2022 Annual Report

Beyond now is **our future**

byondis

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We are Byondis

The name says it all. Byondis (pronounced "beyond this") goes beyond the standard of care to create novel treatments with high efficacy and low systemic toxicity for patients with unmet medical need.

2022 marked our 10th year as a company. We started as a biopharmaceutical affiliate of Dutch-based generics pharmaceutical company Synthon. This spin-off, called Synthon Biopharmaceuticals, quickly built a promising pipeline of innovative research and development programs with the aim of creating innovative precision medicines targeting relentless cancers and autoimmune diseases.

Today we are an independent, privately held, clinical stage biopharmaceutical research and development company, complemented by advanced Good Manufacturing Practice (GMP) manufacturing capabilities. Byondis develops next generation antibody-drug conjugates (ADCs) using its proprietary molecular concepts such as ByonZine®, its duocarmazine linker-drug (LD) technology, and ByonShieLD®, its site-specific conjugation technology. We also create monoclonal antibodies (mAbs) and new chemical entities (NCEs) that can stand alone or be incorporated in our ADCs.

Our broad development portfolio comprises preclinical as well as early- and late-stage clinical development programs. We have a dedicated team of more than 400 employees, including highly educated scientists and skilled technicians. Byondis is based in Nijmegen, the oldest city in the Netherlands and a rising high-tech and science hub. Our green campus features state-of-the-art R&D and GMP production and conjugation facilities. Byondis regularly collaborates with global biotechnology and pharmaceutical companies, as well as many leading academic research institutions.

Making hope real –
A decade of progress

Vision –
Transform patients' hope into reality

Mission –
Create precision medicines that outsmart cancer and autoimmune diseases to improve treatment outcomes for patients

"A company that matters"

In 1988, a young scientist named Jacques Lemmens decided to establish an independent pharmaceutical company for the development of affordable versions of off-patent medicines as well as new medicines – "a company that matters." This led to the formation, in 1991, of Synthon, which became the Netherlands' largest independent, generic drug company, with laboratories, offices and production plants in nine countries and approved products in nearly 100 countries.

In 2007, Lemmens made good on his ultimate dream – to "create new molecules and medical breakthroughs to improve treatment outcomes for patients." Synthon became active in biotechnology and in 2012, a new biopharmaceutical affiliate, Synthon Biopharmaceuticals, was established. The new company quickly built an impressive portfolio of innovative research and development programs in the fields of oncology and autoimmune diseases.

Following the acquisition of the generic division, Synthon International Holding, by BC Partners in 2019, Synthon Biopharmaceuticals became a privately-owned, independent company and in April 2020, rebranded as Byondis. Byondis, a subsidiary of the holding company Arcory B.V. (formerly Synthon Holding), operates under the leadership of its original founder, Jacques Lemmens.

Targeted therapies:

Byondis' next generation ADCs

The cornerstone of Byondis' research and development efforts is a portfolio of next generation antibody-drug conjugates (ADCs). They target difficult-to-treat cancers with powerful cytotoxins and offer a wider therapeutic window and lower systemic toxicity. These therapies are based on Byondis' distinctive, proprietary linker-drug technologies, novel mechanisms of action, and selected combination strategies.

While earlier generation ADCs improved targeting and cell killing, they were unstable in the bloodstream, leading to premature release of the cytotoxic payload, impacting healthy tissue and narrowing the therapeutic window. Byondis' proprietary duocarmazine linker-drug technology, ByonZine®, is responsible for its ADCs' high stability in circulation and ability to efficiently release the cytotoxin in the tumor. In addition, Byondis' site-specific antibody conjugation technology, ByonShieLD®, uses a controlled method of connecting the linker-drug to the antibody. This enhances the ADCs' antitumor activity, while helping to streamline the manufacturing process and delivering a more homogeneous product.

Currently, the company's lead investigational ADC, [vic-]trastuzumab duocarmazine (SYD985), is under review by both the U.S. Food & Drug Administration (FDA) and the European Medicines Agency (EMA) in third-line, HER2-positive unresectable locally advanced or metastatic breast cancer. The further exploration of the potential of SYD985 in other clinical indications continues, for example, in HER2-expressing recurrent, advanced, or metastatic endometrial cancer.

Byondis is expanding its pipeline of ADC therapies. In Q2, BYON3521, an ADC that targets c-MET, entered into a First-in-Human (FiH) study. c-MET is widely overexpressed in a variety of solid tumors, including renal cell cancer, uveal (ocular) melanoma, and head and neck squamous cell cancer. Another ADC, BYON4413, is preparing to enter the clinic in 2023. This ADC is directed against CD123, expressed in acute myeloid leukemia (AML) and other hemato-oncological malignancies.

Making hope real –
A decade of progress

Immuno-oncology:
Byondis' new frontier

Byondis has advanced into immuno-oncology (IO). Its lead cancer immunotherapeutic, BYON4228, a SIRPα-targeting therapeutic monoclonal antibody designed to stimulate the innate immune system, will enter the clinic in 2023. BYON4228 has potential across a range of cancer indications, in combination with other cancer therapies, including anticancer antibodies, ADCs, checkpoint inhibitors or conventional cancer drugs.

IO projects earlier in the pipeline aim to combine targeting monoclonal antibodies, ADCs and linker technologies with payloads that can modulate the human immune system. These are expected to create durable immune responses that eliminate both the primary tumor and metastases.

A growing,
green campus

Byondis' campus is now 15 to 20 times larger than when the first building was acquired by Synthon over 25 years ago, and a lot greener. In honor of its 10th anniversary, the company inaugurated a campus that reflects its company culture and commitment to the environment. Inside, shared spaces inspire teamwork, collaboration and innovation. Outside, employees and visitors can walk, talk or bike ride on grounds resplendent with trees, shrubs and flowers. New structures feature the latest energy-efficient technology.

"With a decade of progress behind us, we are now fully immersed in the next cycle of our journey as a company. I consider myself lucky to continue to share it with the most gifted, genuine and generous colleagues, beginning with our Founder, Jacques."

–

Marco Timmers, Chief Executive Officer

Beyond now

With a decade of progress behind it, Byondis continues to identify research programs ensuring a sustainable R&D pipeline in the coming decade. In its early discovery pipeline, three new platforms were identified: a novel linker-drug technology to generate IO ADCs; a linker-drug technology to generate ADCs with potential in both oncologic and other indications, such as autoimmune diseases; and a platform to increase the tumor-specificity of mAbs and ADCs.

Byondis collaborates with other global biotechnology and pharmaceutical companies, as well as many leading academic research institutions. While uniquely positioned to take its innovative portfolio beyond the laboratory, up to and including pivotal clinical studies, the company welcomes partners and collaborators to help speed the development of its medicines and provide access for those patients who need them.

We call this "making hope real."

Messages from the Founder and Chairman and CEO

Message from the Founder and Chairman

"Man cannot discover new land unless he is prepared to lose sight of the shore."

More than 30 years ago, we started our activities in the pharmaceutical world. From day one, our biggest goal was to discover new medicines for intractable illnesses, such as cancers and autoimmune diseases. Ten years ago, that dream came true with the formation of Synthon Biopharmaceuticals, which we later rebranded as Byondis.

Today, Byondis is an independent clinical stage biopharmaceutical research and development company developing next generation precision medicines. We have a strong and growing pipeline of proprietary technologies, targeted therapies and immunotherapies. Our lead program, ADC [vic-]trastuzumab duocarmazine (SYD985), is undergoing regulatory review in the U.S. and EU in third-line, HER2-positive metastatic breast cancer. It continues to be studied in other cancers, such as metastatic endometrial cancer. This year, we also found a commercialization partner for SYD985 in Europe, medac GmbH.

In addition, our c-MET-targeting ADC entered the clinic, and we are readying two additional therapies to enter the clinic this year, an ADC targeting hemato-oncological malignancies, and a mAb that shows potential in multiple cancers, in combination with a variety of therapies.

We have grown to more than 400 employees, headquartered in our newly refurbished green, sustainable campus in Nijmegen, which features state-of-the-art R&D and GMP production and conjugation facilities. Our scientists and technicians are among the finest in the world, and we have established an excellent network of industry and academic partners and collaborators.

Our path has not been easy and we still have challenges to face. But 2022 gave us much reason for gratitude. In addition to our many accomplishments, we were rewarded with the ability to once more, come together as a team, live and in person. For a company that relies on creativity and the open exchange of ideas, this is very important.

We were also able to celebrate once more, such as our 10th anniversary, the unveiling of our beautiful, energy-efficient campus entrance, and the return of the annual Byondis summer weekend get-together.

2022 also saw us contributing outside our walls, with our time, talent, financial or other resources. For example, we swam to fight cancer, shared our careers with young students, sent supplies to the Ukraine and selected our 9th Annual Byondis Molecular Sciences Scholarship winner.

We are making progress toward our future goals, namely: the continued advancement of our pipeline of preclinical and clinical programs in oncology and autoimmune diseases; the discovery or optimization of molecular concepts, including new linker-drugs with different mechanisms of action; the identification of novel biomarkers and optimal combination therapies; and the development of new therapeutic approaches.

To say that I am proud of what we have created together is an understatement. But it would not have been possible without two essential ingredients – passion and perseverance. Every day, our people come to work with a shared mission: to create precision medicines that improve treatment outcomes for patients. Whether they are scientists, technicians or support staff, this is what unites them and gives them purpose.

I am honored to work with such caring, dedicated teams and I look forward to what 2023 and indeed, the next 10 years will bring.

Jacques Lemmens, PhD
Founder and Chairman of the Board

Messages from the Founder and Chairman and CEO

Message from the CEO

As I think about 2022, I marvel at how far we've come, and look forward with anticipation to what the future will bring. 2022 was a banner year for Byondis, marking our 10th anniversary and our most productive year yet.

We made significant progress on our four-phased value creation strategy:

Phase 1:

- Our lead therapy, antibody-drug conjugate [vic-]trastuzumab duocarmazine (SYD985), was accepted for review by both the U.S. Food & Drug Administration and the European Medicines Agency in HER2-positive unresectable locally advanced or metastatic breast cancer. This followed submission of two regulatory dossiers, each one comprising more than 200,000 pages on preclinical, CMC (Chemistry, Manufacturing and Controls) and clinical data supporting the product's efficacy, safety, purity and manufacturability. This is a major feat for big pharma, let alone a midsized company such as ours. Following the submissions, we, along with several of our investigative sites, opened our doors for regulatory inspections by both agencies.
- We found an ideal EU commercialization partner for SYD985 in medac GmbH, a privately held, global pharmaceutical company that shares our passion for improving patients' lives. medac will have exclusive rights to market the product in Europe, in all approved indications. We continue to pursue commercialization options in the U.S. and the rest of the world.

Phase 2:

- We continued to study SYD985 in other indications. Most notably, we completed enrollment for our Phase II multiregional clinical trial evaluating the safety and efficacy of SYD985 in HER2-expressing recurrent, advanced, or metastatic endometrial cancer. Study results are expected in 2023.

Phase 3:

- The first of three early development programs entered the clinic. In Q2, following encouraging preclinical data, BYON3521, an ADC targeting c-MET, began enrolling patients in a Phase I trial. c-MET is widely overexpressed in various solid tumors, including renal cell cancer, uveal (ocular) melanoma, and head and neck squamous cell cancer.
- We're preparing two additional molecules for FiH trials in 2023: BYON4228, a monoclonal antibody and our first immuno-oncology therapy that, used in combination, can potentially increase the efficacy of a broad range of mAbs in different blood and solid cancers; and BYON4413, an ADC with potential in blood cancers, such as acute myeloid leukemia.

Phase 4:

- In our early discovery pipeline, three new platforms have the potential to deliver several drugs each: two new linker-drug technologies and one platform technology to increase the tumor selectivity of mAbs and ADCs. For all three platform technologies, we identified frontrunner projects, which progressed into the mature lead optimization stage.

Our company grew and with it, our campus. We onboarded 57 new employees and unveiled a greener, more eco-friendly headquarters, including a Porter's Lodge (reception, offices, meeting spaces) that marks our new entrance and a new chemistry lab that will be instrumental in growing our pipeline.

We continued to collaborate with industry and academic research institutions, participate in conferences and publish our R&D results. And once again, we gave back to our communities with our resources and/or time.

All in all, I'm proud of the company we have built and the caliber of people we are able to attract and retain. I am grateful for all the hard work that has brought us to this moment in time and look forward to 2023 and beyond.

Marco Timmers, PhD
Chief Executive Officer

Management Board and Executive Committee

Arcory B.V. is a private company with limited liabilities and established under the laws of The Netherlands.

Arcory and its subsidiaries (Byondis B.V. and Housthon Investments B.V.), as a clinical stage biopharmaceutical company, are mainly active in the field of research and development and production of innovative medicines. The company has a Management Board and a Executive Committee.

The Management Board consists of Mr. Jaques Lemmens and Mr. Huub Sanders, being the Founders of the Company. The Executive Committee comprises the Chief Executive Officer, Chief Scientific Officer, Chief Financial Officer, Chief Medical Officer, Chief Operations Officer, Chief Legal Officer and the Site Director. The Executive Committee assists the Management Board in its day-to-day management of the operations of the Company.

Left: Chief Executive Officer, Marco Timmers. PhD
Right: Founder and Chairman of the Board, Jacques Lemmens. PhD

Drug discovery and development – **Comprehensive capabilities**

Byondis' in-house resources allow the company to take its innovative portfolio beyond the laboratory, from discovery to clinical drug development, up to and including pivotal clinical studies.

Our activities cover a wide spectrum of diverse capabilities, such as:

- complex small molecule chemistries
- medicinal chemistry
- cell line development
- cell culture medium optimization
- cell culture process development
- protein purification and modification, including site-specific and non-site-specific conjugation
- analytics
- final drug product formulation and lyophilization development
- state-of-the-art GMP production capabilities
- quality control laboratories to support the early development and future commercial manufacturing of novel medicines

In addition, our research capabilities encompass:

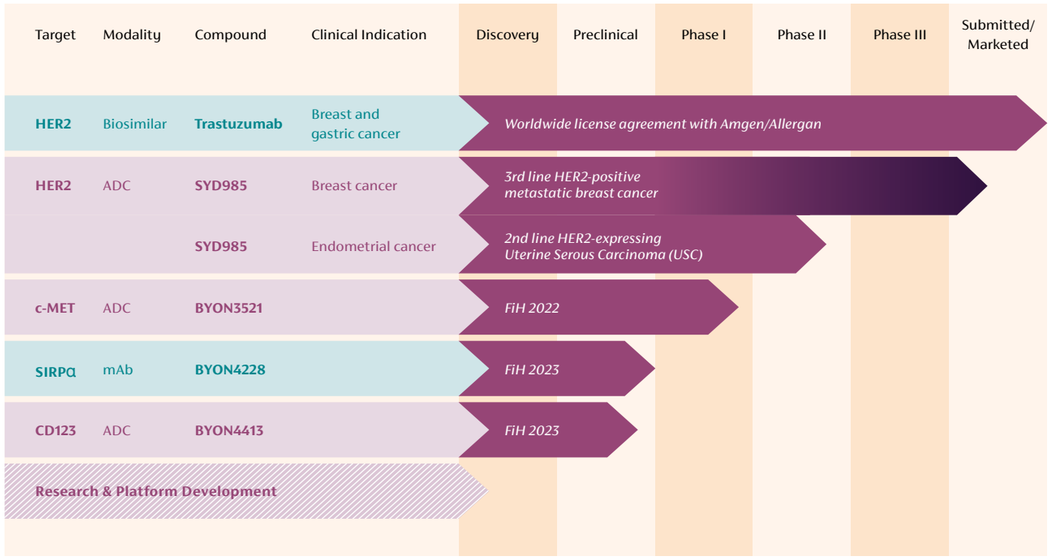
- medicinal and protein chemistry
- *in vitro* and *in vivo* pharmacology
- toxicology
- Drug Metabolism and Pharmacokinetics (DMPK)
- Biomarker Discovery & Development (BDD)
- Bioanalysis and Protein Interaction studies (BA&PI)

Our principal technologies consist of:

- mAb technology
- ADC technologies, including ByonZine® and ByonShieLD®
- payload and linker-drug innovation

Drug discovery and development – **Comprehensive capabilities**

Pipeline main programs



Drug discovery and development highlights

- Our most advanced ADC, [vic-]trastuzumab duocarmazine (SYD985), is currently under regulatory review as a treatment for HER2-positive unresectable locally advanced or metastatic breast cancer.
- Byondis signed a commercialization agreement for SYD985 with Germany-based medac GmbH. Pending approval from regulatory authorities, medac will have exclusive rights to commercialize SYD985 in Europe.
- Further exploration of the potential of SYD985 in other clinical indications continued.
- Our next ADC entered the clinic. BYON3521, which targets c-Met, a protein widely overexpressed in various solid tumors, is currently enrolling patients in an FiH trial.
- Two additional, promising programs are expected to enter clinical development in 2023.
- In our early discovery pipeline, three new platforms reached the lead optimization stage.
- Several new, undisclosed projects entered the exploratory and lead-identification phase.
- The Medicinal & Protein Chemistry department opened a new chemistry lab that will be instrumental in growing Byondis' new medicines pipeline.

Late-stage clinical development program and regulatory progress – **SYD985**

Byondis' lead drug candidate is [vic-]trastuzumab duocarmazine (SYD985). This ADC targets both low and high HER2-expressing tumors such as breast cancer, endometrial (uterine) cancer and bladder cancer.

Byondis completed and submitted the Biologics License Application (BLA) in May and the Marketing Authorization Application (MAA) in June to the FDA and EMA, respectively. As described in the dossiers, SYD985 is indicated for the treatment of adult patients with HER2-positive metastatic breast cancer. Patients should have experienced either: progression during or after at least two HER2-targeting treatment regimens for locally advanced or metastatic disease, or progression during or after ado-trastuzumab emtansine treatment in the advanced or metastatic setting. Both dossiers were officially accepted for review, meaning the applications were found to have all the essential regulatory elements required for scientific assessment.

In the fall, both agencies conducted on-site inspections. The FDA performed its Bioresearch Monitoring (BIMO) Good Clinical Practice (GCP) inspection relating to the conduct of the Phase III SYD985 TULIP® trial, as well as its Pre-License Inspection (PLI) of our GMP manufacturing facilities. The BIMO GCP inspections occurred on Byondis premises, as well as at three TULIP investigative sites. An inspection report is expected in 2023. The PLI of Byondis' GMP manufacturing facilities and associated documentation resulted in some observations.

Byondis' Corrective and Preventative Actions (CAPA) plan and supporting documentation were submitted to the FDA, which the agency will review in parallel with the ongoing BLA assessment.

The EMA Good Clinical Practice (GCP) inspections relating to the conduct of the TULIP trial are ongoing. The inspections on Byondis premises and at one investigative site were completed; another investigative site inspection is expected in 2023, with an inspection report to follow the same year.

Meanwhile, Byondis entered into partnership with medac GmbH, a privately owned pharmaceutical company based in Germany, to commercialize SYD985 in Europe. Pending regulatory approvals, medac will have exclusive rights to commercialize SYD985 in the EU, U.K. and additional European countries. Further exploration of the potential of SYD985 continued. A Phase II multiregional clinical trial evaluating the safety and efficacy of SYD985 as a standalone therapy in HER2-expressing recurrent, advanced, or metastatic endometrial cancer (SYD985.003/ NCT04205630) completed enrollment in 2022 and results are expected in 2023.

Early-stage clinical development program – **BYON3521**

Following encouraging preclinical data, Byondis initiated an FiH clinical trial with BYON3521. BYON3521 is an ADC that targets c-MET, the cell-surface receptor for Hepatocyte Growth Factor/Scatter Factor (HGF/SF). c-MET is a proto-oncogene active in normal cell division, growth and differentiation. Mutations may cause it to become an oncogene, which can promote cancer cell growth and multiplication.

c-MET is widely overexpressed in various solid cancer types, such as renal cell cancer, uveal or ocular melanoma, and head and neck squamous cell cancer, and is an attractive target for the development of antibody-based therapeutics. Preclinical results showed that BYON3521 potently and selectively kills tumor cells expressing c-MET, even at low levels of c-MET on the cell membrane.

The “First-in-Human Dose-Escalation and Expansion Trial With the Antibody-Drug Conjugate BYON3521 to Evaluate the Safety, Pharmacokinetics and Efficacy in Patients with c-MET-Expressing Locally Advanced or Metastatic Solid Tumors” (BYON3521.001/NCT05323045) is currently enrolling patients in leading oncology centers in Belgium, Italy, the Netherlands and the U.K.

BYON3521 is an ADC comprising a humanized IgG1 monoclonal antibody (SYD2884) directed against the tyrosine kinase MET receptor (c-Met) which is covalently and site-specifically (HC-P41C) conjugated to a duocarmycin-containing linker-drug (SYD980). The linker-drug contains a cleavable linker and the prodrug *seco*-DUocarmycin-hydroxyBenzamide-Azaindole (*seco*-DUBA, SYD978). BYON3521 uses Byondis’ proprietary ByonShieLD® technology that allows site-specific conjugation to create a better-defined ADC with enhanced antitumor activity. ByonShieLD® technology also greatly improves the ADC’s manufacturability while delivering a more homogeneous product.

Discontinuing clinical studies

In R&D, sometimes the best path forward is to leave the trail. Byondis is discontinuing a number of clinical studies due to lack of significant benefit or progress, or potential patient safety concerns. However, these studies greatly contribute to our knowledge base, and therefore, our future endeavors:

- SYD1875
  - (SYD1875.001/NCT04202705, Phase I) ADC directed against 5T4-expressing, locally advanced or metastatic solid tumors and the first of our ADCs to use ByonShieLD®, our site-specific conjugation technology, which we continue to employ

- SYD985
  - SYD985.004/NCT04235101 (Phase I) – SYD985 in combination with niraparib in patients with HER2-expressing locally advanced or metastatic solid tumors
  - I-SPY 2 TRIAL™ – SYD985 in neoadjuvant treatment of HER2-low early-stage breast cancer

- BYON5667
  - BYON5667.002/NCT04983238 (Phase I)
    - Evaluation of safety and efficacy of sodium thiosulfate (BYON5667) eye drops to reduce ocular toxicity in cancer patients treated with SYD985

Early development projects –
Broadening our scope

Byondis is developing a pipeline of oncology candidates by combining its expertise in linker-drug technology, antibody-drug conjugation, targeted cytotoxic therapy and the development of monoclonal antibodies.

BYON4228

Byondis' lead cancer immunotherapeutic, BYON4228, is a humanized anti-SIRPα monoclonal antibody designed to stimulate the innate immune system, the first line of defense in immune response. SIRPα is an inhibitory immunoreceptor that is selectively expressed by myeloid cells and blocks the innate immune system. SIRPα interacts with CD47, a cell surface molecule often over-expressed on cancer cells. The CD47-SIRPα axis limits the antibody-mediated destruction of cancer cells through a "don't eat me" signal to the immune system.

BYON4228 binds to SIRPα on the immune cell, so it is not able to connect to CD47 on the tumor cell. This prevents the inhibitory "don't eat me" signal to arise and allows the immune cell to do what it is supposed to do: destroy the tumor cell. Because BYON4228 does not recognize SIRPγ, a related molecule on T cells, it should not compromise T cell activity.

"As we prepare to enter the clinic with our first IO therapy, BYON4228, a mAb that targets and blocks the CD47-SIRPα interaction responsible for tumors' ability to escape recognition and destruction by the immune system, we are excited about the future and grateful for the contributions of those who came before."

–

Wim Dokter, Chief Scientific Officer

BYON4228 is a pan-allelic antibody, meaning it recognizes all known SIRPα variants. This distinguishes it from anti-SIRPα antibodies currently in clinical development and implies that the molecule could provide a broad benefit to patients.

The Investigational Medicinal Product Dossier (IMPD) and Investigator's Brochure (IB) were submitted in Q4 and the FiH study will start in 2023. Preclinical data have shown efficacy for BYON4228 in combination with a variety of therapeutic antibodies for a number of hematologic and solid cancer indications, in combination with other cancer therapies, including anticancer antibodies, checkpoint inhibitors or conventional cancer drugs.

Additional IO projects earlier in the development process aim to combine targeted monoclonal antibodies and linker technologies with immunotherapeutic payloads.

BYON4413

BYON4413 is a site-specifically conjugated ADC directed against the hemato-oncological target CD123 or interleukin 3 receptor alpha (IL-3Rα). CD123 is expressed on multiple types of acute myeloid leukemia (AML) cells, especially leukemic stem cells, and in myelodysplastic syndrome (MDS). It is closely associated with a low survival rate, as observed in AML patients. Current treatment approaches include chemotherapy, targeted therapy and donor stem cell transplantation. About 70 percent of patients relapse within five years after diagnosis.

Byondis anticipates initiating an FiH study of BYON4413 in 2023. Preclinical data have shown encouraging efficacy and safety in *in vitro* and *in vivo* models. In particular, the data obtained in collaboration with the University Medical Center in Groningen, the Netherlands in primary leukemia cells from patients with AML provide a solid basis and rationale for the design of the BYON4413 FiH study.

Early discovery projects and platform development – **Primed for growth**

In our early discovery pipeline, three new platforms have the potential to deliver several drugs each: two new linker-drug technologies and one platform technology to increase the tumor selectivity of mAbs and ADCs. For all three platform technologies, frontrunner projects were defined and these progressed into the mature lead optimization stage with the aim to provide preclinical candidates (PCCs) in 2023.

- The first new linker-drug technology delivers a platform to generate IO ADCs that stimulate a certain part of the immune system in the vicinity of tumor cells, in order to kill these cells more efficiently.

- The second new linker-drug technology is a platform that can be used to generate ADCs with a novel mechanism of action to kill tumor cells and can be used in many oncology indications. In addition, this platform shows promise in generating ADCs for indications outside of oncology, such as autoimmune diseases.

- The third new platform relies on technology that, importantly, increases the tumor specificity of mAbs. This technology can be applied to existing mAbs and ADCs to increase their therapeutic index and use. In addition, it can also be applied to new mAbs in development, allowing for the selection of a broader array of antigens for tumor-selective targeting.

The platform portfolio is fueled by investigating and investing in new concepts, starting in-house or via collaboration. Also instrumental in growing Byondis' new medicines pipeline is the new chemistry lab of the Medicinal & Protein Chemistry department, opened in 2022.

Chemistry, manufacturing and controls (CMC) – **Central to key milestones**

SYD985: Chemistry, Manufacturing and Controls (CMC) played an integral role in significant milestones relating to potential SYD985 approval and commercialization. CMC:

- Finalized the Quality sections of the BLA and MAA and prepared for the FDA PLI of Byondis' manufacturing facilities. Following the PLI, Byondis received a Form 483 with single-digit observations and provided a timely response. The team worked to mitigate all observations according to the committed timelines
- Provided answers to information requests from the FDA and the EMA's Committee for Medicinal Products for Human Use (CHMP)
- Was instrumental in the commercialization partner medac's approval of Byondis as a GMP supplier of SYD985 Drug Product (DP)
- Manufactured additional SYD985 batches, improving the robustness of the supply of critical materials, to support the PLI and, pending regulatory approval, commercialization
- Coordinated the selection of a commercial partner for labeling and packaging

BYON4228: CMC completed release of the Investigational Medicinal Product (IMP) and wrote the IMPD, which was submitted to authorities in Q4.

BYON4413: CMC completed process development and transferred the program to the operational departments. The antibody, as well as ADC Drug Substance (DS) and DP, were produced and tested for release.

CMC supported early discovery projects with an unprecedented amount of new molecules for further testing, product optimization and selection.

Byondis entered into a contractual agreement that will provide access to a new cell line development platform in order to accelerate the cell line development process and potentially improve cell line productivity.

To further improve on support for the manufacturing organization, a Technical Operations team was installed. This team will also help accelerate the transfer of new processes to manufacturing departments.

Intellectual property – **A growing patent portfolio**

The extensive SYD985 patent portfolio grew, with additional patents related to specific therapeutic uses, in particular a U.S. patent for bladder cancer treatment. The Byondis patent portfolio was further strengthened with the granting of patents in relation to the biologicals (mAbs) used in our IO space, such as a U.S. patent for BYON4228.

New additions to the Byondis patent portfolio include a published patent application in relation to ADC BYON3521 (c-Met), as well as patent applications in relation to early discovery projects. The latter include a platform to generate IO ADCs and a linker-drug technology with a new mechanism of action that can be used in many oncology applications and shows promise outside of oncology, such as autoimmune diseases.

"Driven to improve patients' lives, Byondis is on the cusp of some significant developments in oncology and I'm excited to be a part of that."

–

Marieke van Gent, Vice President, IP

External collaborations and activities – **Partnering for progress**

SYD985 commercialization partner secured in Europe

Byondis has entered into a License and Collaboration Agreement and a Supply Agreement with medac GmbH, a privately owned pharmaceutical company based in Germany. Byondis and medac will partner to commercialize SYD985, pending approval by the EMA, as well as other regulatory authorities in Europe. Under the terms of the agreement, medac receives an exclusive license to commercialize SYD985 in the EU, U.K. and additional European countries, in all approved indications.

medac is a privately held, global pharmaceutical company with a growing pharmaceutical and diagnostics business. Since its founding in 1970, the company has been specializing in the treatment of diseases in oncology, hematology and urology, as well as autoimmune disorders.

Byondis continued to explore partnering options for the commercialization of SYD985 in the U.S. and the rest of the world. In addition, our scouting team identified and evaluated a number of early development acquisition/in-licensing opportunities for our R&D pipeline.

External collaborations

Byondis' involvement in several external projects related to its biotherapeutic proteins continued. The very early discovery work to identify novel glyco-specific antibodies with enhanced tumor specificity in collaboration with Glycotope progressed according to plan. In addition, we continued our collaboration with ADC technology licensee Macrogenics, Inc. by manufacturing an ADC incorporating Byondis' duocarmycin linker-drug construct SYD980 in a mAb against the molecular target B7H3, an immune checkpoint protein expressed in various tumor types.

Academic partnerships

To efficiently advance its internal research projects, Byondis regularly collaborates with several select academic partners. The company continued its existing partnerships with:

- University Medical Center Groningen, the Netherlands
- Vall d'Hebron Institute of Oncology, Barcelona, Spain
- Yale Cancer Center, Connecticut, USA

EU projects with Byondis involvement

CODOBIO: Continuous Processing in Biopharmaceutical Development. The CODOBIO consortium consists of nine industry partners, eight universities, one research organization, a regulatory institution and a business consultancy, and has developed a research and training program including relevant scientific/technical and transferable skills trainings.

iConsensis: The program continued in 2022. It involves Byondis' Upstream Processing (USP) Department and provides innovative analytical, hardware, software and high-throughput solutions for the development, monitoring and control of the mammalian cell cultivation process that produces biopharmaceuticals.

"The collaboration with medac on SYD985 is a crucial step in ensuring that the therapy, once approved, is available to patients, who desperately need other treatment options."

–

Jacques Lemmens, Founder and Chairman

Conference and presentation highlights

- **The Oncodistinct Network (January).** Chief Medical Officer Jan Schellens presented Byondis' clinical development programs

- **STING & TLR-Targeting Therapies Summit (March).** Senior Director, Immuno-Oncology Timo van den Berg presented "The CD47-SIRPα Myeloid Checkpoint in Cancer & Its Therapeutic Targeting With BYON4228"

- **Bioprocessing Summit Europe (March).** Senior Director, Downstream Processing Michel Eppink presented "Nanofibers as An Alternative for Fast Affinity Separations of Monoclonal Antibodies." R&D Specialist Yunus Saricay discussed the "Characterization of Antibody-Drug Conjugates with a Structural Focus"

- **World ADC London (March).** Research scientist Hetty Sleijster presented "Process Control of ADC Manufacturing Processes"

- **AACR 2022 Conference (April).** Project Leader, In vitro Pharmacology, Mary van Helden presented the e-poster: "BYON4228 Is a Pan-Allelic Blocking Sirpα Antibody That Potentiates Killing of Antibody-Opsonized Tumor Cells and Lacks Binding to T Cells"

- **ESMO Breast Conference 2022 (May).** Dr. Cristina Saura Manich, Principal Investigator, Breast Cancer and Melanoma Group at Vall d'Hebron Institute of Oncology, VHIO, Barcelona, presented data from the SYD985 pivotal Phase III TULIP study (SYD985.002) in HER2-positive unresectable locally advanced or metastatic breast cancer

- **BioProcess International Europe (May).** Jan Schouten, Principal Scientist, presented different approaches for minimizing cell line development timelines. Deborah Hol-Schop, Principal Scientist, Upstream Processes, discussed the scale up and scale down challenges during early-stage bioprocess development

- **Vibe of the Future Festival (September).** Senior Director, Immuno-Oncology Timo van den Berg presented the history of cancer therapies and the future of immuno-oncology treatments

- **Immuno UK (September).** Senior Scientist Anja Scholzen presented "BYON4228: A Novel Pan-Allelic Humanized Anti-SIRPα Antibody Targeting the Myeloid CD47-SIRPα Checkpoint in Cancer"

- **NWO Biophysics (October).** Yunus Sariçay, Specialist, NBE Extended Characterization, presented a poster: "In-depth Conformational Assessment of Biopharmaceuticals by Using Structural Mass Spectrometry"

- **Macrophage-directed Therapies Summit (October).** Chief Scientific Officer Wim Dokter presented "The Profile of BYON4228, a Selective Pan-Allelic SIRPα-Blocking Antibody Designed to Improve Efficacy of Therapeutic Anti-Tumor Antibodies"

- **Netherlands Biotechnology Congress (October).** Senior Director, Downstream Processing Michel Eppink presented "Duocarmycins: A Platform for Antibody-Drug Conjugates"

- **Society for Immuno Therapy of Cancer (November).** Project Leader, In vitro Pharmacology Mary van Helden presented the poster: "BYON4228: A Novel Pan-Allelic Humanized Anti-SIRPα Antibody Targeting The Myeloid CD47-SIRPα Checkpoint in Cancer"

Byondis in the spotlight

- ***Journal of Pharmaceutical Sciences (February and August):*** "Industry Perspective on the Use and Characterization of Polysorbates for Biopharmaceutical Products" (Parts 1 and 2), Rien de Ruiter, co-author

- ***Nature's Biopharma Dealmakers (March):*** "Advancing Into Immuno-Oncology," a feature on Byondis IO activities

- ***Cancers (July):*** "Targeting the CD47-SIRPα Innate Immune Checkpoint to Potentiate Antibody Therapy in Cancer by Neutrophils," Timo van den Berg, co-author

- ***Electrophoresis (July):*** "Switching Positions: Assessing the Dynamics of Conjugational Heterogeneity in Antibody-Drug Conjugates Using CE-SDS," Eline van den Berg, Jaap Hendriks, Everdine Elsinga, Mark Eggink, and Eef Dirksen

- ***IBI Journal (International Biopharmaceutical Industry, Summer Issue):*** "Byondis: A Passion for Patients and Precision Medicines"

- ***9th World ADC Awards (September):*** For the second year in a row, SYD985 was nominated for a World ADC Award in the category "Most Promising Clinical Candidate"

- ***ADC Review (October):*** A feature on Byondis' past, present and future

- ***Journal of Chromatography (October):*** "Small, Smaller, Smallest: Miniaturization of Chromatographic Process Development," Michel Eppink, co-author

- ***AACR's Cancer Research Journal (October):*** "Therapy-Induced Senescence Enhances the Efficacy of HER2-Targeted Antibody-Drug Conjugates in Breast Cancer," Fred Dijcks and Wim Dokter, co-authors

- ***Biotechnology Journal (November):*** "Design of a Microfluidic Mixer Channel: First Steps Into Creating a Fluorescent Dye-Based Biosensor for mAb Aggregate Detection," Michel Eppink, co-author

Support services –
Our foundation

Human resources

Every day, Byondis employees come to work with an inquisitive spirit and an appetite for making new discoveries. We are idealistic entrepreneurs whose goal is to go beyond the current standard of care to address the unmet needs of patients suffering from cancers and autoimmune diseases.

Our campus is inspirational, functional and green. This complements a company culture that doesn't bind people to their desks but encourages them to share brave ideas and live a happy, balanced life. The company fosters a collaborative, congenial and stimulating work environment. Our operational structure is flat, allowing ideas to flow throughout the organization, and empowering employees to think in an agile, flexible way.

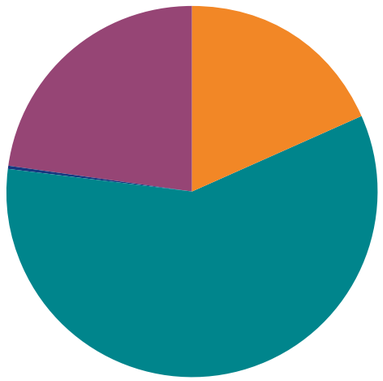
We welcome results-oriented, curious people with sharp minds and an entrepreneurial spirit, who can see the bigger picture and think outside the box. Our company brings together people from diverse backgrounds, countries and cultures because we realize that our strength lies in our differences. Currently, our employees represent more than 25 nationalities and about 18 different languages. We support women in science; in fact, nearly half of our R&D workforce and total employee base are female.

Both Byondis and its holding company Arcory strive for diversity. While currently, the Management Board is comprised exclusively of males, the Founders of the Company, we will in future fill vacancies in a manner that broadens representation to ensure diversity and inclusion. This will continue to be a priority at all company levels, including in our recruitment efforts. We believe it is especially important to preserve the collective sense of purpose and belonging that is engrained in our company culture.

This year, we onboarded and welcomed 57 new employees. We also made progress on a number of HR initiatives, for example, the implementation of our updated personnel manual; the start of the Byondis leadership program; an updated onboarding program for new hires; and activation of our newly implemented HR management system, HR2Day.

Year-end FTE in 2022 was 366

Operations	68
Research & Development	214
Marketing & Sales	1
General & Administrative and other	83



Support services –
Our foundation

IT

In addition to supporting our organization, the IT department made progress on a number of initiatives. IT security was increased by implementing mobile device management throughout Byondis and sponsoring an IT security awareness program for all company staff. Specific IT procedural documents for compliancy with GxP, SOC2 and ISO27001 were updated.

To support Byondis' ambitions in regard to DNA sequencing, IT began to roll out the Azure Genomics platform. The team commenced implementation of Azure Data Lake and Azure Datawarehouse and further rolled out its data analytics tool. As a proof of concept, IT created a TrackWise dashboard with Key Performance Indicators.

Engineering and maintenance

Coinciding with Byondis' 10th anniversary, the company unveiled significant upgrades to its campus in Nijmegen, including Byondis campus branding, a new Porter's Lodge (reception, offices, meeting rooms) that effectively changed its address, and a number of green initiatives.

The campus, where both Byondis and the generic pharmaceutical company Synthon are housed, now has a new entrance at Microweg 4 in Nijmegen. The new Porters' Lodge marks the new entrance and in line with Byondis' commitment to sustainability, is a gas-free, nearly energy-neutral building. In fact, both the Porter's Lodge and the new Synthon office building feature the latest energy-efficient technologies. Instead of natural gas, they run on electricity and solar power.

Inside, shared spaces inspire teamwork and collaboration. Outside, employees and company visitors can walk and talk on welcoming grounds lined with trees, shrubs and flowers. They can also cycle, as there are extra bicycles on hand. The goal is to make the campus completely car-free in the future, except for deliveries, maintenance traffic and parking.

Environment, health and safety

Our Environment, Health and Safety (EHS) efforts ensure that we conduct our activities in a manner that is safe for employees, stakeholders, neighbors and the environment. We are focused on reducing electricity and gas usage and integrating sustainability in our activities and development plans for our green campus. The highlights of our activities this year:

- Successful completion of the ISO14001/45001 audit
- External EHS inspections carried out at Byondis:
  - Environmental audit by the ODRN (Environment Service Region Nijmegen), authority of the Municipality of Nijmegen
  - Energy audit by the ODRN. The subject of the inspection was how Byondis has implemented the energy regulation associated with our environmental permit
  - GMO audit by ILT (Inspection of Living Environment and Transport)
- Environmental permits granted:
  - Realization of a possible new research building
  - Adjustment of the entrance of the Byondis Campus
  - Replacement of existing route billboards
- A sustainability quick scan was performed
- A re-measurement of the 2021 Periodical Medical Review (PMO) among Byondis staff, where we outperformed the benchmark
- 75 EHS incidents/unsafe situations/near misses reported, with one work-related lost-time incident reported so far
- Based on the mandatory "Nearly Zero-Energy Buildings report" (NZEB), we received an A++++ energy label for the new Porter's Lodge building

Giving back –
Beyond the laboratory

Byondis' passion for improving lives goes beyond the laboratory. Each year, the company contributes to worthy causes with gifts of time, talents, and financial and other resources. Because we believe in the benefits of shared knowledge, we particularly support educational initiatives, such as those that inspire future scientists. We also organize and support local programs that help improve health in the communities in which we operate, live and work.

9th Annual Byondis Molecular Sciences Scholarship at Radboud University (RU), Nijmegen. The Byondis Molecular Sciences Scholarship is granted yearly to an outstanding first-year student who wants to follow the Chemistry, Molecular Life Sciences or Science bachelor's degree program at Radboud University. Floor Hoekstra is this year's winner. Over the course of three years, Floor will have a Byondis mentor and access to our labs, offices and employees through in-person visits, meetings and events. Past winners have been grateful, not only for the monetary award they received, but for the chance to see and hear about real careers and experiences from Byondis scientists.

Girlsday. In April, Byondis opened its doors to the annual Girlsday initiative. The program introduces girls between the ages of 10 and 15 to scientific companies, female scientists, and potential careers in STEM (Science, Technology, Engineering & Mathematics).

© IMC Weekendschool – Photographer: Joni Reiche

IMC Weekendschool Nijmegen. At the IMC Weekend School each Sunday, students aged 10-14 interact with professionals who provide an inside look into their careers, both in and out of the classroom. Byondis volunteers created and participated in a special pharmaceutical series for students in Nijmegen. The endeavor ended with a campus visit.

Radboud Oncology Fund. To commemorate the opening of the Byondis campus and the company's 10-year anniversary, Byondis renewed its sponsorship of the Radboud Oncology Fund, which raises money for cancer research at Radboud University Medical Center in Nijmegen.

Swim to Fight Cancer. Swim to Fight Cancer, a unique recreational swim of approximately 2,000 meters through natural open water, benefits the Fight Cancer Foundation. A team of Byondis colleagues participated in the September 11 event.

Run for KiKa Marathon. Byondis supported a runner who participated in the New York Marathon to raise money for the Dutch Children's Cancer charity, KiKa.

Groesbeek's Most Gruesome. Ten Byondis employees participated in the 2022 edition of this annual mountain bike tour of 50, 75 or 100 kilometers to support ROAd4energy, which raises funds to combat energy metabolism disease.

Vlinderkind Foundation. Raises money for Epidermolysis Bullosa, a hereditary, serious and as yet incurable skin disorder.

Dutch Game Marathon. A Byondis colleague organized and participated in this multi-day event where non-stop video games are played live to raise money for Pink Ribbon, a charity supporting breast cancer.

Help for Ukraine. Byondis colleagues joined a Ukrainian team member in gathering three truckloads of supplies that were shipped to Ukraine.

This year's Christmas donation went to:

Stichting Overleven met Alvleesklierkanker. The Foundation for Surviving with Pancreatic Cancer (together with the "Support Casper" campaign) supports new treatments for pancreatic cancer that enable longer survival rates and improved quality of life.

Stichting Haarwensen. Provides free wigs made of real hair for children who have suffered hair loss due to illness, helping to re-instill a sense of normalcy and self-confidence.

Stichting Tutu. Helps incurably ill parents make tangible and lasting memories with and for their children.

"Working at Byondis means working at a company with purpose and passion."

–

Corina Ramers-Verhoeven, Vice President, Corporate Communications

A celebratory year

SYD985 milestones. A growing pipeline. A new and improved campus. As if our 10th anniversary wasn't enough cause for celebration!

And celebrate we did. We gathered together for a 10-year anniversary Byondis weekend in spring and another festive gathering in early autumn, embodying what our Founder and Chairman Jacques Lemmens hoped for: "a beautiful company, with beautiful products and a good life for our employees."

We owe a debt of gratitude to our dedicated employees, partners and collaborators, who persevered despite challenging tasks and difficult deadlines, fluctuating environments and changing scenarios. We look back with pride in our past accomplishments and look forward to the future with optimism, enthusiasm and unbridled energy.

Most of all, we wish to acknowledge and thank the patients – and their families, friends and caregivers – who inspire us and make our research and innovations possible.

"Our success and team spirit depends on the quality, dedication and personality of our people."

–

Jacques Lemmens, Founder and Chairman of the Board

Moving forward, together

At Byondis, we never take for granted why we are here, or how we got here. To the patients we endeavor to help, we promise to continue to go beyond, employing the latest insights in tumor biology and immunology to create disease-modifying innovations that make a difference in their lives.

We wish to thank all those who went above and beyond this year, in spite of the global pandemic that continues to affect everyone's lives, especially our dedicated employees, partners and collaborators. Most of all, we owe a debt of gratitude to the patients – and their families, friends and caregivers – who make our research possible.

Financial review, risk management and outlook 2023

Financial highlights

Our Group financial review discusses the financial highlights of the year 2022 including revenue, operating expenses and cash flows. We primarily compare the results for the year 2022 with the results of the preceding year.

Revenue
Revenues totaled EUR 33 million in 2022 (2021: EUR 5 million). These revenues include the income from licenses and services. In 2022 a major part of the licensing income came from an out-licensing contract signed with the company medac GmbH in 2022 for the European marketing rights for the product SYD985.

Operating expenses
Operating expenses – encompassing research and development expenses, marketing and sales expenses and general and administrative expenses – reached EUR 66 million in 2022 (2021: EUR 80 million). Research and development play a key role in our strategy and we continued our substantial investments in this area. R&D expenses amounted to EUR 56 million in 2022 (EUR 70 million in 2021). The main reason for the difference in the level of R&D expenses is a reversal of net realisable value write-down related to raw and auxiliary materials in 2022. This reversal has been credited to research and development expenses. General and administrative expenses reached EUR 9 million in 2022 (2021: EUR 9 million).

EBITDA
The EBITDA of 2022 was negative EUR 35.6 million (2021: Negative EUR 70.1 million adjusted for net profit from discontinued operations). EBITDA is defined as operating profit/(loss) adjusted for depreciation and amortisation. The difference in the level of the previous year has been mainly caused by the difference in the level of revenues.

Cash flow
Net cash used in operating activities is EUR 42.8 million in 2022 (2021: EUR 75.7 million). The difference between 2022 and 2021 was mainly driven by the lower loss from continuing operations and the movement in working capital. In 2022 there was a capital contribution of EUR 85 million by the company's shareholders (2021: EUR 80 million). The company's net cash position increased from EUR 51 million to EUR 83 million at the end of the year. As at 31 December 2022, the solvency ratio was 94.0% (31 December 2021: 90.3%). As at 31 December 2022, the liquidity ratio was 5.88 (31 December 2021: 2.87).

Risk management

In order to manage the main risks faced by Arcory and to offer reasonable assurance that the Company's targets can be realized, that the financial information is reliable and that applicable laws and regulations are observed, management has the responsibility to develop, implement and operate adequate risk management and internal control systems.

Based on internal evaluations and discussions with external parties, these systems are reviewed, updated and optimized as an ongoing process within the Company. As part of the risk management and control system, several procedures have been put in place, including a whistle-blower's procedure. In 2022 no major failings in the internal risk management and control systems were discovered. It should be noted that our systems cannot provide absolute assurance as to the realization of the Company's targets or that they can prevent all misstatements, errors and noncompliances with legislation, rules and regulations.

The Executive Committee of the Company and departmental managers analyze in a continuous process the potential risks, evaluating (financial) impact and likelihood, and determining appropriate measures to minimize these risks. Developments are reviewed regularly, to set targets/milestones and to evaluate the realization of these milestones. The financial position of the Company is also reviewed and budgets/ forecasts are prepared, which are followed up and regularly adjusted to changing prospects. The risk management and internal control system with regard to the financial reporting process is designed to provide reasonable assurance that the books and records properly reflect transactions necessary to permit preparation of financial statements, that the financial reporting is consistent and in compliance with legal regulations and generally accepted accounting principles and that published financial data do not contain any material misstatements. The system also provides reasonable assurance that receipts and expenditures of the Company are only made by persons authorized to do so and that assets are safeguarded. As part of this system, various internal rules and regulations have been set, including standard operating procedures, the dual-control principle, spot checks and signatory rules.

Arcory is exposed to various risks. Our risk appetite is different for the various risk categories we are exposed to. Strategic risks and opportunities, like innovation, patent protection, developments with regard to the pharmaceutical market and competition, may affect our strategic ambitions. Arcory is prepared to take moderate to high strategic risks to achieve its strategic ambitions, creating a right balance between risk and long-term reward. Operational risks include adverse unexpected developments resulting from internal processes, people and systems (for example, relating to clinical studies, project-management, production processes), or from external events which are linked to the actual

operation of the business. Arcory aims to minimize these risks, only accepting a low level, to ensure that quality standards are unaffected. Compliance risks relate to unanticipated failures to comply with applicable laws and regulations. Arcory aims to minimize these risks. The aim is to be fully compliant with these laws and regulations. The financial risks relate to treasury, tax and accounting and reporting. Arcory is also prudent with respect to these financial risks and aims for full compliance with financial reporting rules and regulations. Twice a year, and more often if necessary, potential risks including fraud risks are discussed within the Management Board. The objective of this self-assessment is to gain a deeper understanding into the (fraud) risks and the effectiveness of mitigating controls. Furthermore, the assessment increases the awareness on possible (fraud) risks. Finally, if needed, updates are made to a.o. the code of conduct and whistle-blower policy.

Outlook 2023

We expect to further invest in our innovative pipeline in 2023, increasing our R&D expenses. With regard to BYON3521, currently in the clinical Phase I stage, we aim to progress it further in its clinical development. Furthermore, we plan to initiate First-in-Human (FiH) studies for BYON4228 and BYON4413 in 2023. We also plan to progress our preclinical lead optimization programs/ platforms and to further extend the preclinical R&D pipeline. If required, the Company will expand its research & development capabilities. The Company believes that the required additional staff can be recruited. As Arcory seeks to advance and expand its product pipeline, it will incur additional cost. We expect an operational loss and a net cash outflow in 2023. On the basis of the current plans, the Company`s cash and cash equivalents currently available are sufficient to meet the Company`s working capital requirements for at the least the next twelve months. If needed, the Company believes that additional funds can be raised, either by means of equity financing, non-dilutive financing or strategic transactions.

Nijmegen, The Netherlands
28 February 2023

Original has been signed by the Management Board

Jacques Lemmens Huub Sanders

Contents of the consolidated financial statements

These financial statements are consolidated financial statements for the Group consisting of Arcory B.V. and its subsidiaries. A list of subsidiaries is included in note 16. The notes on pages 62 to 103 are an integral part of these consolidated financial statements.

The financial statements are presented in euro (EUR).

Arcory B.V. is a limited company, incorporated and domiciled in the Netherlands. Its registered office and principal place of business is:

Arcory B.V.
Microweg 22
6545 CM Nijmegen, The Netherlands

The financial statements were approved by the Management Board and authorized for issue on 28 February 2023.

Consolidated statement of comprehensive income or loss

Consolidated statement of comprehensive income or loss
(EUR in thousands, except share and per share data)

For the year ended 31 December	Notes	2022	2021*
Revenue from contracts with customers	6	32,018	4,257
Cost of sales of goods		(8,062)	(381)
Gross profit		**23,956**	**3,876**
Research and development expenses		(56,340)	(70,166)
Marketing and sales expenses		(278)	(260)
General and administrative expenses		(9,284)	(9,278)
Other income	7	616	500
Operating profit / (loss)	9	**(41,330)**	**(75,328)**
Financial income	10	193	-
Financial expenses	10	(101)	(282)
Profit / (loss) before income tax		**(41,238)**	**(75,610)**
Income tax benefit	11	10,610	21,314
Profit / (loss) for the period (from continuing operations)		**(30,628)**	**(54,296)**
Discontinued operations			
Profit / (loss) after tax from discontinued operations	8	-	68,131
Profit / (loss) for the period		**(30,628)**	**13,835**
Other comprehensive income / (loss)		-	-
Total comprehensive income / (loss)		**(30,628)**	**13,835**
Profit / (loss) for the period is attributable to:			
Shareholders of the Company		**(30,628)**	**13,835**
Profit / (loss) per share attributable to the equity holders of the Company during the year			
Basic and diluted profit / (loss) per share from continuing operations		(166)	(294)
Basic and diluted profit / (loss) per share from discontinuing operations		-	369
		(166)	**75**
Total comprehensive income / (loss) for the period is attributable to:			
Shareholders of the Company		**(30,628)**	**13,835**

(*) The consolidated statement of comprehensive income or loss of 2021 has been restated, refer to note 2 and 7.
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

Consolidated statement of financial position in thousands of EUR, before appropriation of result
As at 31 December

	Notes	2022	2021*
Assets			
Non-current assets			
Property, plant and equipment	12	73,004	70,646
Right-of-use assets	13	83	134
Goodwill	14	13,596	13,596
Intangible assets	15	7,542	7,263
Deferred tax assets	11	88,802	78,192
Non-current receivables	17	2,017	1,638
Total non-current assets		**185,044**	**171,469**
Current assets			
Inventories	18	7,564	1,144
Trade receivables	17	700	4,327
Current receivables	17	9,259	9,809
Cash and cash equivalents	19	83,433	50,757
Total current assets		**100,956**	**66,037**
Total assets		**286,000**	**237,506**

(*) The balance sheet of 2021 has been restated, refer to note 2 and 12.

Consolidated statement of financial position

Consolidated statement of financial position in thousands of EUR, before appropriation of result
As at 31 December

	Notes	2022	2021
Equity			
Share capital and share premium		266,131	181,178
Treasury shares		-	(100,401)
Retained earnings		33,296	119,815
Profit / (loss) for the period		(30,628)	13,835
Total equity	20	**268,799**	**214,427**
Liabilities			
Non-current liabilities			
Lease liabilities	13	28	81
Total non-current liabilities		**28**	**81**
Current liabilities			
Trade payables	21	5,088	7,429
Current payables	21	12,029	15,515
Lease liabilities	13	56	54
Total current liabilities		**17,173**	**22,998**
Total liabilities		**17,201**	**23,079**
Total equity and liabilities		**286,000**	**237,506**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Consolidated statement of changes in equity in thousands of EUR
2021 and 2022

	Share capital	Share premium	Treasury shares	Retained earnings	Total
Balance at 1 January 2021	**139**	**99,170**	**(100,401)**	**192,101**	**191,009**
Profit / (loss) for the period	-	-	-	13,835	**13,835**
Other comprehensive income / (loss)	-	-	-	-	**-**
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**13,835**	**13,835**
Capital contribution by the Company's shareholders	-	81,869	-	-	**81,869**
Dividends to Company's shareholders	-	-	-	(72,286)	**(72,286)**
Balance at 31 December 2021	**139**	**181,039**	**(100,401)**	**133,650**	**214,427**
Balance at 1 January 2022	**139**	**181,039**	**(100,401)**	**133,650**	**214,427**
Profit / (loss) for the period	-	-	-	(30,628)	**(30,628)**
Other comprehensive income / (loss)	-	-	-	-	**-**
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(30,628)**	**(30,628)**
Capital contribution by the Company's shareholders	-	85,000	-	-	**85,000**
Cancellation of shares	(47)	-	100,401	(100,354)	**-**
Balance at 31 December 2022	**92**	**266,039**	**-**	**2,668**	**268,799**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Consolidated statement of cash flows in thousands of EUR
For the year ended 31 December

	2022	2021
Cash flows from operating activities		
Profit / (loss) for the period from continuing operations	(30,628)	(54,296)
Profit / (loss) for the period from discontinued operations	-	68,131
Total profit / (loss) for the period	**(30,628)**	**13,835**
Adjustments for:		
Income tax expense / (benefit)	(10,610)	(21,314)
Financial expenses	101	281
Financial income	(193)	-
Non-cash capital contribution from Company's shareholders	-	1,869
Non-cash dividend distribution to Company's shareholders	-	(70,000)
Net gain on sale of non-current assets	33	33
Depreciation and amortization	5,682	5,249
Change in operating assets and liabilities:		
Decrease / (increase) in trade and other operating receivables	3,798	(6,811)
Decrease / (increase) in inventories	(6,420)	(1,144)
Increase / (decrease) in trade payables	(1,152)	(516)
Increase / (decrease) in contract and refund liabilities	(4,185)	5,521
Increase / (decrease) in other operating liabilities	880	(2,472)
Interest paid	(145)	(207)
Net cash (used in) / generated by operating activities	**(42,839)**	**(75,676)**

Consolidated statement of cash flows

Consolidated statement of cash flows in thousands of EUR
For the year ended 31 December

	2022	2021
Cash flows from investing activities		
Payments for intangible assets	(679)	(710)
Payments for property, plant and equipment	(8,793)	(9,530)
Proceeds from sale of property, plant and equipment	(13)	14
Net cash (used in) / generated by investing activities	**(9,485)**	**(10,226)**
Cash flows from financing activities		
Dividends paid to Company's shareholders	-	(2,286)
Proceeds from capital contribution	85,000	80,000
Net cash (used in) / generated by financing activities	**85,000**	**77,714**
Net increase / (decrease) in cash and cash equivalents	**32,676**	**(8,188)**
Cash and cash equivalents at the beginning of the year	50,757	58,945
Cash and cash equivalents at the end of the year	**83,433**	**50,757**

The accompanying notes are an integral part of these consolidated financial statements.

Contents of the notes to the consolidated financial statements

Notes to the consolidated financial statements

1 General information

Arcory B.V. (the “Company” or “Arcory”) is a private company with limited liability incorporated in the Netherlands. Tigre B.V. holds more than 75% of the ordinary shares in Arcory and Jacques Lemmens, PhD, its founder, is the ultimate beneficial owner of Arcory. The address of its registered office and principal place of business is Microweg 22, 6545 CM in Nijmegen, the Netherlands. The Chamber of Commerce number is 10144473.

Arcory and its subsidiaries (the "Group"), as a clinical stage biopharmaceutical company, are mainly active in the field of research and development and production of innovative medicines. Our principal technologies comprise monoclonal antibody (mAb) technology, as well as antibody-drug conjugate (ADC) technology, including a unique linker-drug platform to generate novel ADC candidates.

2 Summary of significant accounting policies

This note provides a list of the relevant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Disclosure of an error
We erroneously classified certain properties as investment property instead of property, plant and equipment in 2021. We therefore restated the 2021 figures and reclassified the investment properties to property, plant and equipment since they are held for future use as owner-occupied properties. The total amount of investment properties reclassified to property, plant and equipment was € 14 million in 2021. Futhermore, we restated lease income as part of revenue from contracts with customers to other income. These restatements don’t have any impact on the profit/(loss) for the period, total comprehensive income/(loss) and the consolidated statement of changes in equity. We didn’t include a third balance sheet since the retrospective reclassification does not have an effect on the information in the statement of financial position at the beginning of the preceding period.

Change to enhance comparability
To enhance comparability between 2022 and 2021, certain financial information included in the comparative information has been restated. The revenue and cost of goods from contract manufacturing for 2021 have been restated for clarity and comparability in the consolidated statement of comprehensive income and loss. The effects thereof are concluded to be immaterial. The financial statements are for the Group consisting of Arcory B.V. and its subsidiaries.

2.1 Basis of preparation

2.1.1 Compliance with IFRS
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as endorsed by the European Union and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, as far as applicable.

2.1.2 Historical cost convention
The consolidated financial statements have been prepared on a historical cost basis unless stated otherwise.

2.1.3 Segment reporting
Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated on a reasonable basis to a segment. Operating segments are identified based on whether the allocation of resources and/or the assessment of performance of a particular component of the Group’s activities are regularly reviewed as a separate operating segment by the Group’s Chief Operating Decision Maker (“CODM”). By these criteria, the activities of the Group are considered to be one segment. The Management Board is identified as the CODM and reviews the consolidated operating results regularly to make decisions about resources and to assess overall performance.

Notes to the consolidated financial statements

2.1.4 New and amended standards adopted by the Group
The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Annual Improvements to IFRS Standards 2018-2020, and;
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2.1.5 New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- The size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Subsidiaries are fully consolidated from the date on which the Company obtains control over the subsidiary. They are deconsolidated from the date that control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income, from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company, as well as total comprehensive income of subsidiaries.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Equity method
Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, →

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including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred (legal or constructive) obligations or made payments on behalf of this entity.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity method investments is tested for impairment in accordance with the policy described in note 2.16.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

2.3 Foreign currency translation

2.3.1 Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euro (EUR), which is the Group's presentation currency and the functional currency of each of the Group's entities.

2.3.2 Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in profit or loss in the period in which they arise. Foreign exchange gains and losses are presented in the statement of profit or loss, within financial income and expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2.4 Revenue recognition
Revenue is recognized when the Group satisfies a performance obligation by transferring an asset (e.g., a promised good or service) to a customer. Revenue is measured as the amount of the transaction price that is allocated to that performance obligation. The amount of revenue is reduced for discounts, commissions and value-added taxes. The general payment term of revenue from contracts with customers is 30 days. Revenue from contracts with customers derives mainly from granting licenses, contract manufacturing, services and royalties and profit sharing.

2.4.1 Revenue from contract manufacturing
The Group manufactures antibody-drug conjugates (ADCs) for licensing partner(s).
Revenue is recognized when the customer obtains control of the products meaning, when the products are delivered to the customer. At that time:

- The Group has transferred physical possession of the products to the customer;
- The Group has a present right to payment for the products;
- The customer has legal title to and the significant risks and rewards of ownership of the products, indicating that the customer has obtained the ability to direct the use of and obtain the benefits from the products;
- There is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from contract manufacturing is recognized based on the price specified in the sales contract. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a regular – consistent with market practice – credit term that is less than one year.

A receivable is recognized when the products are transferred and hence, the performance obligation has been satisfied. This is the point in time that the consideration is unconditional, because only passage of time is required before the payment is due.

2.4.2 Revenue from granting licenses
The Group develops pharmaceutical specialties (e.g., drug formulas, compounds, products) at its own risk and out-licenses these specialties to customers that are interested in obtaining marketing authorizations to commercialize, manufacture, sell and distribute the product. The Group enters into a license contract with customers and grants customers a license to use the Group's intellectual property (IP) including the Group's patents, as it exists at the point in time the license is granted, to use the licensed product in the agreed-upon territory for the agreed-upon term. The Group considers whether the promise to grant a license is the only performance obligation and, if not, whether it is distinct from the other performance obligations included in the license contract. If distinct or if the promise to grant a license is the only performance obligation, revenue is recognized at a point in time when control transfers to the customer and the license period begins, typically when the Group enters into the contract with the customer and the IP is ready for customer use. If not distinct, revenue is recognized as the Group satisfies the combined performance obligation. This applies to license contracts where the Group also promises to prepare a registration dossier and to assist the customer in obtaining a marketing authorization. Revenue from these licenses is recognized at a point in time when control transfers to the licensee, which is at the moment the marketing authorization is obtained, as only then is the customer able to use and benefit from the license.

Revenue is recognized for the amount of the transaction price that is allocated to that performance obligation, based on the stand-alone selling price. The method used for estimating the stand-alone selling price is the residual approach. The transaction price can consist of upfront payments (e.g., to obtain the license), milestone payments for specific development-based outcomes (e.g., regulatory approval), per-hour payments and sales-based milestones. When determining the transaction price, the Group considers the effects of (constraining estimates of) variable consideration related to the development-based outcomes. The Group estimates an amount of variable consideration by using the most likely amount, as these development-based outcomes typically have only two possible outcomes related to this variable consideration (i.e., the development-based outcome is achieved or not). Only to the extent that it is highly probable that a significant reversal in the amount of cumulative recognized revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved, the Group includes some or all of an amount of the variable consideration in the transaction price. If the timing of payments agreed to provides a significant benefit of financing, the Group adjusts the promised amount of consideration for the effects of the time value of money. The Group reassesses the transaction price at each reporting date. Customers are invoiced based on the agreed-upon payment schedule and consideration is payable when invoiced. In case the timing of invoicing differs from the timing of satisfying the performance obligation, the Group recognizes contract assets and liabilities (refer to note 2.4.6).

2.4.3 Revenue from services
The Group renders services to customers, for example, providing reference standards and customer support services. Revenue from rendering services is recognized in the accounting period in which the services are rendered. For services where the customer simultaneously receives and consumes the benefit, the Group satisfies the performance obligation over time and, therefore, recognizes revenue over time. Revenue is recognized in the amount that the Group has a right to invoice and consideration is payable when invoiced. For services where the Group satisfies the performance obligation at a point in time, revenue is recognized when the Group has delivered the asset and legal title has passed to the customer. Revenue is recognized in the amount that the Group has a right to invoice and consideration is payable when invoiced.

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2.4.4 Revenue from royalties and profit sharing
The Group recognizes revenue for sales-based royalty or profit sharing promised in exchange for a license of intellectual property and/or patents when the subsequent sale occurs. Revenue is recognized either on an accrual basis in accordance with the substance of the relevant agreement (provided that the amount of revenue can be measured reliably) or on receipt of the payment by the customer.

2.4.5 Contract assets and liabilities
Contract assets relate to the Group's rights to a consideration for goods or services transferred but not invoiced at the reporting date. The contract assets are transferred to the receivables when invoiced and the rights become unconditional. Contract liabilities relate to advance payments (the right to an amount of consideration that is unconditional, before the Group has transferred the goods or services to the customer) or to expected price adjustments that either may be payable to customers or recognized as revenue adjustment.

2.5 Cost of sales of goods
Our cost of sales of goods includes direct materials and labor costs but also indirect costs that can be directly attributed to generating revenue, e.g. depreciation of assets used in the production.

2.6 Other income
Some properties of the Group, which are classified as property, plant and equipment, are leased to tenants under operating leases with rentals payable quarterly. Lease income from operating leases where the Group is a lessor is recognized as income on a straight-line basis over the lease term. Lease payments include CPI increases, but there are no other variable lease payments that depend on an index or rate.

2.7 Government grants
Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants are offset against the expenses in the profit or loss on a systematic basis over the periods in which the Group recognizes the expenses. Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Group with no future related costs, are recognized in profit or loss in the period in which they become receivable.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense. Grants related to non-depreciable assets may also require the fulfillment of certain obligations and will then be recognized in profit or loss over the periods that bear the cost of meeting the obligations.

2.8 Income tax
The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2.8.1 Current income tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Taxable income differs from "profit before tax" as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.
A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of management and in certain cases, where considered appropriate, on specialist independent tax advice.

Notes to the consolidated financial statements

2.8.2 Deferred income tax
Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities used in the computation of taxable profit and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and recoverable losses. Deferred tax assets are generally recognized for all deductible temporary differences and losses to the extent that it is probable that taxable profits will be available, against which those deductible temporary differences and losses can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2.8.3 Offset
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.8.4 Investment allowances and similar tax incentives
Companies within the Group are entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g., the research and development incentives). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognized for unclaimed tax credits that are carried forward as deferred tax assets, unless it is not probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2.9 Leases
The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

2.9.1 Measurement of the right-of-use asset
At the commencement date, the right-of-use asset is measured at cost and comprises:

- The amount of the initial measurement of the lease liability, to which is added, if applicable, any lease payments made at or before the commencement date, less any lease incentives received;
- Where relevant, any initial direct costs incurred by the lessee for the conclusion of the contract. These are incremental costs that would not have been incurred if the contract had not been concluded; and
- Estimated costs for restoration and dismantling of the leased asset according to the terms of the contract.

Following the initial recognition, the right-of-use asset must be depreciated over the useful life of the underlying asset.

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2.9.2 Measurement of the lease liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The interest cost for the period as well as variable payments, not taken into account in the initial measurement of the lease liability and incurred over the relevant period, are recognized as costs. In addition, the lease liability may be remeasured in the following situations:

- Change in the lease term;
- Modification related to the assessment of the reasonably certain nature (or not) of the exercise of an option;
- Remeasurement linked to the residual value guarantees;
- Adjustment to the rates and indices according to which the rents are calculated when rent adjustments occur.

2.10 Property, plant and equipment
Property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Property, plant and equipment of a similar nature and use in an entity's operations are grouped together. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is accounted for as a separate component and shall be depreciated separately. Assets under construction are carried at costs incurred up to the reporting date. Items of property, plant and equipment are capitalized and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to allocate its cost, net of its residual values, over its estimated useful life. The depreciation charge for each period is recognized in profit or loss. The depreciation method is applied, and the assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. Depreciation of the asset ceases on the date the asset is held for sale or the date it is derecognized, whichever comes first.

Based on the estimated useful lives of the underlying assets, the following depreciation periods apply:

• Land	Infinite
• Buildings	25 – 50 years
• Leasehold improvements	5 – 10 years
• Machinery and equipment	3 – 10 years
• Other tangible fixed assets	3 – 10 years

An asset's carrying amount is impaired immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note 2.16).

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and shall be included in profit or loss when the item is derecognized.

2.11 Goodwill
Goodwill on acquisitions of subsidiaries is not amortized but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at fair value as established by valuation at the acquisition date less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the subsidiary level. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit (refer to note 2.16).

Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.12 Intangible assets

2.12.1 Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization begins when the asset is available for use and is recognized on a straight-line basis over the estimated useful life. Amortization shall cease the date that the asset is classified as held for sale or the date that the asset is derecognized, whichever comes first.

The estimated useful life and amortization method are reviewed at minimum at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2.12.2 Internally generated intangible assets
Expenditure on research activities is recognized as an expense in the period in which it is incurred.
An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to reliably measure the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria, and comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. It includes employee costs and an →

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appropriate portion of relevant overheads. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2.12.3 Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Acquired in-process R&D
Capitalization of in-process R&D (IPR&D) in business combinations occurs even if uncertainties continue to exist as to whether the R&D projects will ultimately be successful in producing a commercial product. Estimating the fair value assigned to each class of acquired assets, and assume liabilities, is based on expectations and assumptions that have been deemed reasonable by management.

2.12.4 Derecognition of intangible assets
An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and shall be recognized in profit or loss when the asset is derecognized.

2.13 Inventories
Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase comprise the purchase price, import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The costs of conversion include costs directly related to the units of production (such as direct labor) and an appropriate proportion of variable and fixed overhead expenditure (the latter being allocated on the basis of normal operating capacity) that are incurred in converting materials into finished goods.

Costs of inventories are determined on a first-in, first-out basis. Net realizable value is the estimated selling price for inventories in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

2.14 Trade receivables
Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized at fair value. Subsequently, trade receivables are measured at amortized cost using the effective interest method, less loss allowance.

The Group recognizes lifetime expected credit losses (ECL) for trade receivables and contract assets. The ECL on these financial assets is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for

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factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecasted direction of conditions at the reporting date, including time value of money where appropriate. The credit risk on the majority of our trade receivables is considered immaterial due to the fact that the majority of our sales is business-to-business with reputable partners.

2.15 Cash and cash equivalents
For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

2.16 Impairment of non-current assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as the amount by which the asset's carrying amount exceeds its recoverable amount and is recognized immediately in profit or loss. The recoverable amount is the greater of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment loss are reviewed for possible reversal of the impairment at the end of each reporting period. When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no prior impairment loss been recognized for the asset. A reversal of an impairment loss is recognized immediately in profit or loss.

2.17 Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. Due to the short-term nature of the trade and other payables, their carrying amount is assumed to be the same as their fair value.

2.18 Employee benefits

2.18.1 Short-term obligations
Liabilities for wages and salaries and accumulating annual leave and sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current personnel related accruals in the consolidated statement of financial position.

Profit-sharing and bonus plans
The Group recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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2.18.2 Post-employment obligations
The Group operates a defined contribution pension plan. For the defined contribution plan, the Group pays contribution to pension insurance plans on a contractual basis. The Group has no further payment obligations once the contribution have been paid. Payments to defined contribution pension plans are recognized as employee benefit expense when employees have rendered service entitling them to the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.18.3 Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring and involves the payment of terminations benefits.

2.19 Financial instruments
Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, respectively on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss (FVTPL) are recognized immediately in profit or loss.

2.19.1 Financial assets
The Group classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- Those to be measured at amortized cost.

Throughout the year, and per year-end, the company held only financial assets which are measured at amortized cost. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

2.19.2 Financial liabilities and equity instruments
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'financial liabilities measured at amortized cost'. Financial liabilities measured at amortized cost (including borrowings and trade and other payables) are measured at amortized cost using the effective interest method.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Notes to the consolidated financial statements

2.20 Dividends

2.20.1 Dividend distribution
A provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not yet distributed before the end of the reporting period.

3 Financial risk management

The Group's risk management is carried out under policies approved by Group management. Financial risks are identified, evaluated and if necessary, hedged. Group management provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. When appropriate, the Group may use derivative financial instruments to hedge certain risk exposures.

The Group does not hold any financial assets or financial liabilities other than those measured at amortized cost. Management assessed that the carrying values of the Group's financial assets and financial liabilities measured at amortized cost are a reasonable approximation of their fair values.

The Group's activities expose it to a variety of financial risks including market risk (such as foreign exchange risk and interest rate risk), credit risk and liquidity risk. These risks are not exceptional or different in nature from those that are customary in the industry.

3.1 Derivatives
Derivatives are only used for economic hedging purposes and not as speculative investments, nor are they held for trading. During the periods included in the consolidated financial statements, the Group did not enter into any derivative financial instruments.

3.2 Market risk

3.2.1 Foreign exchange risk
The significant activities of the Group take place in the Netherlands and transactions are primarily denominated in euros. Therefore, the Group is not exposed to significant foreign exchange rate risk.

3.3 Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk of counterparties with outstanding payment obligations creates exposures for the Group, particularly in relation to trade receivables with customers and liquid assets like cash and cash equivalents and deposits with banks. A default by counterparties in such transactions can have a material adverse effect on the Group's financial condition and operating results.

Group policy is designed to mitigate these credit risks through the use of various instruments if required, including retaining ownership until payment has been received, prepayments, the use of bank guarantees or insurance.

The Group has no significant customer credit risks on trade receivables (other than those that have already been provided for) or any significant concentration of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions (refer to note 17).

The Group limits the associated credit risk as a result of the Group's policy to work only with respectable banks and financial institutions. The Group's maximum exposure to credit risk for the components of the statements of financial position on 31 December 2022 and 2021 are the carrying amounts of trade receivables and cash and cash equivalents. There are no financial assets past due date or impaired.

3.4 Liquidity risk
Liquidity risk is the risk that the Group might encounter difficulties in meeting the obligations associated with its →

Notes to the consolidated financial statements

financial liabilities, which are normally settled by delivering cash. The Group's prudent liquidity risk management approach implies maintaining sufficient cash under normal circumstances without incurring unacceptable losses or risking damage to the Group's reputation.

Partly to manage liquidity risks, subsidiaries prepare detailed cash flow projections for the reporting year, which are analyzed by the finance department and management. The analysis of the liquidity risk takes into account the amount of cash and cash equivalents, credit facilities and the usual fluctuations in the Group's working capital requirements. This provides the Group with sufficient opportunities to use its available liquidities as flexibly as possible, and to indicate any shortfalls in a timely manner. The Company shows a healthy current liquidity for the foreseeable future. The Management Board performs regular analysis to determine any impact on working capital.

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern.

3.4.1 Sources of liquidity
The Group had access to cash and cash equivalents (including bank overdraft) of € 83.4 million at 31 December 2022 (2021: € 50.7 million).

As at 31 December 2022 and 2021, cash and cash equivalents are at free disposal to the Group.

4 Capital management

The Group's objectives when managing capital are to:

- Safeguard its ability to continue as a going concern, in order to continue providing returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and sell assets to reduce debt or increase new borrowing.

The Group aims for a financing structure that ensures continuing operations and minimizes cost of debt. As usual within the industry, the Group monitors its financing structure using a solvency and liquidity ratio, among other factors.

Solvency is calculated as Group equity divided by total assets. As at 31 December 2022, the solvency ratio was 94.0% (2021: 90.3%). Liquidity is calculated as current assets divided by current liabilities. As at 31 December 2022, the liquidity ratio was 5.88 (2021: 2.87).

Notes to the consolidated financial statements

5 Critical accounting judgment and key sources of estimation uncertainties

The application of the Group's accounting policies and the preparation of the consolidated financial statements require the use of accounting estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and equity in the consolidated financial statements and the accompanying disclosures. The estimates and associated assumptions are based on historical experience, current and expected future conditions, third-party evaluations and other factors that are considered to be relevant.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are reflected in the assumptions when they occur and are recognized prospectively.

5.1 Estimated impairment

5.1.1 Estimated impairment of goodwill
Goodwill is tested annually for impairment in accordance with the accounting policies stated in note 2.11 and 2.16. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are determined using discounted cash flow projections and require estimates in connection with the future development of revenues, profit before tax margins and the determination of appropriate discount rates. An impairment may arise in the event that the actual future cash flows are less than expected.

Management has performed a sensitivity analysis on each of these estimates and assumptions and concluded that any reasonable likely change in these assumptions would not have caused the value-in-use to be below its carrying amount.

5.1.2 In-process R&D
Capitalization of in-process R&D (IPR&D) in business combinations occurs even if uncertainties continue to exist as to whether the R&D projects will ultimately be successful in producing a commercial product. Estimating the fair value is based on expectations and assumptions that have been deemed reasonable by management. Any reasonable likely change in these assumptions would not have caused the value of the asset to get below its carrying amount.

5.2 Judgment on revenue recognition
Group management has made judgment and estimations with respect to revenue recognition, based on analyses of existing contracts, management's experience, market behavior and historical trends. Judgment and estimations are mainly made on timing when performance obligations will be satisfied and on constraints on variable consideration. Different-than-expected outcomes may result in a significant impact on revenue and contract assets and liabilities in the consolidated financial statements of future periods.

5.3 Contingencies and litigation
Our competitors, including branded pharmaceutical companies or other third parties, may allege that we are infringing their intellectual property, forcing us to expend substantial resources in resulting litigation. Litigation is inherently unpredictable. Any unfavorable outcome of such litigation could have a material adverse effect on our business, financial position and result of operations.

5.4 Deferred tax asset
Deferred tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Estimates are an inherent part of this process and they may differ from the actual future outcome. The losses can be carried forward indefinitely and have no expiry date.

Notes to the consolidated financial statements

6 Revenue from contracts with customers

6.1 Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following revenue types and geographical regions:

Disaggregation of revenue from contracts with customers in thousands of EUR
For the year ended 31 December

	2022	2021
Revenue from licenses	20,189	189
Revenue from royalties and profit sharing	294	481
Revenue from contract manufacturing	9,228	1,030
Revenue from services and other	2,307	2,557
Total revenue from contracts with customers	**32,018**	**4,257**

Revenue in thousands of EUR
For the year ended 31 December

	2022	2021
Europe	20,863	795
U.S. and Canada	11,155	3,462
Total revenue from contracts with customers	**32,018**	**4,257**

Revenues are allocated by region based on customer location.

Revenues of approximately € 20 million (2021: € nil) are derived from a single external customer. These revenues are attributed to licenses and attributed to Europe.

Revenues of approximately € 10.7 million (2021: € 2.4 million) are derived from a single external customer. These revenues are attributed to contract manufacturing for approximately € 9.2 million (2021: € 1 million) and services for approximately € 1.5 million (2021: € 1.4 million) attributed to the U.S. and Canada.

Notes to the consolidated financial statements

6.2 Assets and liabilities related to contracts with customers

6.2.1 Contract assets and liabilities

There were no contract assets in the years 2021 and 2022. The Group has recognized the following contract liabilities related to contracts with customers:

Assets and liabilities related to contracts with customers in thousands of EUR
As at 31 December

	2022	2021
Contract liabilities – Services	1,390	5,575
Total contract liabilities	**1,390**	**5,575**
Current contract liabilities	1,390	5,575
Non-current contract liabilities	-	-
Total contract liabilities	**1,390**	**5,575**

6.2.2 Details on contract liabilities

As per 31 December 2022 the Group has contract liabilities of € 1.4 million (2021: € 5.6 million) relating to received prepayments.

6.2.3 Revenue recognized in relation to contract liabilities

The contract liabilities of € 5.1 million as at 31 December 2021 have been recognized as revenue in 2022.

6.2.4 Unsatisfied performance obligations

The Management Board expects that all of the unsatisfied performance obligations as at 31 December 2022 will be recognized as revenue during the next reporting period.

Notes to the consolidated financial statements

7 Other income

Other income in thousands of EUR
2021 and 2022

	2022	2021
Rental income	616	500
Total other income	**616**	**500**

Some properties of the Group, which are classified as property, plant and equipment, are leased to tenants under operating leases with rentals payable quarterly. Lease income from operating leases where the Group is a lessor is recognized as income on a straight-line basis over the lease term. Lease payments include CPI increases, but there are no other variable lease payments that depend on an index or rate.

Minimum lease payments receivable on leases in thousands of EUR
2021 and 2022

	2022	2021
Within 1 year	706	600
Between 1 and 2 years	706	600
Between 2 and 3 years	706	600
Between 3 and 4 years	118	600
Between 4 and 5 years		100
Later than 5 years		
	2,236	**2,500**

8 Discontinued operations

In respect to the sale of the generics business in 2019, the Company held a conditional non-interest bearing receivable on the current owner. On June 30, 2021, the Group sold this receivable and its related obligation to a related party. The gain of € 68 million is presented in discontinued operations in 2021. Please refer to note 23 for the related party transactions.

Notes to the consolidated financial statements

9 Operating profit / (loss) by nature

Operating profit / (loss) by nature in thousands of EUR
For the year ended 31 December

	2022	2021
Revenue (refer to note 6)	32,018	4,257
Raw materials / consumables used	(2,812)	(381)
Depreciation and amortization expenses and impairment losses	(5,682)	(5,249)
Employee benefits expenses	(34,412)	(30,492)
Other employee expenses	(3,116)	(2,125)
Clinical studies and other external R&D expenses	(16,098)	(33,765)
Registration and marketing authorization expenses	(3,121)	-
Other marketing expenses	(428)	(538)
Litigation, consultancy and other external services	(3,315)	(5,258)
Maintenance expenses	(4,153)	(3,657)
Facility expenses	(1,988)	(1,819)
Tax credit for research and development (WBSO)	4,461	6,352
Other income	616	500
Other expenses	(3,300)	(3,153)
Operating profit / (loss)	**(41,330)**	**(75,328)**

9.1 Depreciation and amortization expenses and impairment losses

Depreciation, amortization and impairment in thousands of EUR
For the year ended 31 December

	2022	2021
Depreciation of property, plant and equipment	5,226	4,859
Depreciation of right-of-use assets	56	53
Amortization of intangible assets	400	337
Total depreciation, amortization and impairment	**5,682**	**5,249**

Notes to the consolidated financial statements

9.2 Employee benefits expenses

Employee benefits expenses in thousands of EUR
For the year ended 31 December

	2022	2021
Short-term benefits expenses	32,246	28,573
Post-employment benefits expenses	1,956	1,761
Termination benefits expenses	210	158
Total employee benefits expenses	**34,412**	**30,492**

Number of employees
The average number of personnel in full-time employment (FTEs) during the year is listed in the table below.

Average number of personnel (FTEs)
For the year ended 31 December

	2022	2021
Operations	66	62
Research & Development	207	194
Marketing & Sales	1	1
General & Administrative and other	84	78
Total average FTEs	**358**	**335**

There are no employees working outside the Netherlands.

Notes to the consolidated financial statements

10 Financial income and expenses

Financial income and expenses in thousands of EUR
For the year ended 31 December

	2022	2021
Financial income		
Currency exchange income	193	-
Financial income	**193**	**-**
Financial expenses		
Interest on bank balances	(92)	(204)
Bank charges and miscellaneous expenses	(9)	(10)
Net foreign exchange losses	-	(68)
Financial expenses	**(101)**	**(282)**
Financial income (expenses) - net	**92**	**(282)**

11 Taxes

This note provides an analysis of the Group's income tax, current and deferred tax assets and liabilities and a numerical reconciliation between the tax income and the accounting loss multiplied by the applicable tax rate.

11.1 Income tax recognized in profit or loss

Components of income taxes in thousands of EUR
For the year ended 31 December

	2022	2021
Current tax	10,543	18,789
Deferred tax	67	2,525
Income tax benefit recognized in profit or loss	**10,610**	**21,314**

Notes to the consolidated financial statements

Numerical reconciliation of income tax income and the accounting loss

Numerical reconciliation in thousands of EUR
For the year ended 31 December

	2022	2021
Profit / (loss) before income tax	(41,238)	(75,610)
Statutory tax rate of 25.8% (2021: 25%)	10,639	18,903
Effect of expenses that are not deductible in determining taxable profit	(29)	(26)
Effect of tax incentives and other allowances	-	1
Effect on deferred tax balances due to the change in income tax rate	-	2,424
Adjustments recognized in the current year in relation to the current tax of prior years	-	12
Income tax benefit recognized in profit or loss	**10,610**	**21,314**
Effective tax rate	25.7%	28.2%

The tax rate used for the 2022 and 2021 reconciliations above is payable by corporate entities in the Netherlands on taxable profits under tax law in that jurisdiction.

11.2 Current tax assets and liabilities
There were no current tax assets and liabilities in the years 2021 and 2022.

11.3 Deferred tax balances
The following is the analysis of deferred tax assets / (liabilities) presented in the consolidated statement of financial position:

Deferred tax balances in thousands of EUR
As at 31 December

	2022	2021
Deferred tax assets	90,976	80,441
Deferred tax liabilities	(2,174)	(2,249)
Deferred tax assets, net	**88,802**	**78,192**

Notes to the consolidated financial statements

As at 31 December 2022, the deferred tax asset relates to recognized tax loss carry forwards, of which nothing is expected to be realized within 1 year.

Previously, tax losses could be carried back 1 year and carried forward 6 years. Under the new tax legislation, which entered into force by 1 January 2022, tax losses can be carried forward indefinitely. However, the offset of losses will be limited in a given year against the first €1 million of taxable profit. For taxable profit in excess of this amount, losses may only be offset up to 50% of this excess.

In assessing the valuation of deferred tax assets, management considers whether it is more likely than not that these deferred tax assets will be realized. Management has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the business plans and budgets for the Group. The Group is expected to generate taxable income in the foreseeable future.

As at 31 December 2022, the deferred tax liability relates to property, plant and equipment, in-process R&D, contract assets and other temporary differences, of which € 0.1 million is expected to be paid within 1 year. Approximately € 1.8 million is expected to be paid after 5 years.

The changes in deferred tax assets and liabilities consist of the following elements:

Movement in deferred tax position in thousands of EUR
2021 and 2022

	2022	2021
Balance at 1 January	**78,192**	**56,878**
Consolidated statement of comprehensive income or loss	10,610	21,314
Balance at 31 December	**88,802**	**78,192**

Notes to the consolidated financial statements

The composition of total deferred tax assets and liabilities in the consolidated financial statements is as follows:

Deferred tax asset - composition of temporary differences in thousands of EUR
2021

	Opening balance	Recognized in profit or loss	Exchange differences	Closing balance
Net operating losses\interest carry forward	59,147	21,294	-	80,441
	59,147	**21,294**	**-**	**80,441**

Deferred tax liability - composition of temporary differences in thousands of EUR
2021

	Opening balance	Recognized in profit or loss	Exchange differences	Closing balance
Property, plant and equipment	(853)	66	-	(787)
In-process R&D	(1,416)	(46)	-	(1,462)
	(2,269)	**20**	**-**	**(2,249)**

Deferred tax asset - composition of temporary differences in thousands of EUR
2022

	Opening balance	Recognized in profit or loss	Exchange differences	Closing balance
Net operating losses\interest carry forward	80,441	10,535	-	90,976
	80,441	**10,535**	**-**	**90,976**

Notes to the consolidated financial statements

Reflected in statement of financial position as follows:

Deferred tax liability - composition of temporary differences in thousands of EUR
2022

	Opening balance	Recognized in profit or loss	Exchange differences	Closing balance
Property, plant and equipment	(787)	75	-	(712)
In-process R&D	(1,462)	-	-	(1,462)
	(2,249)	**75**	**-**	**(2,174)**

Deferred tax assets in thousands of EUR
As at 31 December

	2022	2021
Deferred tax assets	88,802	78,192
Deferred tax liabilities	-	-
Deferred tax assets, net	**88,802**	**78,192**

Notes to the consolidated financial statements

12 Property, plant and equipment

Property, plant and equipment in thousands of EUR
2021

	Land, buildings and leasehold improvements	Machinery and equipment	Other tangible fixed assets	Construction in progress	Total
Year ended 31 December 2021					
Opening net book amount	44,438	9,698	2,010	10,504	**66,650**
Additions	-	-	-	8,875	**8,875**
Transfers	13,346	2,357	347	(16,050)	**-**
Disposals	-	-	(20)	-	**(20)**
Depreciation expense	(2,302)	(2,085)	(472)	-	**(4,859)**
Closing net book amount	**55,482**	**9,970**	**1,865**	**3,329**	**70,646**
At 31 December 2021					
Cost value	75,030	30,215	3,080	3,329	**111,654**
Accumulated depreciation and impairment	(19,548)	(20,245)	(1,215)	-	**(41,008)**
Net book amount	**55,482**	**9,970**	**1,865**	**3,329**	**70,646**

Notes to the consolidated financial statements

Property, plant and equipment in thousands of EUR
2022

	Land, buildings and leasehold improvements	Machinery and equipment	Other tangible fixed assets	Construction in progress	Total
Year ended 31 December 2022					
Opening net book amount	55,482	9,970	1,865	3,329	**70.646**
Additions	-	-	-	7,604	**7,604**
Transfers	5,579	2,314	1,366	(9,259)	**-**
Disposals	-	(4)	(16)	-	**(20)**
Depreciation expense	(2,455)	(2,300)	(471)	-	**(5,226)**
Closing net book amount	**58,606**	**9,980**	**2,744**	**1,674**	**73,004**
At 31 December 2022					
Cost value	80,609	31,470	4,289	1,674	**118,042**
Accumulated depreciation and impairment	(22,003)	(21,490)	(1,545)	-	**(45,038)**
Net book amount	**58,606**	**9,980**	**2,744**	**1,674**	**73,004**

12.1 Land

Land with a book value of € 12.7 million at 31 December 2022 (31 December 2021: € 9.9 million) is not depreciated.

12.2 Disclosure of an error

We erroneously classified certain properties as investment property instead of property, plant and equipment in 2021. We therefore restated the 2021 figures and reclassified the investment properties to property, plant and equipment since they are held for future use as owner-occupied properties. The total amount of investment properties reclassified to property, plant and equipment per the end of 2021 was € 14 million. This restatement doesn't have any impact on the beginning balance of the preceding period, the consolidated statement of comprehensive income and loss and the consolidated statement of changes in equity.

Notes to the consolidated financial statements

13 Leases

13.1 Amounts recognized in the balance sheet

Right-of-use assets in thousands of EUR
As at 31 December

	2022	2021
Equipment	83	134
Total right-of-use assets	**83**	**134**

The rental contract has a fixed period of 36 months.

Lease liabilities in thousands of EUR
As at 31 December

	2022	2021
Current lease liabilities	56	54
Non-current lease liabilities	28	81
Total lease liability	**84**	**135**

Additions to the right-of-use assets during the 2022 financial year were € 4.5 thousand (2021: € 0.2 million).

13.2 Amounts recognized in the statement of profit or loss

Expenses / (income) recognized in relation to leases in thousands of EUR
2021 and 2022

	2022	2021
Depreciation expense on right-of-use asset (equipment)	56	53
Expense relating to short-term leases	-	-
Expense relating to leases of low-value assets	20	22

The total cash outflow related to leases amounted to € 55.8 thousand in 2022 (2021: € 53.6 thousand).

13.3 Leases as lessor

The Group rented out part of its office space to a related party. During this period, the Group recognized an income of € 616 thousand (2021: € 500 thousand) related to these leases (refer to note 7). These leases are classified as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Notes to the consolidated financial statements

14 Goodwill

Goodwill in thousands of EUR
As at 31 December

	2022	2021
Cost	13,596	13,596
Accumulated impairment losses	-	-
Balance at 31 December	**13,596**	**13,596**

Movement in goodwill in thousands of EUR
2021 and 2022

	2022	2021
Balance at 1 January	**13,596**	**13,596**
Effect of currency translation differences	-	-
Balance at 31 December	**13,596**	**13,596**

Allocation of goodwill to cash-generating units
Goodwill is tested annually for impairment. Before recognition of impairment losses, the carrying amount of goodwill is allocated to cash-generating units as follows:

Allocation of goodwill in thousands of EUR
As at 31 December

	2022	2021
Asset/IP related to the linker-drug platform	13,596	13,596
Total	**13,596**	**13,596**

Notes to the consolidated financial statements

For impairment testing, goodwill is allocated to (a group of) cash-generating units. For the Company, the asset/IP related to the linker-drug platform is a cash-generating unit. The impairment calculation uses discounted cash flow projections based on the underlying business plans created by management.

The cash flow projections related to these R&D assets are formed by the cash flow scenarios for products based on the concerned linker-drug platform. The impairment test did not lead to an impairment.

We are actively exploring opportunities for advancement of clinical development and successful commercialization of the platform. Estimated risk-adjusted future net cash flows (over an estimable period) are used, which are based on, among other factors, probabilities of clinical progression and commercialization of the concerned programs. All related potential milestones, royalties or other revenues and development costs have been estimated accordingly.

Key assumptions to quantify the cash flow are: patients available to treat based on epidemiology data and existing scientific literature; empirical quantification of clinical risks using probability-based success rates; benchmarking pricing against the competing market peers; and estimating the project cost for the activities. A pre-tax discount rate of 17.2% (2021: 15%) had been used for a risk-adjusted discounted cash flow model. Reasonable possible changes in the discount rate or key assumptions would not lead to a materially different outcome. However, a scenario in which the commercialization stage (including out-licensing for Byondis) is not reached for any of the related programs will probably result in impairment.

The period over which management has projected cash flows relates to the patent period of a product. In case of the achievement of market authorization for a product, average growth rates in the range of 20 - 30% per year over a time frame of 10 years after the year of launch have been used in the cash flow projections.

The Management Board has performed a sensitivity analysis on each of key assumptions and concluded that any reasonable likely change in these assumptions will not cause the value in use to fall below its carrying amount. A discussion of the sensitivity analysis is set out below:

- All the estimated future positive cash flows (as a result of royalty- and milestone-receipts) could be reduced by more than 87% without causing the value in use to decrease below its carrying amount. The Management Board does not believe that such a decline is reasonably likely based on management's future expectations on the market potential of the underlying products.
- The pre-tax discount rate used in the calculation could increase to a rate of 115% without causing the value in use to decrease below its carrying amount. The Management Board does not believe that such an increase is reasonably likely based on management's future expectations of the capital structure and development risks of the cash-generating unit.

Notes to the consolidated financial statements

15 Intangible assets

Intangible assets in thousands of EUR
As at 31 December

	Software	IPR&D	Software under construction	Total
Balance at 1 January 2021	**1,248**	**5,668**	**-**	**6,916**
Additions	-	-	710	**710**
Transfers	519	-	(519)	**-**
Disposals	(26)	-	-	**(26)**
Amortization expense	(337)	-	-	**(337)**
Balance at 31 December 2021	**1,404**	**5,668**	**191**	**7,263**
Cost value	1,835	5,668	191	**7,694**
Accumulated amortization and impairment	(431)	-	-	**(431)**
Balance at 31 December 2021	**1,404**	**5,668**	**191**	**7,263**
Balance at 1 January 2022	**1,404**	**5,668**	**191**	**7,263**
Additions	-	496	183	**679**
Transfers	344	-	(344)	**-**
Disposals	-	-	-	**-**
Amortization expense	(400)	-	-	**(400)**
Balance at 31 December 2022	**1,348**	**6,164**	**30**	**7,542**
Cost value	2,179	6,164	30	**8,373**
Accumulated amortization and impairment	(831)	-	-	**(831)**
Balance at 31 December 2022	**1,348**	**6,164**	**30**	**7,542**

Notes to the consolidated financial statements

15.1 Software

The Group amortizes IT development and software using the straight-line method over a period of 3-7 years. As at 31 December 2022, the carrying amount of software is € 1.4 million (2021: € 1.6 million), which mainly relates to licenses.

15.2 IPR&D

The acquisition of Syntarga B.V. in 2011 led to the recognition of the acquired in-process R&D of € 5.7 million (2021: € 5.7 million). Additionally € 0.5 million has been added to IPR&D in 2022. The IPR&D is the main cornerstone of the Group's newer technological platforms of new molecular entities. Current R&D progress within the related programs, as well as market and competitive trends, provide evidence that the IPR&D will generate net cash inflows for the Group for an indefinite period. Therefore, the IPR&D is carried at cost without amortization but is tested for impairment annually or if there are other events or conditions. The ability of the IPR&D to generate sufficient future economic benefits to recover its carrying amount is taken into account in the impairment test of the cash-generating unit that relates to the IPR&D. The impairment test did not lead to an impairment (refer to note 14).

16 Interests in other entities

16.1 Subsidiaries

The Group's subsidiaries at 31 December are set out below. They have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

List of subsidiaries in alphabetical order
As at 31 December

Name of entity	Country of business / incorporation	Ownership interest held by the Group		Principal activities
		2022	2021	
Byondis B.V.	Netherlands	100%	100%	R&D and marketing of biopharmaceutical goods
Housthon Investments B.V.	Netherlands	100%	100%	Real estate rental

Notes to the consolidated financial statements

17 Receivables

Receivables in thousands of EUR
As at 31 December

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	700	-	700	4,327	-	4,327
Allowance for doubtful debts	-	-	-	-	-	-
Total trade receivables	**700**	**-**	**700**	**4,327**	**-**	**4,327**
Receivables from related parties	335	-	**335**	124	-	**124**
VAT receivable	320	-	**320**	1,072	-	**1,072**
Tax credit for R&D (WBSO)	254	-	**254**	41	-	**41**
Wage tax receivable	-	-	**-**	3,043	-	**3,043**
Withholding tax	3,165	-	**3,165**	-	-	**-**
Clinical study deposits	3,923	1,621	**5,544**	3,888	1,390	**5,278**
Other prepayments	1,262	396	**1,658**	1,641	248	**1,889**
Subtotal receivables	**9,259**	**2,017**	**11,276**	**9,809**	**1,638**	**11,447**
Total receivables	**9,959**	**2,017**	**11,976**	**14,136**	**1,638**	**15,774**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These amounts generally arise from transactions outside the usual operating activities of the Group. If collection of the amounts receivable is expected in 1 year or less they are classified as current assets. If not, they are presented as non-current assets.

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

Other prepayments consist mainly of prepaid services.

Notes to the consolidated financial statements

Age of trade receivables that are past due but not impaired

Aging of not impaired trade receivables in thousands of EUR
As at 31 December

	2022	2021
Overdue 1-30 days	-	-
Overdue 31-120 days	1	-
Overdue > 121 days	339	-
Total	**340**	**-**

Allowance for doubtful debts

Movement in the allowance for doubtful debts in thousands of EUR
2021 and 2022

	2022	2021
Balance at 1 January	**-**	**-**
Impairment losses recognized on receivables	-	-
Amounts written off during the year as uncollectable	-	-
Foreign exchange translation gains and losses	-	-
Balance at 31 December	**-**	**-**

Notes to the consolidated financial statements

18 Inventories

Due to the nature of the business, most of the inventories are not valued (except the inventory shown below), but expensed as research and development expenses in the statement of profit or loss.

Current assets in thousands of EUR
As at 31 December

	2022	2021
Raw and auxiliary materials	7,069	-
Work in progress	-	-
Finished goods	495	1,144
Total	**7,564**	**1,144**

The Company reversed the net realisable value write-down related to raw and auxiliary materials in 2022. We valued the raw and auxiliary materials at cost in 2022, because the organisation has moved to a more commercial phase and these materials are not solely used for research and development purposes. The reversal is credited to research and development expenses.

19 Cash and cash equivalents

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

Reconciliation to cash flow statement in thousands of EUR
As at 31 December

	2022	2021
Cash and cash equivalents	83,433	50,757
Bank overdrafts	-	-
Balances per consolidated statement of cash flows	**83,433**	**50,757**

As at 31 December 2021 and 2022 the total of cash and cash equivalents are at free disposal to the Group.

Notes to the consolidated financial statements

20 Equity

Details of the Group's shares and share capital as at 31 December are as follows:

Share capital and share premium in thousands of EUR (except share and per share data)
As at 31 December

	2022	2021	2022	2021
	Number of shares	Number of shares	Euros	Euros
Ordinary shares				
Fully paid	**184,403**	**277,030**	**266,131**	**181,178**
Total number of ordinary shares and share capital and share premium	**184,403**	**277,030**	**266,131**	**181,178**

Movements in ordinary shares in thousands of EUR (except share and per share data)
As at 31 December

	Number of shares	Par value	Share premium	Total
Details				
Opening balance 1 January 2021	277,030	139	99,170	**99,309**
Capital contribution by Company's shareholders	-	-	81,869	**81,869**
Balance 31 December 2021	**277,030**	**139**	**181,039**	**181,178**
Cancellation of shares	(92,627)	(47)	-	**(47)**
Capital contribution by Company's shareholders	-	-	85,000	**85,000**
Balance 31 December 2022	**184,403**	**92**	**266,039**	**266,131**

Notes to the consolidated financial statements

Share premium
The capital contribution done in share premium was and will be used for general working capital purposes.

Treasury shares
Repurchase of shares is normally accounted for through treasury shares. As at 31 December 2021, the Group held 92,627 shares, which are all cancelled in 2022.

Treasury shares are recorded at cost, representing the market price on acquisition date.

Loss per share

Basic and diluted
Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of issued and outstanding ordinary shares during the year.

The Company doesn't have any potentially dilutive securities and therefore there is no difference between basic and diluted loss per share.

Basic and diluted profit or loss per share (in thousands of EUR, except share and per share data)
As at 31 December

	2022	2021
Profit or loss from continuing operations attributable to equity holders of the Company	(30,628)	(54,296)
Weighted average number of ordinary shares outstanding	184,403	184,403
Basic and diluted profit or loss per share from continuing operations	(166)	(294)*
Profit or loss from discontinuing operations attributable to equity holders of the Company	-	68,131
Weighted average number of ordinary shares outstanding	184,403	184,403
Basic and diluted profit or loss per share from discontinuing operations	-	369*

(*) The basic and diluted profit or loss per share for 2021 have been adjusted, since they were determined based on the total number of shares (277,030 shares) instead of outstanding number of shares (184,403 shares). The effect thereof is concluded to be immaterial.

Notes to the consolidated financial statements

21 Payables

Trade and other payables in thousands of EUR
As at 31 December

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Trade payables	5,088	-	**5,088**	7,429	-	**7,429**
Payables to related parties	17	-	**17**	1	-	**1**
Taxes and social security	566	-	**566**	-	-	**-**
Accrued interest	-	-	**-**	42	-	**42**
Personnel-related accruals	5,363	-	**5,363**	4,873	-	**4,873**
Contract liabilities	1,390	-	**1,390**	5,575	-	**5,575**
Clinical study accruals	3,080	-	**3,080**	3,117	-	**3,117**
Preclinical study accruals	399	-	**399**	377	-	**377**
Consultancy accruals	136	-	**136**	335	-	**335**
Other liabilities	1,078	-	**1,078**	1,195	-	**1,195**
Total	**17,117**	**-**	**17,117**	**22,944**	**-**	**22,944**

Trade payables are unsecured and are usually paid within 45 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

22 Remuneration of the Management Board

The directors' remuneration amounted to € 475 thousand for the year 2022 (2021: € 355 thousand).

The directors' remuneration includes periodically paid remuneration, such as salaries, holiday allowance and social premiums, remuneration to be paid after a certain term, such as pensions, allowances on termination of employment, profit sharing, transitional benefits in so far as they relate to directors, bonus payments and granted shares, to the extent that these items were charged to the Company and all subsidiaries of the Company.

Notes to the consolidated financial statements

23 Related party transactions

23.1 Trading transactions
During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

Transactions with shareholders in thousands of EUR
For the year ended 31 December

	2022	2021
Capital contribution	85,000	81,869
Remuneration	475	355
Services	89	6
Dividend	-	72,286

Trading transactions from continuing operations in thousands of EUR
For the year ended 31 December

	2022	2021
Sales and purchases of goods and services		
Services rendered to other related parties		
Rental income and site management	822	810
Other services	623	508
Total services rendered to other related parties	**1,445**	**1,318**
Services received from other related parties		
IT support	(121)	(376)
Other services	(257)	(312)
Total services received from other related parties	**(378)**	**(688)**
Purchased goods from related parties	**(769)**	**(196)**

Trading transactions from discontinuing operations in thousands of EUR
For the year ended 31 December

	2022	2021
Gain of conditional non-interest bearing receivable	-	68,131

Notes to the consolidated financial statements

23.2 Outstanding balances

The following balances are outstanding at the end of the reporting period:

Outstanding balances in thousands of EUR
As at 31 December

	2022	2021
Amounts owed by related parties (rendering of services)		
Amounts receivable from other related parties of the Company	278	117
Amounts receivable from shareholders of the Company	57	7
Total	**335**	**124**
Amounts owed to related parties (purchases of services)		
Amounts payable to other related parties of the Company	2	1
Amounts receivable from shareholders of the Company	15	-
Total	**17**	**1**

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. With respect to the amounts owed by related parties, no expense has been recognized in the current or prior years as bad or doubtful debt.

23.3 Compensation of key management personnel

The remuneration of key management personnel being the CEO, CFO, CMO, CSO, CLO, Site Director and Management Board during the year is as follows:

Compensation of key management personnel in thousands of EUR
For the year ended 31 December

	2022	2021
Short-term benefit expenses	2,881	2,581
Post-employment benefit expenses	123	94
Termination benefit expenses	-	-
Total compensation	**3,004**	**2,675**

Notes to the consolidated financial statements

24 Commitments

24.1 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

Capital commitments in thousands of EUR
As at 31 December

	2022	2021
Property, plant and equipment	553	3,901
Intangible assets	20	40
Total	**573**	**3,941**

24.2 Taxes

The Dutch entities of the Group receive group tax treatment and are therefore jointly and severally liable for the tax liabilities of this group as a whole. Arcory, the parent company, settles taxes with the subsidiaries as if it were an autonomous taxpayer.

25 Contingent assets and contingent liabilities

Contingent assets

MacroGenics, Inc.
As part of the agreement with MacroGenics, Inc. (MacroGenics) with regard to providing services and licensing out technology/IP to MacroGenics related to antibody-drug conjugate technology to be used in combination with an antibody binding B7-H3, the Group is entitled to receive a yearly license fee of € 0.1 million and potential future milestone payments (each ranging from € 0.3 million to € 15 million). These milestone payments are tied to specific development, registration and commercial milestones. Furthermore, the Group is entitled to receive, depending on the level of net sales, royalties of 3% to 5% of net sales of licensed products sold by MacroGenics or its sublicensees.

Gilead Sciences, Inc.
As part of the agreement with Forty Seven, Inc., now part of Gilead Sciences, Inc. (Gilead), with regard to providing services and licensing out technology/IP to Gilead related to the technology/IP of antibodies that bind to CD47 to be used in combination with an antibody controlled by Gilead that binds to CD47, the Group is entitled to receive a yearly license fee and potential future milestone payments. The yearly license fee is € 0.1 million a year and the potential milestone payments are each ranging from € 5 million to € 20 million. These milestone payments are tied to specific registration and commercial milestones. Furthermore, The Group is entitled to receive, depending on the level of net sales, royalties of 2% to 4% of net sales of licensed products sold by Gilead or its sublicensees. Gilead has the right to buy out its obligation to pay royalties.

Amgen, Inc.
As part of the agreement with Watson Laboratories, Inc., now part of Amgen, Inc. (Amgen), with regard to providing services and licensing out technology/IP towards Amgen relating to the technology/IP of a biosimilar trastuzumab, the Group is entitled to receive royalties of 1% of net sales of licensed products sold by Amgen or its sublicensees.

Notes to the consolidated financial statements

medac GmbH
Byondis entered into partnership with medac GmbH (medac), a privately owned pharmaceutical company based in Germany, to commercialize SYD985 in Europe. Pending regulatory approvals, medac will have exclusive rights to commercialize SYD985 in the EU, U.K. and additional European countries. As part of the agreement with medac with regard to the supply of batches and licensing out of SYD985, the Group is entitled to receive potential future milestone payments. The potential milestone payments each range from € 2 million to € 10 million. These milestone payments are tied to specific registration and commercial milestones. Furthermore, The Group is entitled to receive royalties on net sales of licensed products sold by medac or its sublicensees.

Contingent liabilities

Stichting Sanquin Bloedvoorziening
As part of the agreement with Stichting Sanquin Bloed-voorziening (Sanquin) with regard to the use of their services and know-how/technology relating to CD47 and SIRP alpha technology, the Group is obliged to pay Sanquin potential future milestone payments (each ranging from € 0.2 million to € 0.5 million). These milestone payments are tied to specific development and registration milestones. Furthermore, the Group is obliged, depending on the level of net sales, to pay a royalty of 3% to 5% of net sales of licensed products sold by the Group. In case of sub-licensing, the Group is obliged to pay at maximum a royalty of 1.2% on net sales of licensed products achieved by sublicensees. On top of this, the Group is obliged to pay a percentage of sublicense income, excluding royalties, obtained by the Group, with the percentage ranging from 4% to 11%, depending on the stage of development of licensed products at the time the sublicense agreement is executed.

MAB Discovery GmbH
As part of the agreement with MAB Discovery GmbH (MAB) with regard to the use of their services and know-how/technology relating to generating and screening of anti-bodies, the Group is obliged to pay MAB, on a program-per-program basis, potential future milestone payments (each ranging from € 0.15 million to € 1.5 million). These payments are tied to specific development and commercial launch milestones. The Group has the right to buy out its obligation to make certain milestone payments.

Cellca GmbH
As part of the agreement with Cellca GmbH (Cellca) with regard to the use of their services and know-how/technology relating to process development based on cell culture and applied to antibodies against the HER2 receptor, the Group is obliged to pay Cellca royalties on biosimilar based (HER2) products. This is a royalty of 1.2% of net sales of licensed products sold by the Group, or in case of sublicensing, 1.2% of sublicense income.

Sigma-Aldrich
As part of the agreement with Sigma-Aldrich (Sigma) with regard to the use of their services and know-how/technology relating to process development based on cell culture and related to ZFN-modified CHO cell line, the Group is obliged to pay Sigma, on a program-per-program basis in which the technology is used, potential future milestone payments (each ranging from $ 0.1 million to $ 0.25 million). These payments are tied to specific development and commercial launch milestones. The Group has the right to buy out its obligation to make certain milestone payments.

NanoTools Antikorpertechnik GmbH
As part of the agreement with NanoTools Antikorper-technik GmbH (NanoTools) with regard to the use of their services and know-how/technology relating to hybridoma cell lines producing monoclonal antibodies against the c-Met receptor, the Group is obliged to pay NanoTools a potential future milestone payment (€ 0.4 million). This milestone payment is tied to the dosing of the first patient in the first Phase I clinical study of a product based on the concerned technology.

University Medical Center Utrecht
As part of the agreement with University Medical Center Utrecht (UMCU) with regard to the use of their services and know-how/technology relating to the development of monoclonal antibodies, the Group is obliged to pay royalties. For products based on an antibody in IgG-/IgG-ADC form, the form chosen by the Group to be developed further, the royalty is 0.35% to 1.25% of the net revenues of the licensed products sold by the Group, or 0.35% to 1.25% of license income in case of sublicensing. The royalty percentage is dependent on the level of net revenues or the level of license income and whether the product is either in IgG form or IgG-ADC form. In case the Group is disposing its assets related to the use of IgG antibodies or IgG-ADC antibodies by sale or assignment, the Group is obliged to pay a one-time royalty of all consideration received by the Group for the concerned assets; 4.0% on such income related to IgG assets and 2.0% on such income related to IgG-ADC assets.

Glycotope GmbH
As part of the agreement with Glycotope GmbH (Glycotope) with regard to the use of their services and know-how/technology relating to specifically selected highly tumor-specific monoclonal antibodies, the Group is obliged to pay Glycotope potential future milestone payments (each ranging from € 0.3 million to € 20 million). These milestone payments are tied to specific development, registration and commercialization milestones.

DNA TwoPointO, Inc.
As part of the agreement with DNA TwoPointO, Inc. (ATUM) with regard to the use of their services and know-how/technology relating to developed proprietary material by ATUM, the Group is obliged to pay ATUM, on a program-per-program basis in which the technology is used, potential future milestone payments (each ranging from USD 0.1 million to USD 0.45 million). These payments are tied to specific development and commercial launch milestones. The Group has the right to buy out its obligation to make certain milestone payments.

26 Events occurring after the reporting period

Events occurring after the reporting period were evaluated up to 28 February 2023, which is the issuance date of this 2022 Annual Report.

There have been no significant changes in the Group's operating environment following the end of the reporting year. No other events of significant impact on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the reporting year.

Contents of the company financial statements

Company income statement

Company income statement in thousands of EUR
For the year ended 31 December

	2022	2021
Share in results of subsidiaries after taxation	(30,355)	(55,809)
Result after taxation	(273)	69,644
Profit / (loss) for the period	**(30,628)**	**13,835**

Company balance sheet

Company balance sheet in thousands of EUR, before appropriation of result
As at 31 December

	Notes	2022	2021
Assets			
Non-current assets			
Investment in subsidiaries	3	2,892	2,882
Deferred tax assets	4	90,975	80,441
Total non-current assets		**93,867**	**83,323**
Current assets			
Current receivables	5	95,801	82,710
Cash and cash equivalents	6	79,387	48,590
Total current assets		**175,188**	**131,300**
Total assets		**269,055**	**214,623**

Company balance sheet

Company balance sheet in thousands of EUR, before appropriation of result
As at 31 December

	Notes	2022	2021
Equity			
Share capital		92	139
Share premium		266,039	181,039
Treasury shares		-	(100,401)
Legal reserves		-	-
Retained earnings		33,296	119,815
Profit / (loss) for the period		(30,628)	13,835
Total equity	7	**268,799**	**214,427**
Liabilities			
Current liabilities			
Current payables	8	196	196
Payables to related parties	8	60	-
Total liabilities		**256**	**196**
Total equity and liabilities		**269,055**	**214,623**

The accompanying notes are an integral part of these financial statements.

Contents of the notes to the company financial statements

Notes to the company financial statements

1 General information

The financial data of Arcory B.V. (the Company) are included in the consolidated financial statements. Therefore, in accordance with Section 402, Book 2 of the Dutch Civil Code, the Company financial statements are presented in a condensed form.

The Company uses the option of Article 362 sub 8 of Part 9, Book 2 of the Dutch Civil Code to prepare these financial statements, using the same accounting policies as in the consolidated financial statements, except for investment in subsidiaries (refer to note 2).

All amounts reported are in thousands of euro, unless stated otherwise.

For the other policies of the Company financial statements, reference is made to the notes to the consolidated financial statements.

2 Significant accounting policies

2.1 Investment in consolidated subsidiaries

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the company has control. The company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognized from the date on which control is transferred to the company or its intermediate holding entities. They are derecognized from the date that control ceases.

The company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the company, liabilities incurred to the former owners of the acquiree and the equity interests issued by the company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

When an acquisition of an investment in a consolidated subsidiary is achieved in stages, any previously held equity interest is remeasured to fair value on the date of acquisition. The remeasurement against the book value is accounted for in the income statement.

When the company ceases to have control over a subsidiary, any retained interest is remeasured to its fair value, with the change in carrying amount to be accounted for in the income statement.

When parts of investments in consolidated subsidiaries are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognized in equity.

Investments in subsidiaries with a negative net asset value are valued at nil. Other long-term interests in these subsidiaries that are in substance part of the net investment (such as long-term receivables) are taken into account in this valuation.

If the Group fully or partly guarantees the liabilities of the investments in subsidiaries concerned, or has the effective obligation to enable the investments in subsidiaries to pay its (share of the) liabilities, a provision is formed.

Notes to the company financial statements

3 Investment in subsidiaries

Investment in subsidiaries in thousands of EUR
2021 and 2022

	2022	2021
Balance at 1 January	**2,882**	**2,904**
Share in results of subsidiaries of continuing operations after tax	10	(22)
Share in results of subsidiaries of discontinued operations after tax	-	-
Capital contributions	-	-
Translation differences	-	-
Dividends paid	-	-
Discontinued operations	-	-
Balance at 31 December	**2,892**	**2,882**

The investment in Byondis B.V. is valued at nil due to a negative equity of the subsidiary. The unrecorded share in the 2022 loss amounts to € 30.4 million (2021: € 55.8 million) and the cumulative unrecorded share in the loss € 156.8 million (2021: € 126.4 million).

Notes to the company financial statements

4 Deferred tax assets

Deferred tax assets in thousands of EUR
2021 and 2022

	2022	2021
Balance at 1 January	**80,441**	**59,147**
Net operating losses\interest carry forward	10,534	21,294
Balance at 31 December	**90,975**	**80,441**

5 Receivables

Receivables in thousands of EUR
As at 31 December

	2022	2021
Receivables from subsidiaries	95,769	82,683
Other taxes and social security	32	27
Total	**95,801**	**82,710**

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

The receivables from subsidiaries are considered to be part of the net investment in the subsidiary. A write-off of € 156.8 million (2021: € 126.4 million) was taken into account due to the negative cumulative results of the subsidiaries, resulting in a negative equity.

6 Cash and cash equivalents

Cash and cash equivalents are at free disposal to the Company.

Notes to the company financial statements

7 Equity

The changes during 2021 are as follows:

Equity movement schedule in thousands of EUR
2021

	Share capital	Share premium	Treasury shares	Legal reserves	Retained earnings	Net income	Total
Balance at 1 January 2021	**139**	**99,170**	**(100,401)**	**-**	**242,036**	**(49,935)**	**191,009**
Appropriation of prior year result	-	-	-	-	(49,935)	49,935	-
Profit for the year	-	-	-	-	-	13,835	**13,835**
Capital contribution by Company's shareholders	-	81,869	-	-	-	-	**81,869**
Dividends to Company's shareholders	-	-	-	-	(72,286)	-	**(72,286)**
Translation differences	-	-	-	-	-	-	**-**
Balance at 31 December 2021	**139**	**181,039**	**(100,401)**	**-**	**119,815**	**13,835**	**214,427**

The changes during 2022 are as follows:

Equity movement schedule in thousands of EUR
2022

	Share capital	Share premium	Treasury shares	Legal reserves	Retained earnings	Net income	Total
Balance at 1 January 2022	**139**	**181,039**	**(100,401)**	**-**	**119,815**	**13,835**	**214,427**
Appropriation of prior year result	-	-	-	-	13,835	(13,835)	-
Loss for the year	-	-	-	-	-	(30,628)	**(30,628)**
Capital contribution by Company's shareholders	-	85,000	-	-	-	-	**85,000**
Dividends to Company's shareholders	-	-	-	-	-	-	**-**
Cancellation of shares	(47)	-	100,401	-	(100,354)	-	**-**
Balance at 31 December 2022	**92**	**266,039**	**-**	**-**	**33,296**	**(30,628)**	**268,799**

Notes to the company financial statements

Details of the Company's shares and share capital as at 31 December are as follows:

Share and share capital
As at 31 December

	2022	2021
	Common shares	Common shares
Number of authorized shares	1,000,000	1,000,000
Number of shares issued and fully paid	184,403	277,030
Par value per share in euro	0.5	0.5
Total value in euro	**92,202**	**138,515**

Share premium
The capital contribution done in share premium were and will be used for general working capital purposes.

Treasury shares
Repurchase of shares is normally accounted for through treasury shares. As at 31 December 2021 the Group held 92,627 shares, which are all cancelled in 2022.

Treasury shares are recorded at cost, representing the market price on acquisition date.

Legal reserve
Per the end of 2021 and 2022 there is no legal reserve.

Proposed appropriation of the net result for the financial year 2022
The proposal from the Management Board is to subtract the net loss for the year amounting to € 30.6 million from the retained earnings. Awaiting the decision by the Annual Shareholders' Meeting, the net loss for the year amounting to € 30.6 million is separately included in the shareholders' equity.

Notes to the company financial statements

8 Payables

Payables in thousands of EUR
As at 31 December

	2022	2021
Trade payables	49	24
Accrued interest	-	42
Payables to related parties	60	-
Other liabilities	147	130
Total	**256**	**196**

9 Employees

The average number of personnel employed by Arcory B.V. during the financial year 2021 and 2022 is nil.

Notes to the company financial statements

10 Audit and related fees

In compliance with the financial reporting requirements included in Article 382 sub a of Part 9, Book 2 of the Dutch Civil Code, the fees of the audit firm for the year ended are:

Audit and related fees in thousands of EUR
For the year ended 31 December

	2022			2021		
	Price-waterhouse-Coopers Accountants N.V. (PwC)	PwC member firms and affiliates	Total PwC	Price-waterhouse-Coopers Accountants N.V. (PwC)	PwC member firms and affiliates	Total PwC
Audit of statutory financial statements	130	-	**130**	74	-	**74**
Other audit related procedures	9	-	**9**	180	-	**180**
Total	**139**	**-**	**139**	**254**	**-**	**254**

Notes to the company financial statements

11 Commitments and contingencies

Taxes
The Company has a fiscal unit for corporate income tax with Byondis B.V., Housthon Investment B.V. and Syntarga B.V. As per 30 June 2021, Syntarga B.V. was merged with Byondis B.V. Going forward, all activities are included in the legal entity Byondis B.V. Based on this, Arcory B.V. is jointly and severally liable for the corporate income tax liabilities of the fiscal unit as a whole. The Company has formed a fiscal unit for VAT with Byondis B.V., Housthon Investment B.V. and Syntarga B.V. Based on this, Arcory B.V. is jointly and severally liable for the tax liabilities of the fiscal unit as a whole. Arcory, the parent company, settles taxes with the subsidiaries as if it were an autonomous taxpayer.

Other obligation not appearing in the balance sheet
General guarantees, as referred to in Section 403, Book 2 of the Dutch Civil Code, have been given by the Company on behalf of the following Group companies:

- Byondis B.V., Nijmegen, The Netherlands
- Housthon Investment B.V., Nijmegen, The Netherlands

In the normal course of business, the Company issues certain guarantees with respect to debt obligations and other commitments of Group companies. The Company has issued a letter of support to certain Group companies.

12 Events occurring after the reporting period

Events occurring after the reporting period were evaluated up to 28 February 2023, which is the issuance date of this 2022 Annual Report.

There have been no significant changes in the Company's operating environment following the end of the reporting year. No other events of significant impact on the assets and liabilities, financial position, and results of operations of the Company have occurred following the end of the reporting year.

Nijmegen, The Netherlands
28 February 2023

Original has been signed by the
Management Board

Jacques Lemmens Huub Sanders

Appropriation of the result for the year

According to Article 11 of the Company's Articles of Association, the Annual Shareholders Meeting determines the appropriation of the Company's net result for the year. Accordingly, the financial statements have been prepared before appropriation of the Company's net result for the year.

In determining the appropriation of the result for the year, the Annual Shareholders Meeting is restricted by certain statutory requirements with regard to the distribution of profits among the Company's shareholders. These requirements are provided in Article 11 of the Company's Articles of Association.

Independent auditor's report

To: the general meeting of Arcory B.V.

Report on the financial statements 2022

Our opinion

In our opinion:

- the consolidated financial statements of Arcory B.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2022 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Arcory B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2022 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2022 of Arcory B.V., Nijmegen. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the following statements for 2022: the consolidated statements of comprehensive income or loss, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2022;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Arcory B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Information in support of our opinion

We designed our audit procedures with respect to fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the internal control system. This included the management board's risk assessment process, the management board's

process for responding to the risks of fraud and monitoring the internal control system, as well as the outcomes.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, the code of conduct which (also) includes guidelines for conflicting relationships; anti-bribery; fair competition and compliance with trade sanctions, the EFPIA Code of Practice for gifts and hospitality, the whistle-blower policy and the external engagement guidelines. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked the members of the management board as well as the quality assurance department, human resources, the chief executive officer, the chief legal officer, the chief medical officer and certain members of the finance department whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	Our audit work and observations
The risk of management override of controls Management (including the management board) is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls in: • the appropriateness of journal entries and other adjustments made in the preparation of the financial statements; • estimates; • significant transactions, if any, outside the normal course of business for the entity. We have paid particular attention to tendencies due to possible interest of management (including the management board).	We evaluated the design and implementation of the internal control system in the processes of generating and processing journal entries, making estimates and monitoring financial performance. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties. We performed our audit procedures primarily substantive based. We selected journal entries based on risk criteria including unusual account combinations impacting revenues, (potential) unexpected transactions with related parties and journal entries made by unexpected users and conducted specific audit procedures for these entries. These procedures include, among others, gaining an understanding of the journal entries and inspection of the entries to source documentation. We also performed specific audit procedures related to important estimates of the management board, including the recoverable amount of the deferred tax asset and the recoverable amount of goodwill and in-process R&D as included in the consolidated financial statements as well as the recoverable amount of the investments in and the receivables from subsidiaries as included in the company financial statements. We specifically paid attention to the inherent risk of bias of management in estimates. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.

Identified fraud risks	Our audit work and observations
The risk of fraudulent financial reporting due to overstating the revenue As part of our risk assessment and based on a presumption that there are risks of fraud in revenue recognition, we evaluated which types of revenue give rise to the risk of fraud in revenue recognition. The eagerness to show business growth, therapy progression and to meet stakeholders expectations, could lead to pressure on management to overstate the revenue from licenses, the revenue from contract manufacturing and the revenue from services and others by using inaccurate transaction prices and/or entering fictious revenues.	We evaluated the design and implementation of the internal control system and assessed the effectiveness of relevant controls in the processes related to revenue reporting and recognition. We performed our audit procedures in a mix of controls and substantive procedures with respect to the revenue from contract manufacturing and the revenue from services and other. For the revenue from licenses revenue, we performed our audit procedures primarily substantive based. We performed data analyses to identify potential notable revenue entries in the fiscal year and performed specific substantive audit procedures on these entries, including determining whether these entries are based on deliveries respectively services that actually took place in the financial year. We tested, on a sample basis, the delivered performance and transaction prices of the revenue transactions based on sales agreements and contracts, delivery documents, sales invoices and cash receipts. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the existence, occurrence and accuracy of the revenue recognised.

We incorporated an element of unpredictability in our audit. We reviewed correspondence with regulators. During the audit, we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

Audit approach going concern

The management board prepared the financial statements on the assumption that the entity is a going concern and that it will continue all its operations for at least twelve months from the date of preparation of the financial statements. Our procedures to evaluate the management board's going-concern assessment included, amongst others:

- considering whether the management board identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going-concern risks);
- considering whether the management board's going-concern assessment includes all relevant information of which we are aware of as a result of our audit and inquiring with the management board regarding the management board's most important assumptions underlying its going-concern assessment. Amongst others, the management board took into consideration the global economic developments including inflation, the (future) market potential and expectations with respect to the company's main (pipeline) programs, the company's year-end balance of cash and cash equivalents and the (expected) access to funding from current and/or future shareholders;
- evaluating the management board's five-year budget and its cash flow forecast for at least twelve months from the date of preparation of the financial statements taking into account current (market) developments in the industry and all relevant information of which we are aware of as a result of our audit;
- analysing whether the current and the required funding has been secured to enable the continuation of the entirety of the entity's operations;
- performing inquiries of the management board as to its knowledge of going-concern risks beyond the period of the management board's assessment.

Our procedures did not result in outcomes contrary to the management board's assumptions and judgments used in the application of the going-concern assumption.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the management board report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the management board report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the management board

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The management board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They 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 the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Breda, 28 February 2023
PricewaterhouseCoopers Accountants N.V.

Original has been signed by

J.A.W. de Kort RA

Appendix to our auditor's report on the financial statements 2022 of Arcory B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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

Colophon

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6545 CM Nijmegen

www.byondis.com

Arcory B.V. is a limited company incorporated in the Netherlands and headquartered in Nijmegen. Its parent and ultimate holding company is Tigre B.V., and its ultimate controlling party is founder Jacques Lemmens, PhD.

Byondis, a subsidiary of Arcory, is an independent, privately held, clinical stage biopharmaceutical company. Byondis started its biopharmaceutical franchise in 2007 and is building a promising portfolio of next generation precision medicines targeting intractable cancers and autoimmune diseases. For more information, visit www.byondis.com.