debt**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|--|---------------|---------------|----------------|----------------|
| <i>Maturity date, more than 5 years from the closing day</i> | | | | |
| Other debt | 6 324 | 5 872 | 0 | 0 |
| Total | 6 324 | 5 872 | 0 | 0 |

Note 18**Items not affecting cashflow**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|--------------|---------------|---------------|----------------|----------------|
| Depreciation | 2 281 | 1 489 | 0 | 0 |
| Total | 2 281 | 1 489 | 0 | 0 |

OTHER INFORMATION**Note 19****Contingent liabilities**

| KSEK | Group 2017 | Group 2016 | Parent 2017 | Parent 2016 |
|------------------------------------|---------------|---------------|----------------|----------------|
| Rent commitment, Hørsholm, Denmark | 460 | 448 | 0 | 0 |
| Total | 460 | 448 | 0 | 0 |

Note 20**Significant events after the end of the fiscal year**

On January 16, 2018, ExpreS²ion Biotech Holding AB announced that the Board has decided, pursuant to the authorisation granted by an Extraordinary General Meeting, to carry out a preferential rights issue with the aim to accelerate the Company's development. The preferential rights issue comprises a maximum of 2,400,403 shares with a subscription price of 8.00 SEK per share. Upon full subscription of the rights issue, ExpreS²ion will raise approximately MSEK 19.2 before issue expenses. The proceeds from the preferential rights issue are expected to finance ExpreS²ion's possibilities to pursue additional projects regarding vaccines and candidate drugs that the Company regularly encounter on the market. In addition to this, the preferential rights issue will provide resources to create more value in the joint venture AdaptVac and its development projects. Finally, the preferential rights issue will finance further development of the Company's platform with new products that will strengthen the Company's position in new market segments and generate new clients, thereby increasing the Company's short-term earnings as well as long-term possibilities.

On February 1, 2018, ExpreS²ion Biotech Holding AB held an extraordinary general meeting. The report is available at the Company's website (www.expres2ionbio.com)

On March 2, 2018, ExpreS²ion Biotech Holding AB announced the outcome of the Company's rights issue. The rights issue was subscribed to approximately SEK 30.3 million, corresponding to a subscription rate of approximately 158 percent. Through the rights issue, a total of 2,400,403 shares are issued and ExpreS²ion is provided approximately SEK 19.2 million before issuing costs.

On April 20, 2018, ExpreS²ion Biotech Holding AB announced that their subsidiary's U.S.-based partner and licensee Integrated BioTherapeutics ("IBT") has initiated sales and marketing of its first ExpreS²-based product. It was also stated that IBT is planning to launch approximately five products for research purposes annually, and that the collaboration is expected to generate annual revenues of up to 1 MSEK for ExpreS²ion, when fully implemented.

Note 21

Transactions with related parties

No transactions have been made with related parties apart from salaries and board fees.

Note 22

Proposed appropriation of retained earnings

(Amounts in SEK)

Proposed appropriation of retained earnings

| | |
|--|-------------|
| Retained earnings at the disposal of the Annual General Meeting: | |
| Share premium reserve | 22 645 524 |
| Loss for the year | - 1 709 660 |
| | 20 935 864 |
| | |
| The Board proposes that: | |
| The loss for the year is settled against the share premium fund and to the share premium fund is carried forward | 20 935 864 |
| | 20 935 864 |

HELSINGBORG, 3 May 2018

Dr. Martin Roland Jensen – Chairman of the Board

Dr Allan Rosetzsky – Member of the Board

Gitte Pedersen – Member of the Board

Jakob Knudsen – Member of the Board

Dr. Steen Klysner – Chief Executive Officer

Our auditor's report has been submitted on 3 May 2018

Mazars SET Revisionsbyrå AB

Bengt Ekenberg
Authorised Auditor

AUDITOR'S REPORT

To the general meeting of the shareholders of Expres²ion Biotech Holding AB (publ)
Corporate identity number 559033-3729

Report on the annual accounts

Opinions

We have audited the annual accounts and consolidated accounts of Expres²ion Biotech Holding AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 6 – 30 in this document.

In our opinion, the annual and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017, and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities section*. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Other information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the pages 1-5 but does not include the annual accounts, consolidated accounts and our auditor's report thereon.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual

Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, 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 opinions. 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 the company's internal control relevant to our 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 the Board of Directors and the Managing Director.

Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any 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 annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. 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 content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any possible significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Expres²ion Biotech Holding AB for the financial year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities section*. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring

manner. The Managing director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' whether the proposal is in accordance with the Companies Act.

Helsingborg 3 May 2018

Mazars SET Revisionsbyrå AB

Bengt Ekenberg
Authorized Public Accountant



EXPRES²ION

BIOTECHNOLOGIES

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