

next generation
targeted cancer
products

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Symphogen in Brief

Symphogen A/S is developing superior antibody therapeutics to help people with serious diseases.

With its proprietary Symplex™ discovery, SymSelect™ lead selection and Sympress™ manufacturing platforms, Symphogen captures the diversity and specificity of the natural immune response in rationally designed recombinant antibody compositions. Symphogen is maturing a diversified pipeline of internal and partnered products across multiple indications including cancer and infectious disease. Symphogen's technology has been validated through corporate partnerships with pharmaceutical and biotech companies in the U.S., Europe and Japan.

Vision: *Symphogen creates superior antibody therapeutics by decoding the wisdom of nature.*

Mission: *Symphogen will leverage its technologies, research & development expertise and intellectual property to build a proprietary product pipeline within several disease areas including cancer and infectious disease, of which the first product is projected to reach the market in 2016. In parallel, Symphogen will tailor and commercialize antibody products for the pharmaceutical industry and become the partner of choice for targeted antibody therapeutics.*

Letter from the CEO

A year in transition

In January 2011, Symphogen secured a financing of DKK 745 million (EUR 100 million) from a strong syndicate of existing and new investors. The proceeds from this financing are expected to support Symphogen's activities for at least 4-5 years and will be used to assist the company in growing from being an antibody technology provider with an early stage clinical pipeline towards a profitable biopharmaceutical company with a significant pipeline of product candidates within cancer, infectious and autoimmune diseases.

Since its incorporation in 2000 Symphogen has devoted most of its resources to developing proprietary antibody discovery and manufacturing platforms, drug discovery, and pre-clinical and early clinical drug development. Through these efforts, Symphogen has emerged as the leader within the development of antibody mixtures.

Symphogen intends to capitalize its leading position within antibody mixtures by focusing its resources on the early part of the drug development value chain. By entering into strategic research collaborations and by out-licensing its product candidates before the initiation of expensive late stage clinical trials, Symphogen plans to generate a sustainable revenue stream with the aim of becoming a profitable R&D-based biopharmaceutical company before its own or partnered products candidates reach the market.

Pipeline and platform progress

2010 has been a busy, productive and challenging period with significant progress within our clinical cancer program and our discovery projects.

In March, Symphogen initiated a Phase 1 clinical trial for its lead anticancer product, Sym004, in the U.S. and Europe. The product is a mixture of two monoclonal antibodies targeting two non-overlapping epitopes in the extracellular domain of the epithelial growth factor receptor (EGFR; HER-1; erbB-1) that work highly synergistically when combined. We expect to finalize the Phase 1 part of the trial during the first quarter of 2011. Following this dose-escalation study a small proof of concept study in 16 metastatic colorectal cancer patients will be performed during spring/summer 2011. Two additional small proof of concept studies have been discussed with Key Opinion Leaders (KOLs) in the U.S. and Europe.

Additional discovery product opportunities within the HER-receptor family were matured during the year. In particular, the Sym005 project targeting the HER-2 receptor has produced superior in vitro and in vivo efficacy data when compared to trastuzumab (Herceptin®). In addition, Symphogen has initiated an ambitious discovery program which aims to identify novel and differentiated antibody mixtures against Receptor Tyrosine Kinases relevant for human solid tumors and malignant hematological diseases. The program has shown significant progress and continued to deliver exciting data during the year with the first targets entering the lead optimization phase.

Symphogen's lead product, rozrolimupab (Sym001), a recombinant polyclonal antibody product consisting of twenty five different Rhesus D specific antibodies, is being tested in a Phase 2 multicenter clinical trial for the treatment of idiopathic thrombo-

cytopenic purpura (ITP). In 2010, we were granted orphan-drug designation of rozrolimupab (Sym001) for treatment of primary immune thrombocytopenia. The trial is expected to be completed during 2011.

Symphogen and Genentech have initiated a second program under a strategic collaboration fully funded by Genentech with the aim to develop a superior antibody therapeutic against undisclosed infectious disease targets. In November, Symphogen received an undisclosed milestone payment under the collaboration.

Our technology platforms are still evolving. During the year the Sympress™ II expression platform continued to provide increasing yields while maintaining compositional stability of the antibody mixtures. The Symplex™ platform has been expanded to successfully include repertoires of memory B cells and lambda light chains. Procedures for identifying rare memory B cells, potentially one in a million, have been developed and are currently being implemented in the Sym009 program. Furthermore, the power and speed of the Symplex™ and SymSelect™ platform have been demonstrated on a significant number of additional targets within infectious diseases and cancer.

Progress for antibody mixtures

In 2010, Symphogen made significant progress towards introducing mixtures of antibodies as superior therapeutics for treatment of serious human diseases. During the year, significant progress has taken place within business development, where we are experiencing an increasing interest from pharmaceutical companies who want to enter into research and development collaborations with Symphogen in order to take advantage of the strength of our integrated antibody technology platforms. In particular, it is a pleasure to observe how the pharmaceutical industry is now recognizing Symphogen and its activities and how the industry has become open to discuss the need for antibody mixtures addressing more than one epitope. Also on the regulatory front we have seen significant progress. In December, the FDA announced draft guidance for combination products. We believe that these guidelines correlate very well with Symphogen's approach for development of antibody mixtures and that they reflect our understanding of the discussions we have had with the FDA throughout the years.

I want to take this opportunity to thank all employees at Symphogen for their substantial achievements during the year and for their commitment to progress antibody mixtures to become next generation antibody therapeutics. Finally, without the continued and strong support, including financial support, from our high quality investors we would not have been able to build a pipeline offering multiple anticancer and infectious disease product opportunities.

Thank you!

Kirsten Drejer, Ph.D.
Chief Executive Officer

Highlights in 2010

- In January, Symphogen announced the publication of encouraging data for Sym004 in the online edition of Cancer Research (January 15, 2010; 70(2)). The data showed that Sym004 provided synergistic inhibitory effects against cancer cell lines of different tissue origin in vitro and in vivo.
- In March, Symphogen initiated a Phase 1 clinical trial for its lead anticancer program, Sym004. The product is a mixture of two antibodies, which is in development for treatment of solid tumors.
- In April, Symphogen announced the publication of data for the Sympress™ II production system in Molecular Biotechnology (March 20, 2010). The data demonstrates that the Sympress™ II technology enables cost-effective production of recombinant polyclonal antibodies (rpAb) and antibody mixtures for supply of drug products for large indications such as cancer and infectious disease.
- In July, Symphogen announced that the United States Patent and Trademark Office has issued U.S. Patent No. 7,749,697, titled "Method for linking sequences of interest." The patent broadly covers Symphogen's Symplex™ technology, a novel PCR-based process for identifying and isolating target-specific high affinity antibodies, the starting point for discovery and development of antibody drugs customized to a particular therapeutic application. The technology allows efficient high-throughput isolation of antibodies maintaining the natural high binding affinity and specificity of the original donor antibodies.
- In September, Symphogen announced the publication of data in the Journal of Analytical Chemistry, September 1, 2010 (Persson P. et al, volume 82, issue 17, pp. 7274-7282) demonstrating that a new method based on mass spectrometry is capable of determining the relative distribution of antibodies manufactured through Symphogen's proprietary Sympress™ technology. The results indicate that mass spectrometry provides an accurate method of quantifying all 25 antibodies in rozrolimupab, Symphogen's lead recombinant polyclonal antibody (rpAb) product for the treatment of idiopathic thrombocytopenic purpura (ITP).
- In September, Symphogen announced that the European Patent Office has issued European Patent No. EP 2152872 B1, titled "Method for Manufacturing a Recombinant Polyclonal Protein." The patent covers Symphogen's Sympress™ II technology for generating a polyclonal cell line, as well as a manufacturing process for using such cell lines to produce a specific rpAb mixture.
- In October, Symphogen and Swedish Orphan Biovitrum (STO: SOBI) announced that the United States Food and Drug Administration (FDA) has granted orphan drug designation to rozrolimupab (Sym001) for the treatment of primary Immune Thrombocytopenia (ITP).
- In November, Symphogen announced that it has received an undisclosed milestone payment related to an antibody therapeutic in development under its ongoing collaboration with Genentech, Inc., a member of the Roche Group (SIX: RO, ROG; OTCQX: RHHBY).
- In December, Symphogen reacquired full development rights to rozrolimupab (Sym001) from Swedish Orphan Biovitrum (STO: SOBI).

Significant events after the end of the financial year

- In January 2011, Symphogen announced that it closed a EUR 100 million placement of preferred stock to a group of investors, of which EUR 34 million was paid in at closing. The balance is scheduled to be paid in over two equal tranches subject to certain development milestones and the approval by the Board of Directors. The EUR 100 million raised is the largest ever financing for a private European biotech company. Novo A/S led the round. The Danish Pension Fund PKA joined as another new investor and Essex Woodlands Fund VIII joined previous investments made by Funds V and VI.

Financial Highlights

5-year summary for the Symphogen Group: (in DKK thousands, except per share data)	2010	2009	2008	2007	2006
Income statement					
Revenue	41,200	34,218	43,340	35,715	43,472
Research and development costs	134,780	181,508	161,695	116,640	94,995
General expenses	25,560	43,426	26,584	28,009	27,543
Operating loss	-119,140	-190,716	-144,939	-108,934	-79,066
Net financial items	-1,203	1,054	747	4,425	2,077
Net loss for the year	-120,352	189,662	-144,192	-104,509	-76,989
of which share-based payments account for	-4,572	-32,844	-4,542	-14,229	-18,012
Statement of financial position					
Total non-current assets	37,500	44,875	48,054	22,804	23,372
Cash	10,764	22,628	22,380	15,352	89,207
Marketable securities	6,583	74,943	47,676	119,964	98,751
Total assets	65,232	150,332	128,029	165,460	255,034
Shareholders' equity at year-end	11,208	89,758	39,408	107,727	197,944
Cash flow statement					
Cash flows from operating activities	-101,966	-163,199	-112,447	-46,257	-81,855
Cash flows from investing activities	65,392	-34,824	38,269	-28,555	-48,146
Cash flows from financing activities	24,703	198,274	81,206	957	197,967
Net cash flow for the year	-11,871	251	7,028	-73,855	67,966
Average number of shares (1,000)	9,118	8,455	7,440	6,985	5,920
Financial ratios					
Equity ratio	17	60	31	65	78
Earnings per share (EPS)	-13	-22	-19	-15	-13
Average number of employees	82	79	87	77	64

Definition of financial ratios:

Equity ratio: Shareholders' equity / Total assets x 100

EPS: Net profit (loss) / Weighted average number of shares

Key figures and financial ratios have been calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Developing Superior Antibody Therapeutics

Symphogen is pioneering a new approach to develop superior antibody therapeutics for treatment of serious human diseases by progressing its lead anticancer product, Sym004, into phase 2 clinical trials, the first mixture of antibodies to enter clinical development for treatment of cancer.

The basis of Symphogen's projects is a unique proprietary antibody discovery platform called Symplex™, a proprietary antibody screening and lead selection platform called SymSelect™, a proprietary manufacturing platform called Sympress™ and a number of proprietary antibody characterization technologies. In addition, Symphogen has built significant competencies within chemical, manufacturing and controls (CMC) as well as regulatory and clinical development know-how through the development of the first recombinant polyclonal antibody product in the world, rozrolimupab. This unique combination of proprietary technologies and know how provides Symphogen with the ability to develop superior antibody therapeutics that capture the diversity and specificity of the natural immune system.

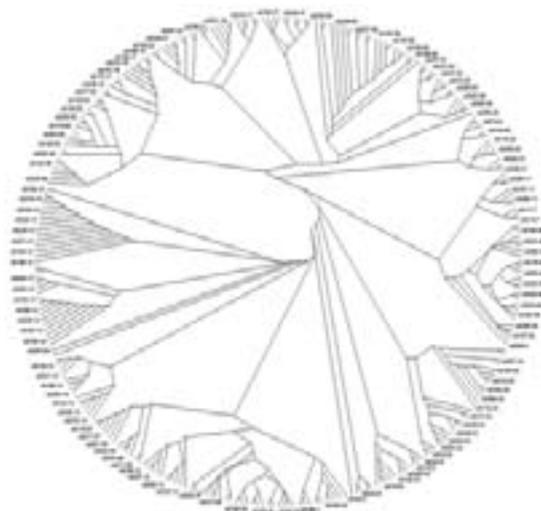
Symplex™ - antibody discovery solution

Symplex™ is Symphogen's proprietary process for discovering antibodies with diversity and specificity relevant for a particular therapeutic application. The Symplex™ platform has been successfully used for the generation of antibody drug leads for several indications within infectious diseases and cancer.

The Symplex™ technology enables the direct isolation of antibody molecules from human immune starting material such that the original pairing of the antibody building blocks, the heavy chain and the light chain, is completely maintained. Therefore, the functionality and high antibody affinities generated in the natural human immune response translate into the lead antibody composition discovered by Symplex™. Symphogen believes that the Symplex™ technology will provide potent and safe drug leads because the antibodies are generated in humans and mimic the natural immune response. To allow efficient identification of antibodies against endogenous targets, Symphogen has developed a mouse version of Symplex™. Using this new technology large antibody repertoires against cancer targets such as EGFR and HER-2 have been generated from mice. In combination with humanization technologies the mouse Symplex™ technology supports Symphogen's drug discovery efforts within cancer and autoimmune diseases. Symphogen has issued patents covering the Symplex™ technology, and holds exclusive rights to this discovery technology.

Figure 1

A phylogenetic tree showing the extensive genetic diversity of monoclonal antibodies specific for a human cancer target. Antibodies were isolated from immunized mice using Symplex™. To identify a potent drug by SymSelect™ it is necessary to start with a large diverse set of antibodies. The phylogenetic tree depicts the homology in DNA sequence between the more than 300 antibodies included in a single drug discovery project. Each end point represents an antibody specific for a single cancer molecule and the large number of branches indicates a huge diverse set of antibodies. The single most potent antibody mixture will be identified by SymSelect™ through rational testing of combinations of these antibodies.



SymSelect™ - identifying the antibody mixture lead candidate

The human antibody response to disease is by nature a mixture of different monoclonal antibodies that bind to targets with diverse binding specificities and affinities. Mostly, antibodies that have been developed and commercialized are recombinant monoclonal antibody products. However, in recent years it has become clear that mixtures of antibodies, mirroring the natural antibody response, have a number of biological advantages in addressing pathogenic targets.

Antibody mixtures contain two or more distinct antibodies binding the same or different targets, and can be produced either as “cocktails” of recombinant monoclonal antibodies, each of which is manufactured individually, or as recombinant polyclonal antibodies manufactured in a single batch. When a large number of monoclonal antibodies has the potential to be included in a mixture, there is a need for rational drug design to ensure achievement of synergy. This also applies when the optimal drug design is not clear from the outset, but has to be established empirically.

In drug development it is often a challenge to identify the most favorable mixture of different drug candidates, including antibody mixtures, where the aim is to provide a combination of different antibodies that provide a synergistic effect compared to the use of the individual antibodies alone. Simply determining the most advantageous number of different antibodies in a particular polyclonal antibody composition is challenging, e.g. whether two or three antibodies will provide a therapeutic effect that is comparable to the effect obtained by five or ten antibodies. Even if the approximate number of different antibodies in a composition is predetermined, for example based on production cost considerations, the task of identifying an optimal combination is by no means trivial. To illustrate this, 142,506 unique antibody combinations must be dealt with if the aim is to select the optimal antibody mixture containing five antibodies out of a total of 30 candidate antibodies. If the objective is to select an antibody mixture comprising six antibodies out of 36 candidate antibodies, the number of unique combinations increases to nearly two million.

Symphogen has met this challenge by developing the SymSelect™ functional lead selection platform for rational and rapid identification of lead candidate antibodies and mixtures. The idea behind SymSelect™ is to test and compare the antibodies and all possible combinations of the minimum mixtures (2 and 3) of these antibodies in functional assays. The output of the initial analyses is a ranking of the monoclonal antibodies and mixtures of 2 or 3 of these antibodies according to their efficacy in the functional assay (Figure 2). Larger, more complex mixtures can be identified by repeating the SymSelect™ procedure with mixtures of the best mixtures of 2 and 3 antibodies as building blocks, allowing efficacy comparisons of mixtures of 4, 5, 6, 7, 8 or 9 antibodies. At this stage, additional information is included such as target and epitope bins to guide the selection

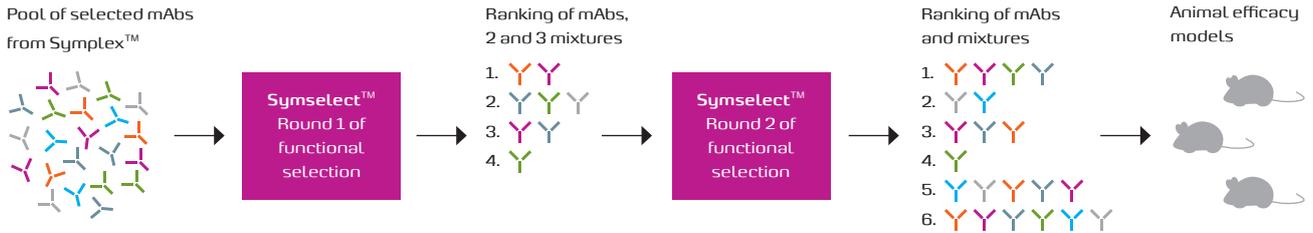
of 10-20 lead candidate mixtures, which are then evaluated for efficacy and potency in additional functional assays. The output of the SymSelect™ procedure is 3-4 lead candidate mixtures for further in vivo evaluation. Previous experience with SymSelect™ has shown that large and diverse antibody repertoires are a prerequisite for successful identification of antibody mixtures with superior activity to monoclonal antibodies. The Symplex™ technology is thus a perfect match for the SymSelect™ platform as it delivers large repertoires of high quality monoclonal antibodies. In addition, the SymSelect™ technology allows us to select antibodies based on target binding and sequence diversity and thus not be delayed by time-consuming epitope binning or mapping. The strengths of the SymSelect™ lead selection platform have indeed been demonstrated by identification of antibody drug leads in the Sym004, Sym005 and Sym012 projects.

SymSelect™ not only constitutes a unique platform for rapid comparison and ranking of antibodies to determine the most favorable composition of antibody drug candidates. SymSelect™ is also a highly flexible platform that can be adapted to work with any functional assay compliant with 96- or 384 well formats, and any drug entity such as a cytotoxic drug, a small molecule or a biologic drug can be included as a component in the analyses to look for drug synergies.

In conclusion, the SymSelect™ platform provides Symphogen with a unique method for rapid empirical determination of the optimal size and composition of an antibody drug candidate against an endogenous target or infectious disease agent of interest.

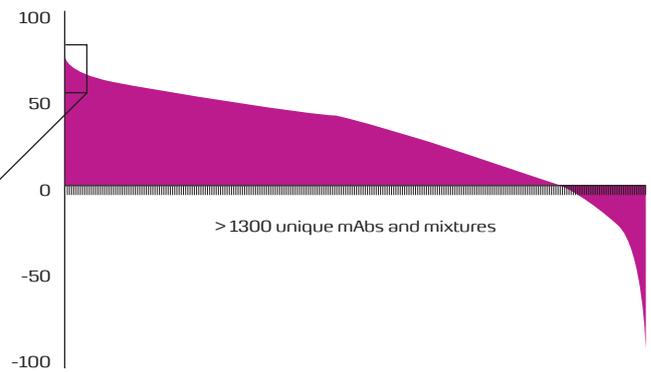
Figure 2

A) Outline of the SymSelect™ process

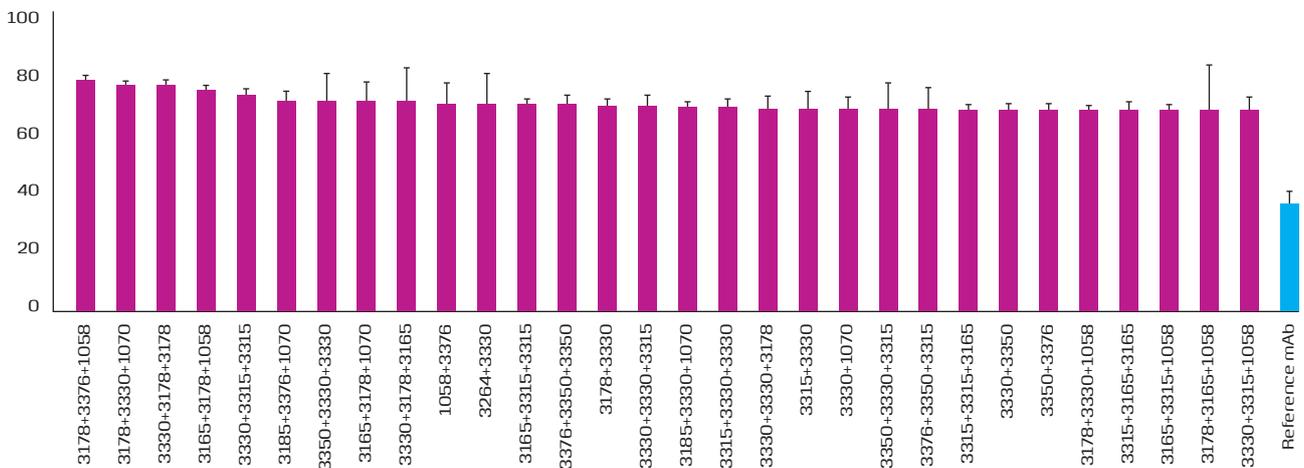


B) Example of SymSelect™ output for 40 individual monoclonal antibodies and mixtures of 2 or 3 antibodies totaling more than 1,300 unique mixtures in a cancer cell growth inhibition assay. Both antagonistic and agonistic antibody mixtures are identified.

Level of growth inhibition %



Top30 inhibitory mAb mixtures



Sympress™ - single-batch manufacturing solution for antibody mixtures

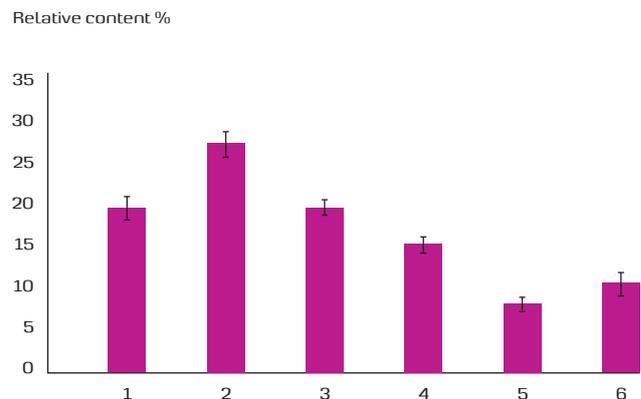
Symphogen has developed a proprietary expression system called Sympress™ to manufacture superior antibody therapeutics (antibody mixtures and polyclonal antibodies). The antibody mixtures and polyclonal antibodies are produced together in one bioreactor, enabling cost-efficient drug development. The Sympress™ platform has been successfully used for the scale-up and manufacture of clinical material in a number of recombinant polyclonal antibody programs including our lead clinical stage product rozrolimupab. The Sympress™ platform may also be used for monoclonal antibody production.

The Sympress™ technology is based on a mammalian expression system. The principle, for manufacture of antibody mixtures, comprises culturing a mixture of cell lines, where each of the cells expresses one distinct antibody. The Sympress™ technology allows manufacturing of antibody mixtures with maintained diversity and a high degree of batch-to-batch consistency.

Symphogen has continuously worked to improve the Sympress™ technology. The second-generation platform (Nielsen et al. 2010) is based on Symphogen's own production cell line ECHO (a CHO-DG44 derivative). The Sympress™ technology includes automated methods to generate high-producing and stable cell lines for manufacturing of individual antibodies as well as selection methods to mix these cell lines in order to generate the best polyclonal antibody expression system. By using this platform, Symphogen is able to manufacture antibody compositions with well-controlled and reproducible ratios of the individual antibodies (Figure 3). The Sympress™ technology includes a downstream process which removes process and product related impurities while maintaining the composition of the antibody mixture. The Sympress™ platform uses solely chemically defined media and exhibits g/L titers. So far, it has been used successfully on a number of Symphogen's drug leads. In addition, Symphogen has also developed release and characterization assays as well as product-specific analytical methods in order to facilitate regulatory approval of antibody mixtures.

Figure 3

The second-generation Sympress™ platform has significantly improved manufacturing titers and results in a more equal representation of the individual antibodies compared to the first generation technology, while the high batch-to-batch consistency seen in the first generation platform is maintained. The average and standard deviation of the relative content of six antibodies in a pre-lead candidate, from seven independent laboratory scale manufacturing runs is shown.



A unique opportunity within infectious diseases

Symphogen has five programs within infectious diseases, of which three programs are developed in collaboration with corporate partners, validating Symphogen's technology for prevention or treatment of diseases caused by microorganisms.

Infectious diseases represent a significant unmet medical need. Bacterial resistance represents an increasing problem, while acute and chronic viruses affect billions of people and certain fungal infections are almost untreatable with existing drugs. Nevertheless, the human immune system protects all humans every day by mobilizing an effective antibody response towards microorganisms. People may survive even the most aggressive microorganism if they are able to mobilize an effective antibody response.

Monoclonal antibodies have not been successful in infectious diseases for a variety of reasons such as development of resistance, lack of broad strain coverage and the inability to block several toxins. This has led to a significant number of failures for monoclonal antibodies in clinical trials. However, the blood-derived immunoglobulins provide proof of concept

for recombinant polyclonal antibodies. Thus, normal immunoglobulins generate sales of more than EUR 2 billion for prevention of infectious diseases, and there are several hyperimmune immunoglobulins on the market which are used for prophylaxis or treatment of e.g. cytomegalovirus, hepatitis B virus and rabies infections. However, it is not possible to generate hyperimmune immunoglobulins towards all infectious pathogens, and the existing products are often available only in limited amounts due to the complexities of manufacturing, thereby limiting availability. Symphogen has the technology to develop recombinant polyclonal antibodies, which could replace the existing blood derived products. In addition, Symphogen's technology could also be used to develop products towards microorganisms for which hyperimmune immunoglobulins are not available.

A differentiated approach in cancer

Symphogen is extending the pipeline of superior antibody therapeutics from recombinant polyclonal antibodies for the treatment or prophylaxis of infectious diseases to mixtures of monoclonal antibodies for treatment of cancer.

Monoclonal antibody therapies have enjoyed significant success in cancer and are expected to realize a strong growth from EUR 12 billion (USD 16 billion) in 2008 to EUR 22 billion (USD 29 billion) by 2014 (Datamonitor 2009). However, patients refractory to treatment and patients relapsing on treatment due to development of resistance to monoclonal antibody therapies remain a problem. Therefore, there is a medical need for new and more efficient therapies.

Symphogen provides a differentiated approach in cancer through the development of mixtures of monoclonal antibodies with superior anticancer activity. Symphogen believes that antibody mixtures may not only be superior to monoclonal antibody therapies for treatment of cancer but also have the potential to treat tumors with acquired resistance to existing monoclonal antibody therapies.

Many of the current therapeutic monoclonal antibodies function primarily by blocking access of ligands to the ligand-binding area of the receptors expressed by cancer cells. In addition to ligand blockade some monoclonal antibodies have been shown to have immunological effector functions and some monoclonal antibodies may to a lesser extent induce receptor internalization and degradation. Symphogen believes that mixtures of antibodies may be superior to monoclonal therapies due to improved blocking of the ligand-binding area of receptors, introduction and/or improvement of immunological effector functions, and introduction and/or improvement of induced receptor internalization and degradation.

Product Programs

Symphogen has built a risk-diversified project portfolio, balancing technological and biological risks.

Symphogen has a pipeline of 11 discovery and development programs. The lead product is in Phase 2 clinical trials with the aim of replacing the hyperimmune immunoglobulin products Winrho™ and Rophylac™ as well as normal immunoglobulins for treatment of Idiopathic Thrombocytic Purpura (ITP). In addition, our pipeline comprises five programs within cancer of which the most advanced program is in a Phase 1 clinical trial. Finally, we have five programs within infectious diseases, of which three programs have been developed in collaboration with corporate partners.

Rozrolimupab / ITP and HDN

Overview

Symphogen's lead product, rozrolimupab, is a recombinant polyclonal antibody product consisting of 25 Rhesus D specific antibodies. Rozrolimupab is in development for the treatment of Idiopathic Thrombocytopenic Purpura (ITP) and for use as anti-D prophylaxis (ADP) to prevent hemolytic disease of newborns (HDN). ITP is a bleeding disorder caused by abnormally low platelet levels, making it difficult for the

Figure 4

Symphogen's product pipeline



blood to clot. The decrease in platelets occurs because the immune system attacks and destroys the body's own platelets. Rozrolimupab has received an orphan drug designation from the FDA for treatment of ITP. HDN occurs when Rhesus D negative women become sensitized towards Rhesus D through carrying a Rhesus D positive child. While this does not normally harm the first infant, it may trigger a maternal antibody response in subsequent pregnancies causing fetal red blood cell destruction, known as HDN. Untreated HDN may cause severe abnormalities, or fetal loss.

Markets

The clinical use of blood-derived anti-D immunoglobulin interventions has significantly reduced the risk of serious complications from HDN and improved treatment of ITP. However, the current supply of blood-derived anti-D immunoglobulins is dependent on a consistent donor population, and in some regions, anti-D regimens are limited to the prevention of HDN due to supply issues, not allowing its use in treating ITP. As Symphogen's proprietary manufacturing technology promises to deliver a consistent supply, rozrolimupab is not only expected to capture a significant market share of the existing market, which is estimated to be EUR 175 million (Marketing Research Bureau and Symphogen estimates), but also lead to an increase in the total market by replacing other products currently used for ITP instead of anti-D.

Status

A Phase 1 clinical trial was conducted in the U.S. during 2007. In the trial a total of 59 Rhesus D positive (to support further studies in ITP) and 18 Rhesus D negative (to support further studies in HDN) healthy volunteers were enrolled. The results from the dose-escalation, placebo-controlled clinical trial was available in February 2008 and showed that rozrolimupab is well tolerated.

In April 2008, a Phase 2 clinical trial to establish proof of concept for prevention of HDN was initiated at one site in Germany. The objective was to demonstrate a dose dependent clearance of Rhesus D positive red blood cells and prevent isoimmunization. Preliminary data confirming this was presented in November 2009.

A Phase 2 trial in ITP was initiated in July 2008 involving 50 sites worldwide including the U.S. and a number of countries in Europe. The objective of the clinical trial is to examine safety and efficacy of rozrolimupab in non-splenectomized, Rhesus D positive ITP patients. This trial is currently on-going.

Sym002 / Vaccinia and smallpox

Sym002 is a vaccinia virus specific recombinant polyclonal antibody which is in development as a bio-defense agent for fast onset post-exposure prophylaxis and treatment of smallpox infection and for the treatment of adverse effects of smallpox vaccination. Although declared eradicated, bioterrorism has reintroduced smallpox as a public health concern. U.S. and European

governments are stockpiling vaccines with the aim of having up to one dose per citizen, but the currently available vaccines are associated with potentially serious adverse reactions. Vaccinia immunoglobulins (VIG) are available, but limited supply has prevented large-scale stockpiling. Symphogen's recombinant polyclonal vaccinia specific antibody product has the potential to meet this need, and can also be used to provide prophylaxis against infection in rescue personnel in a bioterrorism event.

The project was initially performed in collaboration with the UK government Health Protection Agency (HPA), which delivered blood samples from donors vaccinated with the vaccinia virus vaccine. In July 2006 Symphogen received a grant of USD 4.6 million from the U.S. National Institute of Allergy and Infectious Diseases (NIAID) to support the preclinical development of Sym002.

Sym002 has demonstrated superior neutralizing activity over commercially available VIG, both in vitro and in vivo. Preclinical proof-of-concept for prophylaxis was achieved in 2005, and for treatment in 2008.

Sym003 / RSV

Sym003 is a respiratory syncytial virus (RSV) specific recombinant polyclonal antibody product for prevention of severe respiratory disease in individuals who become infected with the virus. RSV is a major cause of hospitalization in children under the age of 2. Prevalence is higher in premature infants, healthy children less than six months of age and in children with preexisting heart or lung diseases or underlying immune deficiency. Immune-compromised adults and elderly individuals with chronic lung disease are also at risk. There is no effective therapy on the market today for severe RSV infection; however, an anti-RSV humanized murine monoclonal antibody, pavilizumab (Synagis®) is used for prophylaxis in high risk babies. This product has achieved worldwide sales of more than USD 1 billion.

Sym003 is currently in preclinical development. The lead candidate has proven to have superior potency and efficacy in animal models of RSV infection, when compared to monoclonal antibodies including pavilizumab and motavizumab analogs.

Sym004 / EGFR cancer

Sym004 targets the human cancer antigen Epidermal Growth Factor Receptor (EGFR). Sym004 is a mixture of two different anti-EGFR antibodies, which binds to two non-overlapping epitopes on EGFR. The combination has a unique mechanism of action, which leads to a sustained growth inhibition of cancer cells. Sym004 has proven to be superior to available monoclonal antibodies in several established animal models. The product has the potential to be clinically more effective than the existing anti-EGFR monoclonal antibodies, Erbitux® and Vectibix®.

Markets

There are two anti-EGFR monoclonal antibodies, cetuximab (Erbix®) and panitumumab (Vectibix®), on the market, which have proven to be effective in a number of solid tumors including metastatic colorectal cancer and squamous cell carcinoma of the head and neck. One small molecule anti-EGFR inhibitor, erlotinib (Tarceva®) remains the mainstay of anti-EGFR treatment in non small cell lung cancer (NSCLC), where antibody therapy has proven less effective. In 2009, the combined global sales of Erbix® and Vectibix® were close to EUR 1.4 billion (USD 1.9 billion) (2009 Annual Reports; Amgen Inc., Bristol-Myers Squibb and Merck KGaA). According to Business Insight, the projected sales of currently marketed anti-EGFR products are expected to reach EUR 3 billion (USD 4 billion) by 2017.

There are many anti-EGFR agents currently in development. So far, none of those in late stage development have shown data that suggest they will be considerably superior to Erbix®. However, it is still too early to predict the impact of the growing number of small and large molecule competitors currently in Phase 2 trials.

Status

Preclinical studies with Sym004 conducted in a series of in vitro and in vivo xenograft models have demonstrated its superior efficacy in a variety of EGFR-expressing solid tumors. Symphogen believes that the unique mechanism of action and differentiated profile of Sym004 may enable the drug to compete effectively against both antibody and small molecule competitors in a variety of tumor types and across multiple clinical applications. Sym004 is in Phase 1 clinical trials in patients with mixed solid tumors in the U.S. and Europe. Symphogen expects to present safety data from the Phase 1 part of the trial at a major oncology conference in 2011 and to initiate a Phase 2 clinical trial in K-ras wild type metastatic colorectal cancer patients in spring 2011. Furthermore, Symphogen is planning to initiate at least one additional Phase 2 trial in 2011.

Sym005 / HER-2 Cancer

Sym005 is a cancer specific recombinant antibody product in the lead discovery phase of development, which targets the human cancer antigen HER-2, a member of the EGF receptor family. Clinical proof-of-concept exists for the HER-2 mAb trastuzumab (Herceptin®), which is approved for treatment of adjuvant and metastatic breast cancer, and metastatic gastric cancer. In 2010, the reported worldwide sales of Herceptin® were close to EUR 4.2 billion (USD 5.6 billion) (Annual Report 2009; F. Hoffmann-La Roche Ltd).

The project leverages the mechanistic principles discovered in the Sym004 project. Based on in vitro and in vivo data, Symphogen believes that Sym005 will be superior to trastuzumab and pertuzumab (Omnitarg™) at inhibiting the growth of HER-2 over-expressing tumors. The Sym005 project aims to

develop a recombinant antibody lead showing advantageous efficacy and similar safety profiles compared to existing anti-HER-2 therapeutic antibodies.

Sym006 / Bacterial pathogen

Sym006 is a collaboration project developed in collaboration with Meiji Seika Kaisha (Japan). The project aims to develop a recombinant polyclonal antibody product against an undisclosed bacterial pathogen with a significant medical need for new treatment options. The project is in preclinical development.

Sym007 / Cancer

Sym007 is a cancer specific recombinant antibody product in the early discovery phase of development which targets an undisclosed cancer antigen.

Sym008 / Infectious disease target

Sym008 is a discovery project under a strategic collaboration fully funded by Genentech. The project aims to develop a superior antibody therapeutic against an undisclosed infectious disease target.

Sym009 / Infectious disease target

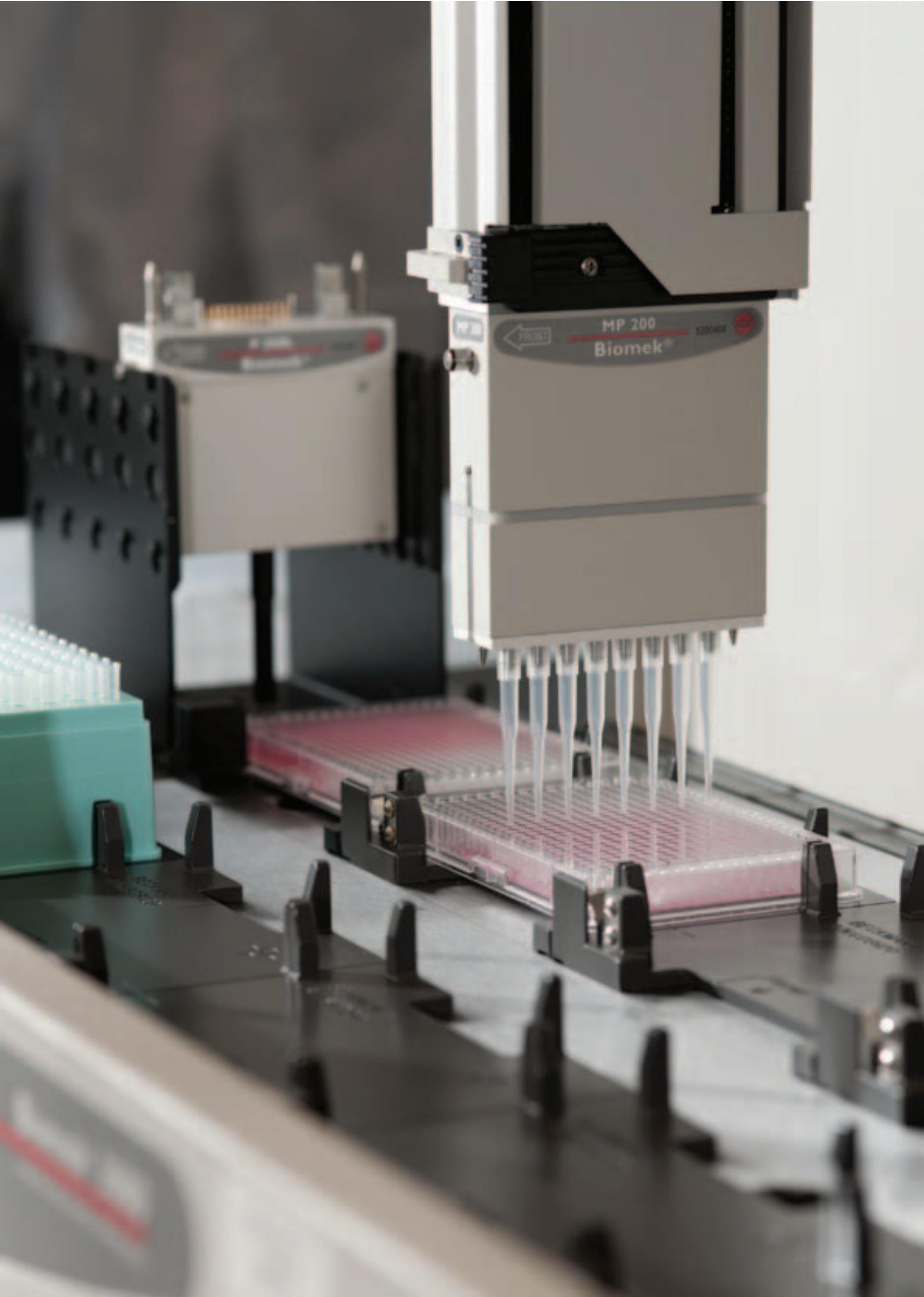
Sym009 is the second discovery project under a strategic collaboration fully funded by Genentech. The project aims to develop a superior antibody therapeutic against an undisclosed infectious disease target.

Sym011 / pan-HER cancer

Sym011 (previous RBLX-242) was acquired as part of the Receptor BioLogix acquisition in December 2008. It is an optimized pan-HER ligand trap for growth factors binding to the EGFR (HER-1) and HER-3 receptors. Thus, it represents a potential treatment of pan-HER expressing cancers. The project is currently in preclinical development and has shown greater tumor cell growth inhibition than marketed products cetuximab (Erbix®) and trastuzumab (Herceptin®) in animal models.

Sym012 / cancer

The Sym012 discovery program aims to identify novel and differentiated antibody mixtures against Receptor Tyrosine Kinases relevant for human solid tumors and malignant hematological diseases. The Sym012 program was initiated in January 2010, and the first targets have entered the lead optimization phase.



Partnership Status

Symphogen's technology has been validated through corporate partnerships with pharmaceutical and biotech companies in the U.S., Europe and Japan.

Symphogen has been actively seeking grants from government sources as well as value-adding collaborative relationships with biotech and pharmaceutical companies to enhance commercial opportunities for its antibody programs.

Sym002 Development Grant with NIAID/NIH

In July 2006, Symphogen was awarded a USD 4.6 million grant by NIAID at NIH for the preclinical scale-up and development of Sym002, Symphogen's product for treatment of adverse reactions associated with smallpox vaccination and post-exposure prophylaxis and treatment of smallpox infection. This peer-reviewed competitive grant was awarded to Symphogen following a detailed application and submission process.

Sym006 Development and License Agreement with Meiji Seika Kaisha

In December 2006, Symphogen entered into a development and license agreement with Meiji Seika Kaisha Ltd. (Japan) for Sym006, a recombinant polyclonal antibody product candidate against an undisclosed bacterial target. Under the terms of the agreement, Symphogen received an upfront technology access fee. Meiji Seika Kaisha funds all the discovery and development activities, and Symphogen is entitled to receive milestones upon successful product development achievements. If successfully commercialized, Symphogen would receive royalties on net sales of product. Symphogen has retained an option to become a 50:50 co-development partner in the U.S. and Europe after completion of the first Phase 2 clinical trial.



Sym008 and Sym009 Development and License Agreement with Genentech

In June 2008, Symphogen entered into a global strategic collaboration with Genentech, Inc. (U.S.) for development of superior antibody therapeutics against undisclosed infectious disease targets. In this collaboration, Symphogen will apply its proprietary Symplex™ antibody discovery technology platform to identify novel infectious disease drug candidates. Furthermore, Genentech will gain access to Symphogen's Sympress™ technology to produce recombinant polyclonal antibodies and obtain an exclusive worldwide license to candidates successfully developed.

Under the terms of the agreement, Genentech made an upfront payment to Symphogen, as well as an equity investment in Symphogen. Genentech will fund associated research and development costs. Symphogen is eligible to receive milestone payments upon the successful achievement of certain research and development milestones, as well as royalties on any products developed and commercialized by Genentech as a result of the collaboration. Genentech has initiated two discovery and development programs under this collaboration. The total value of the pre-commercial upfront and milestone payments of these programs has the potential to exceed USD 210 million.

	NIAID/NIH	meiji	Genentech
Partnering rationale:	External validation of technology platform by NIAID peer-review board. Non-dilutive funding for product development.	External validation of technology platform. Meiji Seika Kaisha also adds specific expertise on bacterial target antigens and drug development.	External validation of technology platform. Genentech is the leader in monoclonal antibodies.
Deal value:	NIAID grant of USD 4.6 million for pre clinical development and scale up of Sym002.	Not disclosed, initial technology access fee, R&D milestones and royalties.	Initial investment, milestones and royalties. Total upfront and milestone payments may exceed USD 210 million.
Type:	Grant.	Worldwide research and licensing agreement.	Worldwide research and licensing agreement.
Field:	Replacement of vaccinia immunoglobulin (VIG) for the treatment of adverse effects associated with smallpox vaccination and for post exposure prophylaxis of smallpox.	Undisclosed bacterial target.	Undisclosed infectious disease targets.
Symphogen product rights:	All rights retained.	Symphogen has retained an option to become a 50:50 co-development partner in the U.S. and Europe after completion of the initial Phase 2 clinical trial.	Symphogen obtains royalties on any products developed and commercialized by Genentech.
Partnership commenced:	July 2006.	December 2006.	June 2008.

Financial Review

Income statement

Symphogen reported a net loss of DKK 120.4 million in 2010, compared to a net loss of DKK 189.7 million in 2009. The net loss before share-based payments totaled DKK 115.8 million in 2010, compared to a net loss before share-based payments of DKK 156.8 million in 2009.

Revenue

Symphogen recognized total revenue of DKK 41.2 million in 2010 compared to revenue of DKK 34.2 million in 2009. The revenue in 2010 consisted of milestone payment from Genentech as well as services provided under the collaboration agreement with Genentech and Meiji Saika Kaisha. The revenue in 2009 consisted of services provided under the collaboration agreement with Genentech and Meiji Saika Kaisha only.

Costs

Research costs increased by DKK 2.5 million, or 4%, from DKK 56.8 million in 2009 to DKK 59.3 million for the year ended December 31, 2010. Excluding share-based payments, research costs increased by DKK 5.1 million, or 10%, due to initiation of additional research programs.

Development costs decreased by DKK 49.2 million, or 39%, from DKK 124.7 million in 2009 to DKK 75.5 million for the year ended December 31, 2010. Excluding share-based payments, development cost decreased by DKK 43.3 million or 37%. The decrease in development costs is primarily related to a reduction in manufacturing costs for clinical trials on Sym004. This, however, was partly offset by an increase in clinical development costs in 2010.

General expenses decreased by DKK 17.8 million, or 41%, from DKK 43.4 million in 2009 to DKK 25.6 million for the year ended December 31, 2010. Excluding share-based payments, general expenses increased by DKK 1.8 million, or 8%, mainly due to additional costs in Symphogen's subsidiary, Symphogen Inc.

Overall, general expenses accounted for 16% of Symphogen's total operating expenses in 2010 as compared to 19% in 2009. The average number of employees increased from 79 in 2009 to 82 in 2010.

Net financial items

Net financial items amounted to DKK -1.2 million in 2010 as compared to DKK 1.1 million in 2009. Financial income decreased by 2.5 million, from DKK 5.1 million in 2009 to DKK 2.7 million in 2010. Financial expenses were DKK 3.9 million for year 2010 which was almost in line with last year DKK 4.1 million.



Income taxes

Symphogen has tax assets of DKK 197.9 million, which are not recognized in the statement of financial position since it has not been established with sufficient certainty whether the tax assets can be offset against future taxable income.

Allocation of loss

The Board of Directors proposes that the loss for the year, DKK 120.4 million, be carried forward to next year.

Statement of financial position

Total assets were DKK 65.2 million at December 31, 2010, as compared to DKK 150.3 million at December 31, 2009. Cash and cash equivalents and marketable securities amounted to DKK 17.3 million at December 31, 2010, as compared to DKK 97.6 million at December 31, 2009. The net carrying amount of property, plant and equipment totaled DKK 22.7 million at the end of 2010 as compared to DKK 30.1 million at the end of 2009. The net carrying amount of intangible assets totaled DKK 14.8 million at the end of 2010 or equivalent to 2009.

Statement of change in equity

Shareholders' equity decreased from DKK 89.8 million at December 31, 2009, to DKK 11.2 million at December 31, 2010, due to adjustments in accordance with the share-based payments and the loss for the year exceeding the capital increase.

Recognition and measurement uncertainties

Symphogen applies IFRS2 according to which the fair value of the warrants at grant date is recognized as an expense in the income statement over the vesting period. The impact of warrant compensation expenses was DKK 4.6 million in 2010 and DKK 32.8 million in 2009. The granted warrants in 2010 provide the warrant holders a right to subscribe for class B and class D shares. As explained in Note 2 "Critical accounting estimates and judgments", the calculated fair value and subsequent compensation expenses are uncertain as they are subject to significant assumptions and judgments.

Related party transactions

Symphogen's affiliates, the members of Symphogen's Executive Management and Board of Directors, the shareholders or companies controlled by these parties are considered to be related parties. Please see Note 18 to the financial statements for a description of related party transactions.

Environmental impact

Symphogen has chosen not to issue separate environmental reports since Symphogen's activities have a very limited impact on the environment.

Symphogen does not have any industrial production, so discharges into the air, soil and water are exceedingly limited. The research activities are carried out from state-of-the-art laboratories facilities in Lyngby, Denmark, which are designed to reduce any environmental impact. Furthermore, Symphogen has implemented policies for the handling of waste materials from the laboratory facilities in accordance with regulatory requirements.

Symphogen considers it important to maintain a good working environment and meet regulatory requirements regarding the way the workplace is designed. This also includes the psychological and physical work environment. In 2010, Symphogen reported one industrial accident compared to none in 2009. The reported absence due to illness was 1.79% in 2010 compared to 1.58% in 2009.

Outlook for 2011 and financing

Symphogen expects to continue the clinical development of its lead project, rozrolimupab, which is in a Phase 2 clinical trial for ITP. Symphogen expects to report the results during 2011. Further, Symphogen expects to finalize a Phase 1 clinical trial for its lead cancer program, Sym004, during the first quarter of 2011 and subsequently initiate a Phase 2 clinical trial for treatment of metastatic colorectal cancer. In addition, Symphogen expects to continue the preclinical development under its agreement with Meiji Seika Kaisha and the research efforts under its agreement with Genentech.

In addition, Symphogen expects to enter into additional research and development collaborations during 2011. Symphogen expects a pre-tax financial loss for 2011 in the range of DKK 130-160 million before share-based payments. The total number of employees is expected to be around 90 at the end of the period.

In January 2011, Symphogen raised around DKK 745 million (EUR 100 million) of which DKK 253 million was paid in at closing. The balance is scheduled to be paid in over two equal tranches subject to certain development milestones and the approval by the Board of Directors.

Risk Management

Symphogen is exposed to various risk factors, which may have a significant impact on its business if not properly addressed. Symphogen is continually performing risk identification and assessments with the aim of developing strategies and procedures to minimize such risks to an acceptable level. Today, the annual strategic planning includes an evaluation of the scientific, commercial and financial risks. Below is a summary of some of Symphogen's key risk areas and how such risks are addressed.

Scientific risks

Symphogen distinguishes between two kinds of scientific risk factors: technology risks and project & development risks. The technology risks include the risks that Symphogen's technology platforms as such do not represent therapeutically relevant, technologically feasible or commercially viable immunotherapy technologies. The project and development risks include the risks that the selected therapeutic target for the antibodies, the scientific rationale and animal models are not relevant or the developed product does not prove to be safe or reliable in treating the disease in question.

Technology risks

The technology risks associated with development of antibody mixtures are primarily related to manufacturing, characterization and regulatory approval of these products. Symphogen has developed a unique manufacturing platform for consistent batch-to-batch production of antibody mixtures as well as characterization technologies, which address the increased complexity of its products, in order to satisfy the regulatory agencies. Further, Symphogen has been in an ongoing dialogue with the regulatory agencies in Europe and the U.S. in order to define the data requirement in support of its products. Symphogen has significantly reduced the technology risk in relation to its technology platforms through the successful completion of the scale-up and manufacturing of clinical materials, the successful completion of the first human clinical trial for a recombinant polyclonal antibody product in the U.S., initiation of Phase 2 clinical trials in Europe and by establishing a regulatory path for future approval through extensive dialogue with the regulatory authorities in the U.S. and Europe. In 2009, Symphogen has reduced the technology risk further by developing a second generation manufacturing platform with significantly improved expression yield while maintaining a remarkably good batch-to-batch consistency. In 2010, the expression yield has been improved further with g/L titers, which is believed to be sufficient for the majority of the products under development by Symphogen. Furthermore, in 2010 Symphogen has initiated Phase 1 clinical trial in the U.S. and Europe for an antibody product consisting of two antibodies in a cancer indication. Finally, in 2010 the FDA issued draft guidelines to assist sponsors in the co-development of two or more novel (not previously marketed) drugs to be used in combination to treat a disease or condition. We believe that these draft guidelines reduce the regulatory risk since they correlate very well with Symphogen's approach for development antibody mixtures.

Project and development risks

The creation and development of therapeutic products within the biotechnology and pharmaceutical industry is subject to considerable risks. Since everything is not known about the nature of disease or the way new potential therapeutic products can affect the disease process, a significant number of products do not successfully reach the marketplace in this industry. Any product undergoing preclinical or clinical development is subject to an inherent development risk, which includes factors such as timelines and quality of clinical suppliers and the availability of suitable patients to be enrolled in the clinical trials. Further, the outcome of preclinical as well as clinical studies is never certain, and the subsequent ability to obtain regulatory approval of the products is not guaranteed.

Symphogen is developing antibody therapeutics which, as a therapeutic class, has enjoyed not only significant sales in recent years but also a higher success rate than other therapeutic classes. In addition to this, Symphogen seeks to minimize the risk by developing a broad portfolio of products, including a number of products against validated targets, thus increasing the opportunities of success and diversifying the development risk.

For the first clinical program, rozrolimupab, Symphogen is aiming at replacing blood-derived products with a corresponding recombinant product. Rozrolimupab has proven to be well tolerated in Phase 1 clinical trials. Therefore, the risks associated with this program are primarily associated with the ability to demonstrate that rozrolimupab has commercially and clinically relevant benefits compared to the existing products. Symphogen is currently performing Phase 2 clinical trials with the aim to identify the correct dose to be used in the pivotal Phase 3 clinical trial. The ongoing Phase 2 ITP clinical trial has proven to be challenging. In 2009, Symphogen concluded that the number of available patients was lower than anticipated due to the trial design and competing clinical programs. In 2010, Symphogen has streamlined its clinical operation and taken steps to open a significant number of centers with the aim of finalizing the ongoing Phase 2 clinical trial during 2011.

In the second clinical program, Sym004, Symphogen is developing a recombinant antibody product consisting of two antibodies binding to non-overlapping epitopes on the Epidermal Growth Factor Receptor, an already validated target through two marketed monoclonal antibodies. The risks associated with this program are primarily associated with the ability to demonstrate that Symphogen's product candidate is safe and has commercially and clinically relevant benefits compared to existing products. Symphogen is currently performing a Phase 1 clinical trial with the aim of examining safety in patients with mixed solid tumors. This trial is expected to be finalized during the first quarter of 2011. The Phase 1 clinical trial is expected to be followed by several Phase 2 clinical trials in 2011 in order to explore the efficiency of the product in different indications, thereby diversifying the overall clinical risk for this product.

The selection of the indications is based on extensive research in pre-clinical models and the advice from Symphogen's clinical advisory board comprising a group of opinion leaders.

Before initiating significant investments in a preclinical development project, Symphogen performs extensive research in order to identify the risk and deliverables including an assessment of the risk related to: the scientific rationale; the intellectual property position, the availability and quality of starting material, the in-house knowledge and the strength of experimental models, the ability to attract and retain employees who have the relevant knowledge and experience, advantages and limitations of Symphogen's technologies in relation to the specific project, the complexity of clinical development and the speed at which proof-of-concept can be established, and the potential stop-go decisions including recognition of adverse effects in preclinical and clinical development.

Commercial risks

Symphogen is subject to commercial risk factors of a diverse nature, including market size and competition for Symphogen's products in development, the ability to attract the interest of potential partners, development time and cost of development programs, and patent protection.

The commercial risk is addressed by developing a broad portfolio of product candidates which will enhance commercial opportunities and reduce Symphogen's reliance on individual products.

Furthermore, Symphogen pursues a partnering strategy, which contributes to reducing the commercial risks. Symphogen actively seeks partnerships with biotech and pharmaceutical companies through several types of collaborations including, among others, research and development agreements, where Symphogen licenses development and marketing rights to a product identified by Symphogen under research sponsored by the partner, and product licensing agreements, where Symphogen licenses development and marketing rights to a product which has been identified and developed by Symphogen up to and including Phase 2 clinical trials, in return for research funding, upfront and milestone payments, and royalties on product sales. The selected structure depends on, among other things, the market structure and the estimated risk, and time and costs for developing the product. Symphogen believes that this strategy offers a reduced exposure on each project and provides the possibility to add critical additional competences such as clinical development and marketing competences to Symphogen, thereby reducing the burden on Symphogen. Symphogen has entered into a strategic collaboration with Genentech, which is the market leader within monoclonal antibodies. Therefore, apart from research funding, milestone payments and royalties on products sales, Genentech provides significant expertise within biologics as well as validation to Symphogen's technology platform and scientific approach. Furthermore, Symphogen has entered into a research and

co-development agreement with Meiji Seika Kaisha for the development of a product towards an undisclosed bacterial target. Apart from research funding, milestone payments and royalties on product sales, Symphogen also has an option to enter into a 50:50 co-development agreement with Meiji Seika Kaisha in the U.S. and Europe upon completion of the first Phase 2 clinical trial, at which point in time a significant part of the risk of the project will have been eliminated.

Financial risks

Symphogen is exposed to certain financial risk factors including risks associated with its cash management, the short-term liquidity profile of development programs, liquidity from partnerships and the ability to attract interest and capital from existing and new financial investors. Please see Note 24 to the financial statements for a more detailed description of financial risks.



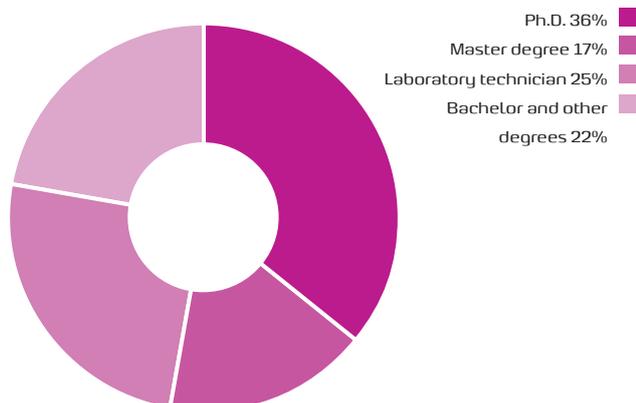
Organisation and Human Resources

Symphogen is organized as a matrix organization comprising a project organization and a line organization with various Preclinical and Clinical R&D departments. The line organization provides skills and services within particular areas of research and preclinical and clinical development whereas the project organization coordinates the activities and draws on the resources of the line organization in accordance with the particular requirements of each project as it moves from early discovery through preclinical and clinical development. Further, this matrix organization is supported with a number of specialists and service functions such as intellectual property, regulatory, quality assurance, marketing, business development, legal, finance and administration.

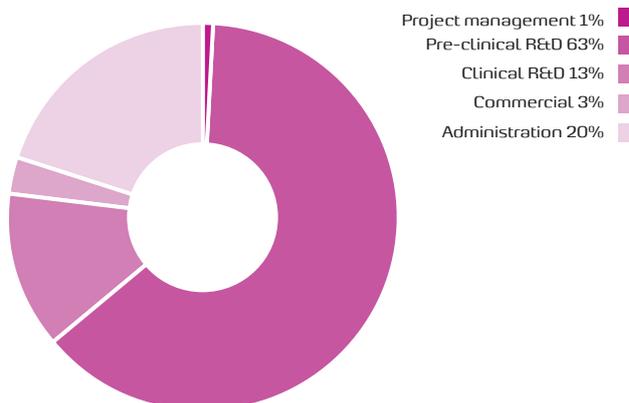
The average number of employees increased from 79 in 2009 to 82 in 2010 whereas the number of employees at December 31 decreased from 78 in 2009 to 76 in 2010. At the end of 2010, 59 people, or 78% of the employees, were employed in research and development activities, which was equivalent to 2009.

The technical demands of biotechnology require a high educational level of Symphogen's employees. At the end of 2010, 27 employees, or 37%, held a Ph.D. or a doctor's degree. In addition 13 employees, or 17%, hold a master's degree.

Educational background



Breakdown by function



Management Structure

Symphogen's Board of Directors meets for both ordinary and extraordinary meetings during the year. During 2010, the Board of Directors held 6 meetings.

The Board of Directors currently consists of seven members including the CEO.

The Board of Directors performs its duties in accordance with its rules of procedure. The rules of procedure include rules on the allocation of powers and duties between the Board of Directors and the Executive Management, and on the maintenance of minute books. Before each ordinary meeting, the Board of Directors receives a report from the Executive Management on the status of the business which may be of interest to the Board of Directors, including a status report on drug discovery and development projects, the business development activities, the budget and financial information, and the organization. Other duties include establishing policies and making decisions such as on the strategic plan, the business plan, the R&D plan, the budget, material collaborative agreements, incentive plans, the annual report, and the appointment of executive officers.

The Board of Directors has also established a Remuneration Committee and an Audit Committee.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its responsibilities by monitoring the system of internal control and the financial reporting process and by examining the Annual Reports prior to adoption by the Board of Directors. The Committee evaluates the independence and competences of the auditors as well as makes recommendations concerning election of the auditors. The Audit Committee also reviews Symphogen's accounting policies and evaluates significant accounting and reporting issues. The Audit Committee agrees on the fees, terms and other conditions of engagements, hereunder non-audit services, with the independent auditors and monitors the audit process. The independent auditors report directly to the Audit Committee with respect to audit findings and other recommendations, including issues regarding the accounting policies and financial reporting process. Audit findings and recommendations from the independent auditors are reviewed by the Audit Committee and Symphogen's CFO to ensure that any issues are properly addressed, and all material items and conclusions are made available to the Board of Directors.

Remuneration Committee

The role of the Remuneration Committee is to advise the Board of Directors on the adoption of policies that govern Symphogen's compensation programs, including warrant and benefit plans. The Remuneration Committee supports the Board of Directors in setting goals and objectives for the Executive Management, evaluating performance and deciding on the annual compensation. The evaluation of the performance of the Executive Management is conducted in a close dialogue with the CEO, and the results of the evaluation process are subsequently considered by the entire Board of Directors. The Remuneration Committee monitors the trends within management compensation plans to ensure that Symphogen's executive compensation programs are able to attract, retain and motivate the Executive Managers and align the interests of key leadership with the long-term interest of Symphogen's shareholders.



Management Structure

Executive Management

Kirsten Drejer, M.Sc., Ph.D.

Co-founder and Chief Executive Officer

Dr. Drejer has more than 20 years of international experience from the biotech and pharmaceutical industry. Before co-founding Symphogen, she held several scientific and managerial positions in Novo Nordisk, including four years as Director of Diabetes Discovery, and three years as Corporate Facilitator (www.novo.dk). Dr. Drejer is a Board member of Symphogen, Danisco A/S, Bioneer A/S and The Danish National Advanced Technology Foundation, and she is on the Advisory Boards of The DTU Systems Biology and The Faculty of Pharmaceutical Sciences, University of Copenhagen.

Thomas Feldthus, M.Sc., MBA

Co-founder and Chief Financial Officer

Before co-founding Symphogen, Mr. Feldthus served as Investment Manager at Novo A/S. Between 1996 and 1999 he was Corporate Development Manager at Novo Nordisk A/S, and prior to that he was Director of Business Development at Cheminova Agro A/S. He has extensive experience in a broad range of corporate and financial matters including negotiation of transactions involving venture financing, asset sales, license agreements and strategic alliances. Mr. Feldthus holds a M.Sc. from the Technical University of Denmark and an MBA (Sloan Fellow) from London Business School.

Ivan D Horak, MD, FACP

Chief Scientific Officer and Medical Officer

Prior to joining Symphogen, Dr. Ivan Horak served as President of Research and Development and Chief Scientific Officer of Enzon Pharmaceuticals Inc. Before that, Dr. Horak served as Chief Scientific Officer of Immunomedics, responsible for development of novel antibodies. Dr. Horak has authored over 70 peer-reviewed publications and several book chapters within the fields of hematology, oncology, and immunology and has served on the editorial boards of several scientific journals. Dr. Horak is board certified oncologist. He is Fellow of American College of Physicians and member of American Association for Cancer Research, American Society of Hematology, and American Society Clinical Oncology.

Jørgen Petersen, M.D., DMSc

Chief Development Officer

Prior to joining Symphogen, Dr. Petersen served as Medical Director and as Vice President at Genmab where he has been responsible for the development of several monoclonal antibody programs from early stage to Phase 3 clinical trials. Before that, Dr. Petersen served as Head of Rheumatology at Rigshospitalet (Copenhagen University Hospital) and as Professor of Internal Medicine at the University of Copenhagen. Dr. Petersen has authored over 100 peer-reviewed publications and several book chapters within the fields of cellular immunology, inflammation, rheumatology, hematology and immuno-pharmacology.

Gayle Mills, MBA

Chief Business Officer

Ms. Mills most recently held the position of Chief Business Officer at ROXRO Pharma where she oversaw business operations leading to the successful FDA approval of ROXRO's analgesic, SPRIX® and the subsequent acquisition of the company by Luitpold Pharmaceuticals, a subsidiary of Daiichi Sankyo. Prior to that, Ms. Mills was SVP of Business Development at Abgenix, Inc. a successful antibody discovery and development company acquired by Amgen. Ms. Mills' accomplishments include consummation of a wide range of significant licensing, co-development and corporate acquisition transactions.

Board of Directors

Göran A. Ando, MD

Chairman of the Board of Directors

Dr. Ando was CEO of Celltech Group plc, UK, until 2004. He joined Celltech from Pharmacia, now Pfizer, where he was executive vice president and president of R&D with additional responsibilities for manufacturing, IT, business development and Mergers & Acquisitions (M&A) from 1995 to 2003. From 1989 to 1995, Dr Ando was medical director, moving to deputy R&D director and then R&D director of Glaxo Group, UK. He was also a member of the Glaxo Group Executive Committee. Dr. Ando serves as Vice Chairman of Novo Nordisk A/S, Vice Chairman of S*Bio Pte Ltd and as board member of Novo A/S, Nicox SA, EUSA Pharma, EDBI Pte, and CBio Pte. He also serves as a Senior Advisor to Essex Woodlands Health Ventures UK Ltd. In addition, he is Chairman of the Scientific Advisory Board, Southwest Michigan First (SWMF). Dr. Ando is a Specialist in General Medicine and is a Founding Fellow of the American College of Rheumatology in the U.S.

Martin Edwards, B.Sc., MB (Hons), MRCP, MRCPGP, FFPM, MBA

Dr. Edwards is Senior Partner in Novo A/S. In this capacity he currently serves on the Board of Directors of five portfolio companies (Funxional Therapeutics Ltd, Vantia Ltd, Logical Therapeutics Inc, Tarsa Inc. and Symphogen A/S). From 1998 to 2003, Dr. Edwards was CEO of ReNeuron Ltd., UK. Prior to that he held positions as Vice President and Head of Drug Development for Novo Nordisk A/S (Denmark), Senior Vice President at Novo Nordisk (Princeton), and Vice President at Zymogenetics (Seattle). Dr. Edwards is trained in physiology and medicine in Manchester (UK), and has post-graduate medical qualifications from the London Royal Colleges. His MBA is from the University of Warwick (UK).

Jeff Himawan, Ph.D

Dr. Himawan is a Managing Director at Essex Woodlands Health Ventures, a global healthcare-dedicated venture capital firm. In addition to his service on Symphogen's Board of Directors, Dr. Himawan is also a member of the Board of Directors of one public company (MediciNova) and three private companies (Horizon Therapeutics, Catalyst Biosciences and Light Sciences Oncology). Dr. Himawan holds a B.S. degree in biology from the Massachusetts Institute of Technology and obtained a Ph.D. degree in biological chemistry and molecular pharmacology from Harvard University.

Kirsten Drejer, M.Sc., Ph.D.

Co-founder and Chief Executive Officer

Dr. Drejer has more than 20 years of international experience from the biotech and pharmaceutical industry. Before co-founding Symphogen, she held several scientific and managerial positions in Novo Nordisk, including four years as Director of Diabetes Discovery, and three years as Corporate Facilitator (www.novo.dk). Dr. Drejer is a Board member of Symphogen, Danisco A/S, Bioneer A/S and The Danish National Advanced Technology Foundation, and she is on the Advisory Boards of The DTU Systems Biology and The Faculty of Pharmaceutical Sciences, University of Copenhagen.

Laurence Jay Korn, Ph.D.

Dr. Korn co-founded Protein Design Labs, Inc. in 1986 and served as CEO (1987-2002) and Chairperson (1986-2004). Previously, Dr. Korn headed a research laboratory and served on the faculty of the Department of Genetics at Stanford University School of Medicine. He received his Ph.D. from Stanford University and was a Helen Hay Whitney Postdoctoral Fellow at the Carnegie Institution of Washington and a Staff Scientist at the MRC Laboratory of Molecular Biology in Cambridge, the UK.

Jack Johansen, Ph.D.

Dr. Johansen works as an executive consultant to various life science/venture capital companies. Prior to this, Dr. Johansen has been CEO and founder of Boston Probes Inc., Chairman, CEO and Founder of Boston Biosystems Inc., Chairman of Glyko Inc., Executive Vice President of science and technology at Millipore Corporation and President of Millicorp, which is Millipore's venture fund. Dr. Johansen is Chairman of the Board of Directors of AdvanDx Inc. and serves on the Board of Directors of 7TM A/S, Gyros AB, Pixigene A/S and Microlytic A/S. Dr. Johansen holds a Ph.D. in chemistry from the University of Copenhagen, and was a postdoctoral student in biophysics at Harvard Medical School.

Ian J. Nicholson, B.Sc., MBA

Mr. Nicholson has served as CEO of Chroma Therapeutics Limited since September 2004. Prior to joining Chroma, he was Senior Vice President of Business Development for Celltech Group plc, responsible for all global licensing activities. He has held a variety of senior commercial positions with Oxford Asymmetry International plc, Lonza AG and Amersham International plc. He currently also sits on the Boards of the Biotechnology Industry Association and Bioventix Limited. Mr. Nicholson holds a B.Sc. (Hons) degree from University College, London and an MBA from Boston University.

Statement by the Executive Management and Board of Directors

Today the Board of Directors and Executive Management have discussed and approved the Annual Report of Symphogen A/S for the financial year ended December 31, 2010.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion the consolidated financial statements and the parent company financial statements give a true and fair view of the Symphogen Group's and the Parent Company's

financial position at December 31, 2010, and of the results of the Symphogen Group's and the Parent Company's operations and cash flows for the financial year January 1 to December 31, 2010.

In our opinion the management's review includes a fair review about the matters the review deals with.

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

March 8, 2011

Executive Management:

Kirsten Drejer
Chief Executive Officer

Thomas Feldthus
Chief Financial Officer

Board of Directors:

Göran A. Ando
Chairman

Martin William Edwards

Laurence Jay Korn

Jeff Himawan

Jack Johansen

Ian Nicholson

Kirsten Drejer

Independent Auditors' Report

To the Shareholders of Symphogen A/S

We have audited the consolidated financial statements and the parent company financial statements of Symphogen A/S for the financial year ended December 31, 2010, which comprise income statement, comprehensive income statement, statement of financial position, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other notes for the Symphogen Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Board of Directors' and the Executive Management's Responsibility for the Financial Statements

The Board of Directors and Executive Management are responsible for the presentation and preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act. This responsibility includes: Designing, implementing and maintaining internal control relevant for the presentation and preparation of consolidated financial statements and parent company financial statements that give a true and fair view that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the consolidated financial statements and the

parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's presentation and preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and Executive Management, as well as the overall presentation of the consolidated financial statements and the parent company financial statements.

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Symphogen Group's and the Parent Company's financial position at December 31, 2010, and of the results of the Symphogen Group's and the Parent Company's operations and cash flows for the financial year ended December 31, 2010, in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Statement on the Management's Review

The Board of Directors and Executive Management are responsible for the preparation of a management's review that includes a fair review in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

The audit has not included the Management's Review. Pursuant to the Danish Financial Statements Act we have, however, read the management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the financial statements. On this basis, it is our opinion that the information provided in the management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, March 8, 2011

Ernst & Young
Godkendt Revisionspartnerselskab

Benny Lynge Sørensen
State Authorized
Public Accountant

Christian Friis Olsen
State Authorized
Public Accountant

Financial Statements



Income Statement and statement of comprehensive income

Income statement for the year ended December 31	Notes	Symphogen Group		Parent Company	
		2010	2009	2010	2009
		DKK'000	DKK'000	DKK'000	DKK'000
Revenue		41,200	34,218	41,200	34,218
Research costs	3 / 4	59,303	56,792	59,303	56,792
Development costs	3 / 4	75,477	124,716	75,477	124,716
General expenses	3 / 4	25,560	43,426	25,850	43,494
Operating loss		-119,140	-190,716	-119,430	-190,784
Interest income and other financial income	5	2,656	5,130	2,656	5,105
Interest expenses and other financial expenses	5	3,859	4,076	3,859	4,075
Loss before tax		-120,343	-189,662	-120,633	-189,754
Tax for the year	6	9	0	0	0
Net loss for the year		-120,352	-189,662	-120,633	-189,754
Earnings and diluted earnings per share for the year (DKK)	7	-13,20	-22.43		
Statement of comprehensive income for the year ended December 31					
Net loss for the year		-120,352	-189,662	-120,633	-189,754
Exchange differences on translation of foreign operations		7	-3	0	0
Total Comprehensive loss		-120,345	-189,665	-120,633	-189,754

Statement of Financial Position

Assets

at December 31	Notes	Symphogen Group		Parent Company	
		2010	2009	2010	2009
		DKK'000	DKK'000	DKK'000	DKK'000
Acquired intangible assets		14,769	14,769	14,769	14,769
Total intangible assets	8	14,769	14,769	14,769	14,769
Lab equipment		18,627	23,886	18,627	23,886
Other fixtures and fittings, tools and equipment		4,104	6,220	4,104	6,220
Total property, plant and equipment	9	22,731	30,106	22,731	30,106
Investments in group enterprises		0	0	1,965	1,817
Total investments	10	0	0	1,965	1,817
Total non-current assets		37,500	44,875	39,465	46,692
Other receivables		9,905	6,267	9,905	6,267
Prepayments		480	1,619	480	1,619
Total receivables		10,385	7,886	10,385	7,886
Marketable securities		6,583	74,943	6,583	74,943
Cash		10,764	22,628	8,755	21,943
Total current assets		27,732	105,457	25,723	104,772
Total assets		65,232	150,332	65,188	151,464

Equity and liabilities

at December 31	Notes	Symphogen Group		Parent Company	
		2010	2009	2010	2009
		DKK'000	DKK'000	DKK'000	DKK'000
Share capital	11	9,220	9,016	9,220	9,016
Share premium		804,403	767,384	804,403	767,384
Foreign currency fluctuations on subsidiaries		4	-3	0	0
Reserve for share-based payments		99,248	94,676	99,248	94,676
Retained earnings		-901,667	-781,315	-902,041	-781,408
Total shareholders' equity		11,208	89,758	10,830	89,668
Loan, Vaekstfonden	13	0	639	0	639
Finance lease commitments	14	16,144	23,648	16,144	23,648
Total non-current liabilities		16,144	24,287	16,144	24,287
Loan, Vaekstfonden	13	639	2,678	639	2,678
Finance lease commitments	14	8,158	10,496	8,158	10,496
Trade payables		13,731	6,469	11,661	6,469
Other payables		15,352	16,644	15,352	16,525
Payables to group enterprises		0	0	2,404	1,341
Total current liabilities		37,880	36,287	38,214	37,509
Total liabilities		54,024	60,574	54,358	61,796
Total equity and liabilities		65,232	150,332	65,188	151,464

Statement of Changes in Equity

Statement of Changes in Equity, Symphogen Group

DKK'000	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Reserve for share-based payments	Total
December 31, 2008	7,894	561,335	0	-591,653	61,832	39,408
Net loss				-189,662		-189,662
Other comprehensive income			-3			-3
Total comprehensive income			-3	-189,662		-189,665
Capital increase	1,122	206,049				207,171
Share-based payment					32,844	32,844
December 31, 2009	9,016	767,384	-3	-781,315	94,676	89,758
Net loss				-120,352		-120,352
Other comprehensive income			7			7
Total comprehensive income			7	-120,352		-120,345
Capital increase	204	37,019				37,223
Share-based payment					4,572	4,572
December 31, 2010	9,220	804,403	4	-901,667	99,248	11,208

Statement of Changes in Equity, Parent Company

DKK'000	Share capital	Share premium	Retained earnings	Reserve for share-based payments	Total
December 31, 2008	7,894	561,335	-591,654	61,832	39,407
Net loss			-189,754		-189,754
Other comprehensive income			0		0
Total comprehensive income			-189,754		-189,754
Capital increase	1,122	206,049			207,171
Share-based payment				32,844	32,844
December 31, 2009	9,016	767,384	-781,408	94,676	89,668
Net loss			-120,633		-120,633
Other comprehensive income			0		0
Total comprehensive income			-120,633		-120,633
Capital increase	204	37,019			37,223
Share-based payment				4,572	4,572
December 31, 2010	9,220	804,403	-902,041	99,248	10,830

Cash Flow Statement

For the year ended December 31	Notes	Symphogen Group		Parent Company	
		2010	2009	2010	2009
		DKK'000	DKK'000	DKK'000	DKK'000
Net loss for the year before tax		-120,343	-189,662	-120,633	-189,754
Adjustments	21	16,004	42,795	15,858	42,819
Change in working capital	22	3,472	-17,117	2,582	-15,896
Cash flows before net financial items		-100,867	-163,984	-102,193	-162,831
Income tax paid		-9	0	0	0
Interest paid		-3,746	-3,742	-3,746	-3,740
Interest received		2,656	4,527	2,656	4,501
Cash flows from operating activities		-101,966	-163,199	-103,283	-162,070
Additions of property, plant and equipment		-2,855	-4,850	-2,855	-4,850
Additions of group enterprises		0	0	0	-1,817
Marketable securities bought		-36,574	-143,690	-36,574	-143,690
Marketable securities sold		104,821	116,691	104,821	116,691
Cash flows from investing activities		65,392	-31,849	65,392	-33,666
Net proceeds, share issue		37,223	207,171	37,223	207,171
Repayments of current finance leases		-9,842	-9,386	-9,842	-9,386
Repayments of loans		-2,678	-2,486	-2,678	-2,486
Cash flows from financing activities		24,703	195,299	24,703	195,299
Changes in cash and cash equivalents		-11,871	251	-13,188	-437
Net foreign exchange difference		7	-3	0	0
Cash and cash equivalents at January 1		22,628	22,380	21,943	22,380
Cash and cash equivalents at December 31		10,764	22,628	8,755	21,943

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Notes

Note

1 Accounting policies

General

The financial statements of the Symphogen Group comprise the consolidated financial statements of the parent company Symphogen A/S and its subsidiary company Symphogen Inc. The financial statements of Parent Company comprise the financial statements of Symphogen A/S. The financial statements of the Symphogen Group and the Parent Company are presented in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and additional Danish requirements to Annual Reports for a business enterprise in reporting class C cf. Danish Financial Statements Act. The reported figures in the following notes relate to Symphogen Group unless stated otherwise.

With the exception of the amendments enumerated below, the accounting policies are consistent with those of last year.

Effect from the implementation of new and revised standards issued by the IASB

Symphogen has implemented all new IFRS standards, amendments to existing standards and IFRIC interpretations, as adopted by the EU, which enter into force and effect in the financial year 2010.

The following standards and IFRIC interpretations are relevant to Symphogen and have affected the annual report for 2010:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based payment Transactions – (Amended) (Effective January 1, 2010).
- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) (Effective on July 1, 2009).

The amendments have not affected recognition or measurement but could have an impact in following years.

New and amended standards and IFRIC interpretations not yet effective

IASB has issued a number of new standards, amendments to existing standards and IFRIC interpretations, which have not yet come into force, but which will become effective in the financial year 2011 or later. New and revised standards are expected to be implemented on the effective date. The below standards, amendments to existing standards and IFRIC interpretations are expected to impact on Symphogen's future annual reports:

- IFRS 9 *Financial Instruments*. The standard may imply changed recognition of some of the business' financial assets (effective January 1, 2013, not adopted by the EU).

In addition, IASB has issued a number of new standards, amendments to existing standards and IFRIC interpretations which are not relevant to Symphogen and which are, therefore, not expected to impact on future annual reports.

General recognition and measurement criteria

The financial statements are based on the historic cost principle. Consequently, results of operations, assets and liabilities are measured as outlined below.

Income is recognized in the income statement as earned. All expenses are recognized in the income statement as incurred.

Assets are recognized in the statement of financial position when it is probable that future economic benefits will flow to Symphogen, and the value of the assets can be measured reliably.

Liabilities are recognized in the statement of financial position when it is probable that future economic benefits will flow from Symphogen, and the value of the liabilities can be measured reliably.

Note

1 Accounting policies, continued

Basic of Consolidated Financial Statements

Subsidiaries are fully consolidated from the date of inception or acquisition, being the date on which the Symphogen Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Symphogen Group loses control over a subsidiary, it will:

- Derecognize the assets and liabilities of the subsidiary;
- Derecognize the carrying amount of any non-controlling interest;
- Derecognize the cumulative translation differences, recorded in equity;
- Recognize the fair value of the consideration received;
- Recognize the fair value of any investment retained;
- Recognize any surplus or deficit in profit or loss; and
- Reclassify the parent's share of components previously recognized in other comprehensive income to profit or loss.

Investments in subsidiaries

Investments in subsidiaries are measured at the lower of cost and the recoverable amount. Potential distributed dividends are recognized in profit and loss.

Translation of foreign currency

The Annual Report is presented in Symphogen's functional currency: Danish kroner. Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the date of the transaction. Gains and losses realized between the rate of exchange at the date of the transaction and the rate of exchange at the date of payment are recognized in the income statement under "Financial income and expenses".

Monetary items denominated in foreign currencies not settled at the statement of financial position date are translated into Danish kroner at closing rates. Non-monetary items in foreign currency which are measured at cost and are not settled at the statement of financial position date are translated using the rates of exchanges at the date of the transaction.

Note

1 Accounting policies, continued

Income statement

Revenue

Revenue consists of milestone payments and other income from research and development agreements. Revenue from research, development and collaboration agreements are recognized in the income statement if the general recognition criteria are met, including that the service concerned has been provided before year-end, that the amount can be made up reliable and that it can be expected to be received. Payments that are attributable and subject to subsequent research and/or development activities are recognized as deferred revenue and will subsequently be recognized as revenue over the expected contract period. Non-refundable upfront payments are recognized as revenue at the date of assignment of rights if such payments relate to the sale of immaterial rights or if such payments are not related to Symphogen's future performance and/or the exercise of the acquired immaterial rights as described in Note 2. Milestone payments that are attributable to specific milestone events as a consequence of previous research and/or development activities are recognized as revenues at the time when it is certain that the milestone has been met. Revenue is made up exclusive of VAT and charges and net of price reductions in the form of discounts.

Research costs

Research costs include salaries, share-based payments, external development costs, expenses relating to patents and premises, other expenses, including IT and amortization/depreciation, relating to development and maintenance of Symphogen's technology platforms and to all Symphogen's product research activities before taking the decision of initiating IND enabling activities for such product candidates. Research costs are capitalized if it is sufficiently certain that the future earnings from the product can cover not only production, selling and administrative costs, but also the research costs themselves. However, Symphogen has assessed that, in view of the general risk related to the development of pharmaceutical products, such sufficient certainty cannot be obtained at the present time, and all research costs are therefore expensed in the year they are incurred. The future financial benefits relating to product development cannot be estimated with sufficient certainty, until the development has been completed and the necessary regulatory approvals have been obtained.

Development costs

Development costs include salaries, share-based payments, external development costs, expenses relating to patents and premises, other expenses, including IT and amortization/depreciation, relating to all Symphogen's product development activities following the decision of initiating IND enabling activities for such product candidate including but not limited to manufacturing, research and clinical research activities. Development costs are capitalized if it is sufficiently certain that the future earnings from the product can cover not only production, selling and administrative costs, but also the development costs themselves. However, Symphogen has assessed that, in view of the general risk related to the development of pharmaceutical products, such sufficient certainty cannot be obtained at the present time, and all development costs are therefore expensed in the year they are incurred. The future financial benefits relating to product development cannot be estimated with sufficient certainty, until the development has been completed and the necessary regulatory approvals have been obtained.

General expenses

General expenses include salaries, share-based payments, expenses relating to patents and premises, other expenses, including IT and amortization/depreciation, relating to the management, corporate and business development, and administration of Symphogen.

Other operating income and expenses

Other operating income and other operating expenses include accounts of a secondary nature relative to Symphogen's main activity, including government grants.

Government grants are recognized under "Other operating income" when the final right to the grant has vested. However, government grants based on cost reimbursement are recognized under "Research costs", "Development costs" and "General expenses".

Note

1 Accounting policies, continued

Share-based payments

Symphogen has granted warrants to employees, the Board of Directors, and non-employee consultants under various warrant programs. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these warrants. Symphogen applies IFRS2 according to which the fair value of the warrants at the grant date is recognized as an expense in the income statement over the vesting period using the Black-Scholes formula. A corresponding amount is recognized in a separate reserve under equity.

Reference is made to Note 2 “Critical accounting estimates and judgments”.

Net financial items

Financial income and expenses are recognized in the income statement at the amounts that relate to the reporting period. Net financial items include interest income and expenses, financial expenses relating to finance leases, realized and unrealized capital and exchange gains and losses on securities and foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Income tax and deferred tax

Tax for the year, which includes current tax on the year’s expected taxable income and the year’s deferred tax adjustments, is recognized in the income statement as regards the portion that relates to the net profit/loss for the year and is recognized in other comprehensive income. Current tax payables and receivables are recognized in the statement of financial position as a receivable in case too much tax on account has been paid and as a liability if too little tax on account has been paid.

Deferred tax is measured according to the statement of financial position liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, no deferred tax is recognized as regards temporary differences regarding non-depreciable (for tax purposes) goodwill or other items in respect of which temporary differences – with the exception of corporate takeovers – have occurred at the time of acquisition without any resulting effect on the net profit/loss for the year or the taxable income. Where the tax value can be made up according to alternative tax rules, deferred tax is measured on the basis of the planned use of the asset or the settlement of the obligation.

Deferred tax assets are measured at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities. Deferred tax assets are set off within the same legal tax entity and jurisdiction.

Statement of financial position

Acquired Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are measured at the fair value and recognized in the statement of financial position at the date of acquisition. Following initial recognition, acquired intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of acquired intangible assets are assessed as either finite or indefinite.

Acquired intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the acquired intangible asset may be impaired. The amortization period and the amortization method for an acquired intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the acquired intangible asset.

Note

1 Accounting policies, continued

Acquired intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains and losses arising from derecognizing acquired intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Property, plant and equipment

Property, plant and equipment include leasehold improvements, laboratory equipment and other fixtures and fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost includes the cost of acquisition and expenses directly related to the acquisition until such time when the asset is ready to be put into use. As for own-manufactured assets, the cost includes direct and indirect expenses relating to labor, materials, components and sub-suppliers.

The depreciation basis, which is made up as the cost reduced by a residual value, if any, is distributed on a straight-line basis over the expected useful life of the assets, cf. below:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-6 years	0
Lab equipment	6 years	0
Leasehold improvement	5 years	0

Gains and losses from current replacement of property, plant and equipment are reduced in or added to depreciation and impairment losses and recognized in Other Income.

Write-downs of non-current assets

The carrying amount of acquired intangible assets and property, plant and equipment and investments are reviewed on a yearly basis to identify any decreases in value other than what is reflected through normal amortization/depreciation. In case of decreases in value, the asset is written down to the lower recoverable amount. The recoverable amount for the asset concerned is made up as the higher of the net selling price and the net present value. Where it is not possible to make up the recoverable amount, the need to write down the asset concerned is assessed for the smallest group of assets in respect of which it is possible to make up the recoverable amount. Impairment losses are recognized in the income statement under "Research costs", "Development costs" and "General expenses", respectively. Assets in respect of which it is not possible to make up a net present value, since the asset does not, in itself, generate any future cash flows, are subjected to an impairment test together with the group of assets to which they relate.

Receivables

Receivables are measured in the statement of financial position at the lower of amortized cost and net realizable value, corresponding to the nominal value less provisions for bad debts, calculated by reference to an individual assessment of each account receivable.

Marketable securities

Marketable securities are measured in accordance with the fair value method. The value of the marketable securities is measured in the statement of financial position at fair value at the closing date. Management monitors and evaluates on a fair value basis and realized and unrealized gains and losses are recognized in the income statement as interest and capital gain or loss. Symphogen has implemented an investment policy which only allows for investments in Danish government notes and Danish mortgage bonds with an average duration of less than 3 years, and Symphogen receives quarterly reporting from the bank to ensure compliance.

Note

1 Accounting policies, continued

Cash

Cash include cash and cash equivalents, bank accounts and usual demand deposits.

Provisions

Provisions are recognized when, at the statement of financial position date, Symphogen has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Financial liabilities

Financial liabilities are recognized on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortized cost, using the effective interest rate method. Other debt is subsequently measured at amortized cost corresponding to the nominal unpaid debt.

Leasing

Leases concerning property, plant and equipment in respect of which Symphogen bears all significant risks and enjoys all significant benefits associated with the title to such equipment are classified as finance leases, which are recognized in the statement of financial position at the lower of the fair value and the net present value of the minimum lease payments at the time of acquisition.

The residual lease commitment, net before interest, is recognized in the statement of financial position as a liability, and the interest element of the lease payment is recognized in the income statement over the term of the lease to recognize an interest element of the outstanding residual lease commitment for the individual periods.

Assets held under finance leases are depreciated and written down over their expected useful life.

Leases in respect of which the lessor bears all significant risks and enjoys all significant benefits associated with the title to such equipment are classified as operating leases. Payments under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

Prepayments and deferred income

Prepayments recognized under "Assets" include expenses relating to subsequent reporting years. Such expenses are typically prepaid expenses regarding rent, licenses, insurance premiums, subscription fees and interest. Deferred income recognized as a liability comprises payments received concerning income in subsequent reporting years.

Cash flow statement

The cash flow statement shows Symphogen's net cash flows for the year, broken down by cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and Symphogen's cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities

Cash flows from operating activities are made up as the net profit or loss for the year, adjusted for non-cash items such as amortization/depreciation and impairment losses, provisions and changes in the working capital, interest paid and received, amounts paid regarding paid income taxes.

Cash flows from investing activities

Cash flows from investing activities comprise payments related to additions and disposals of property, plant and equipment and investments in marketable securities.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from borrowings and repayments of long-term debt.

Note

1 Accounting policies, continued

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank accounts and usual demand deposits.

The cash flow statement cannot be derived exclusively from the published accounting records.

2 Critical accounting estimates and judgments

Estimates and judgments are made regularly on the basis of historic experience and other factors, including expectations as to future events based of existing circumstances.

Recognition of Revenue

According to the International Accounting Standard (IAS) 18, "Revenue", the fair amount of received revenues and receivable revenues from research, development and collaboration agreements shall be recognized in the income statement if the general recognition criteria are met, e.g. that the service concerned has been provided before year-end, that the amount can be made up reliably and that it can be expected to be received. Due to the general uncertainty connected with the research and development of pharmaceuticals, milestones are recognized as revenues when it is certain that the complete milestone has been met. Further, non-refundable upfront payments are recognized as revenue at the date of assignment of rights if such payments relate to the sale of immaterial rights or if such payments are not related to Symphogen's future performance and/or the exercise of the acquired immaterial rights.

Calculation of fair value of warrants under IFRS 2

Symphogen applies IFRS 2 according to which the fair value of the warrants at the grant date is recognized as an expense in the income statement over the vesting period. The calculated fair value and subsequent compensation expenses are subject to significant assumptions and judgments. In public entities, the fair value is calculated using the Black-Scholes formula, which is based on the expected volatility of the public entity's share price. It is not possible to estimate the expected volatility of a non-public entity's share price. Therefore, in order to be able to use the Black-Scholes formula, Symphogen has estimated the fair value of its warrants by using the volatility of an appropriate peer group of biotechnology companies.

Before 2008, it has been assumed that all shares including the shares subscribed on the basis of warrants are free for sale and have equal rights to proceeds at the time of exercise which would be the case if Symphogen is listed on a stock exchange. Symphogen is a private entity, and Symphogen's shares are governed by a shareholders' agreement, which restricts the trading of the shares and provides different liquidation preferences rights among share classes. The estimated fair value of the warrants at the date of grant, using the Black-Scholes formula, would be reduced if it was taken into account that Symphogen might be liquidated or become subject to a trade sale before it becomes publicly listed.

After 2008, the estimated fair value of the warrants at the date of grant, using the Black-Scholes formula, has been established by assuming that Symphogen will be subject to a trade sale at a price which is equivalent to the price paid in the last finance round after having adjusted for the different liquidation preferences rights among share classes.

Note

2 Critical accounting estimates and judgments, continued

Recognition of tax assets

Symphogen has tax assets of DKK 197.9 million, which are not recognized in the statement of financial position since it has not been established with sufficient certainty whether the tax assets can be offset against future taxable income.

Recognition of internal developed "Intangible Assets"

According to the International Accounting Standard (IAS) 38, "Intangible Assets", intangible assets arising from development projects should be recognized in the statement of financial position if the criteria under IAS 38.57 are met. According to IAS 38.57 such intangible assets should be recognized if it can be documented with sufficient certainty that the future income from the development project will exceed the aggregate cost of production, development and the sale and administration of the product. Due to the general uncertainty connected with the development of pharmaceuticals, the management believes that development costs can be capitalized only if the product has been fully developed and all necessary approvals from the authorities have been obtained. As a result, the management has chosen to expense development costs in the year in which they are incurred.

Recognition of acquired "Intangible Assets"

The costs of intangible assets acquired in a business combination are measured at the fair value and recognized in the statement of financial position at the date of acquisition. The calculated fair value and relative recognition of the acquisition amount on acquired intangible assets are subject to significant assumptions and judgments due to the general uncertainty connected with the development of pharmaceuticals. As a result, the management has chosen to allocate the acquisition amount to the most mature intangible assets if the fair value of such assets at least corresponds to the consideration agreed.

3 Staff costs	Symphogen Group		Parent Company	
	2010	2009	2010	2009
	DKK'000	DKK'000	DKK'000	DKK'000
Wages and salaries	64,373	58,136	64,654	58,228
Warrant compensation expenses	4,572	32,844	4,572	32,844
Pension contributions	508	503	508	503
Other social security costs	405	386	405	386
Other staff costs	3,401	3,045	3,401	3,045
Total staff costs	73,259	94,914	73,540	95,006
Staff costs were incurred as follows				
Research costs	26,917	20,973	26,917	20,973
Development costs	29,373	36,952	29,373	36,952
General expenses	16,969	36,989	17,250	37,081
Total staff costs	73,259	94,914	73,540	95,006

Note

3	Staff costs, continued	Symphogen Group		Parent Company	
		2010	2009	2010	2009
	Remuneration to the Executive Management (1)	DKK'000	DKK'000	DKK'000	DKK'000
	Salaries	9,656	8,744	9,656	8,744
	Warrant compensation expenses	49	26,283	49	26,283
	Bonuses	1,461	1,211	1,461	1,211
	Pension contributions	190	233	190	233
	Total remuneration	11,356	36,471	11,356	36,471
	Remuneration to the Board of Directors				
	Salaries	373	373	373	373
	Warrant compensation expenses	436	1,534	436	1,534
	Total remuneration	809	1,907	809	1,907
	Average number of employees	82	79	80	78
	Number of employees at year-end	76	78	75	76

1) The Executive Management comprises payments to 6 members including 3 resigned members.

4 Depreciation

(DKK'000)	2010				2009			
	Research	Development	General	Total	Research	Development	General	Total
Laboratory equipment	3,311	3,724	0	7,035	2,916	4,754	0	7,670
Other plant and equipment	1,233	1,378	583	3,194	1,009	1,642	684	3,335
Total depreciation	4,544	5,102	583	10,229	3,925	6,396	684	11,005

Note

5	Net financial items	Symphogen Group		Parent Company	
		Carrying amount		Carrying amount	
		2010	2009	2010	2009
	Loan and receivables	DKK'000	DKK'000	DKK'000	DKK'000
	Interest income bank	51	646	51	644
	Foreign exchange gains	1,284	988	1,284	965
	Total loan and receivables	1,335	1,634	1,335	1,609
	Financial assets measured at fair value through profit or loss				
	Interest and realized and unrealized gains on marketable securities at fair value	1,321	3,496	1,321	3,496
	Total financial assets measured at fair value through profit or loss	1,321	3,496	1,321	3,496
	Total financial income	2,656	5,130	2,656	5,105
	Loans and receivables				
	Interest on debt and borrowings	131	326	131	325
	Foreign exchange gains	1,404	416	1,404	416
	Total loan and receivables	1,535	742	1,535	741
	Financial assets measured at fair value through profit or loss				
	Realized and unrealized losses on marketable securities at fair value	615	335	615	335
	Total financial assets measured at fair value through profit or loss	615	335	615	335
	Other				
	Finance lease expense	1,709	2,999	1,709	2,999
	Total other	1,709	2,999	1,709	2,999
	Total financial expense	3,859	4,076	3,859	4,075

Note

6	Income taxes	Parent Company	
		2010	2009
		DKK'000	DKK'000
	Total tax for the year	0	0
	Analysis of tax for the year:		
	Estimated 25% tax on pre-tax loss for the year	-30,158	-47,439
	Tax effect of:		
	Other non-deductible expenses	1,191	8,264
	Change in non-recognized deferred tax asset	28,967	39,175
		0	0

7	EPS and diluted EPS	Symphogen Group	
		2010	2009
		DKK'000	DKK'000
	Net loss for the year	-120,352	-189,662
	Shares outstanding	Number	Number
	Average number of shares	9,118	8,455
	Diluting effect of outstanding warrants at year end	1,296	1,253
	Average number of shares including diluting effect of warrants	10,414	9,708
		DKK	DKK
	Earnings per share for the year	-13,20	-22.43

* According to IFRS, there is no dilution effect on reported losses.

Note

8 Acquired Intangible Assets

Acquired technology and patents	2010	2009
	DKK'000	DKK'000
Costs:		0
At January 1	14,769	14,769
Acquired Intangible Assets	0	0
At December 31	14,769	14,769
Amortization and impairment:		
At January 1	0	0
Amortization and impairment	0	0
At December 31	0	0
At January 1	14,769	14,769
At December 31	14,769	14,769

The intangible assets comprise Symphogen's pan-HER ligand trap program, RBLX-242, which was acquired in 2008. The assets have been tested for impairment as of December 31, 2010. It was concluded that the assets have not been subject to impairment and that the assessment of indefinite life continues to be supportable as of December 31, 2010.

Note

9 Property, plant and equipment

(DKK'000)	Leasehold improvement	Laboratory equipment	Other equipment	Total
Cost				
Cost at December 31, 2008	628	49,934	17,524	68,086
Additions in the year	0	5,169	2,657	7,826
Disposals in the year	0	0	0	0
Cost at December 31, 2009	628	55,103	20,181	75,912
Additions in the year	0	1,776	1,078	2,854
Disposals in the year	0	-2,392	-1,830	-4,222
Cost at December 31, 2010	628	54,487	19,429	74,544
Depreciation and impairment losses				
Depreciation and impairment losses at				
December 31, 2008	96	23,545	11,159	34,790
Depreciation in the year	116	7,671	3,219	11,016
Depreciation on disposals in the year	0	0	0	0
Depreciation and impairment losses at				
December 31, 2009	212	31,216	14,378	45,806
Depreciation in the year	125	7,036	3,068	10,229
Depreciation on disposals in the year	0	-2,392	-1,830	-4,222
Depreciation and impairment losses at				
December 31, 2010	337	35,860	15,616	51,813
Carrying amount at December 31, 2009	416	23,887	5,803	30,106
Carrying amount at December 31, 2010	291	18,627	3,813	22,731
Carrying amount of assets held under finance leases, included in the total carrying amount at December 31, 2009				
	0	20,485	4,487	24,972
Carrying amount of assets held under finance leases, included in the total carrying amount at December 31, 2010				
	0	14,229	2,208	16,437

Note

10 Investments in Group Enterprises

	2010	2009
	DKK'000	DKK'000
Investments in group enterprises		
Cost at January 1	1,817	0
Additions of enterprises	0	1,765
Cost at December 31	1,817	1,765
Adjustments		
Exchange adjustments	148	52
Carrying amount at December 31	1,965	1,817

Subsidiaries:

Name	Registered office	Ownership interest (%)	Share capital	Equity	Net profit
Symphogen Inc.	Delaware, U.S.	100	USD 0.01	USD 467,045	USD -99,911

11 Share capital

At December 31, 2010, Symphogen's share capital was DKK 9,219,683 divided into 9,219,683 shares of DKK 1 each. The share capital is distributed between 6 share classes as follows:

	2010	2009
	DKK	DKK
Analysis of Symphogen's share capital		
1,559,382 Class A shares of DKK 1 each	1,559,382	1,559,382
797,049 Class B shares of DKK 1 each	797,049	797,049
2,500,000 Class C shares of DKK 1 each	2,500,000	2,500,000
617,938 Class D shares of DKK 1 each	617,938	613,838
2,431,639 Class E shares of DKK 1 each	2,431,639	2,431,639
1,313,675 Class F shares of DKK 1 each	1,313,675	1,113,592
Total	9,219,683	9,015,500

Note

11 Share capital, continued

Each class A, B, C, D, E and F share amount of DKK 1 entitles the holder to cast one vote at general meetings in Symphogen.

In the event of a sale or dissolution of Symphogen, class F shares enjoy liquidation preferences over class E shares, which enjoy liquidation preferences over class C shares, which enjoy liquidation preferences over class A shares, which enjoy liquidation preferences over class B shares, which enjoy liquidation preferences over class D shares.

All shareholders are registered with Symphogen. The following investors hold more than 5% of Symphogen's shares:

- Essex Woodlands Health Ventures Fund V, L.P., Palo Alto, California, U.S.
- Essex Woodlands Health Ventures Fund VI, L.P. Palo Alto, California, U.S.
- Lønmodtagernes Dyrtdidsfond, Copenhagen, Denmark
- Novo A/S, Bagsvaerd, Denmark
- Danske Bank A/S, Copenhagen, Denmark
- Sunstone Capital, Copenhagen, Denmark
- Coöperatieve Gilde Healthcare II U.A., Utrecht, the Netherlands

12 Deferred tax

	2010	2009
	DKK'000	DKK'000
Tax asset	197,878	168,911
Write-down at estimated value	-197,878	-168,911
Carrying amount	0	0

A tax rate of 25% has been applied to the statement of deferred tax. At December 31, 2010, Symphogen had a negative deferred tax of DKK 197,878 thousands.

Note

12 Deferred tax, continued

Analysis of the deferred tax asset:

	2010	2009
Analysis of the tax asset:	DKK'000	DKK'000
Property, plant and equipment	1,673	2,012
Marketable securities	0	-30
Acquired technology, patents and other rights	-1,055	-527
Tax loss carry-forward	197,260	167,456
Total	197,878	168,911

Tax losses can be carried forward infinitely subject to the general rules on limited deductibility due to ownership changes. Due to uncertainty as regards the possibility of utilizing the negative deferred tax basis, the amount has not been capitalized.

13 Loan, Vækstfonden

	2010	2009
	DKK'000	DKK'000
Payable		
Within 1 year	639	2,800
Between 1 and 5 years	0	639
After more than 5 years	0	0
Total	639	3,439
Future interest on loan, Vækstfonden	0	-122
Net present value of loan, Vækstfonden	639	3,317
Net present value of loan, Vækstfonden		
Within 1 year	639	2,678
Between 1 and 5 years	0	639
After more than 5 years	0	0
Total	639	3,317

Details on guaranties and securities in respect of loans are given in Note 17.

Note

14 Finance and operating leases

	2010	2009
	DKK'000	DKK'000
Commitments under finance leases – minimum payment:		
Total future finance lease payments		
Within 1 year	9,355	12,205
Between 1 and 5 years	17,448	26,140
After more than 5 years	0	0
Total	26,803	38,345
Future costs of finance leases	-2,501	-4,201
Net present value of finance leases	24,302	34,144
Net present value of finance leases		
Within 1 year	8,158	10,496
Between 1 and 5 years	16,144	23,648
After more than 5 years	0	0
Total	24,302	34,144

Symphogen's finance leases relate to computer, office and lab equipment. The lease includes a purchase option at the end of the lease term. Where the option is expected to be exercised, payment for exercising the option will be included in the statement of total lease payments.

Symphogen's operating leases relate to cars to the members of executive management and are recognized as an expense in the income statement. Operating leases amounted to DKK 119 thousand in 2010 as compared to DKK 220 thousand in 2009. The future commitments under operating leases are set-out below.

Commitments under operation leases

	2010	2009
	DKK'000	DKK'000
Within 1 year	68	119
Between 1 and 5 years	56	124
After more than 5 years	0	0
Total future operating lease payments:	124	243

Note

15	Financial instruments	Symphogen Group		Parent Company	
		2010	2009	2010	2009
		DKK'000	DKK'000	DKK'000	DKK'000
	Categories of financial assets and liabilities according to IAS 39, carrying amount:				
	Loans and receivables				
	Other receivables	9,905	6,267	9,905	6,267
	Cash	10,764	22,628	8,755	21,943
	Total loans and receivables	20,669	28,895	18,660	28,210
	Financial assets measured at fair value through profit or loss				
	Marketable securities	6,583	74,943	6,583	74,943
	Total financial assets	6,583	74,943	6,583	74,943
	Financial liabilities measured at amortized cost				
	Loan, Vækstfonden	639	3,317	639	3,317
	Finance lease commitments	24,302	34,144	24,302	34,144
	Trade payables	13,731	6,469	11,661	6,469
	Other payables	15,352	16,644	15,352	16,525
	Payables to group enterprises	0	0	2,404	1,341
	Total financial liabilities	54,024	60,574	54,358	61,796

The carrying amount is a reasonable approximation of fair value.

Cash, receivables, trade and other payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Long term liabilities such as loan to Vækstfonden and finance lease commitments are not materially different from their calculated fair values. The fair value of bonds is based on price quotations at the reporting date.

The fair value hierarchy is made up of three levels of input based on the relative reliability of the input in the method used to estimate fair value. Officially quoted prizes on an active market for identical assets or liabilities are the most reliable input and belong to level 1. Non-observable market input based on reporting assumptions is the least reliable input and belong to level 3. According to IFRS 7, bonds belong to level 1 in the fair value hierarchy, which are the only financial instrument at fair value the company has.

Note

16 Fees to auditors appointed by the Annual General Meeting of shareholders

	2010	2009
	DKK'000	DKK'000
Fees for statutory audit	235	235
Fees for other assurance engagements	85	77
Fees for Tax advice	35	35
Fee for non-audit services	26	95
Total fees	381	442

17 Security for loans, contingent assets and liabilities and other financial obligations

	2010	2009
	DKK'000	DKK'000
Contingent assets		
Symphogen has an unutilized tax asset worth DKK 197,878 thousand. The amount is not recognized in the statement of financial position.		
Other financial obligations		
Obligations under operating leases relating to cars	124	243
Obligations under finance leases relating to lab equipment and other fixtures and fittings, tools and equipment	26,803	38,345

Security for loans

The loan from Vaekstfonden, mentioned in Note 13 is secured upon the project "Polyclonal Antibodies".

Note

18 Related party transactions

Terms and conditions of transactions with subsidiaries

The financial statements include the financial statements of the Symphogen Group and the U.S. subsidiary, Symphogen Inc. In 2010, the transactions between Symphogen Inc. and Symphogen A/S comprised reimbursement of Symphogen Inc.'s salary and other administrative expenses only, total DKK 4.4 million. The reimbursement is made at terms equivalent to those that prevail in arm's length transactions.

Terms and conditions of transactions with other related parties

Symphogen's related parties include members of the Board of Directors and the Executive Management and their family members. Related parties further include enterprises in which the above-mentioned parties hold significant interests.

Besides paying the usual salary and granting warrants to the Executive Management and the Board of Directors as further described in Note 3 and Note 19, Symphogen has not carried through any transactions with Symphogen's related parties.

19 Share-based payments

Warrant scheme

Symphogen has established warrant schemes as an incentive for all Symphogen employees, members of the Board of Directors and the Executive Management as well as certain external consultants.

Warrants are granted by the Board of Directors in accordance with authorizations given to it by Symphogen's shareholders. To date, all full time employees have been granted warrants in connection with their employment. The most recent warrant scheme was adopted by the Board of Directors in January 2009. Under this scheme, vested warrants may be exercised for a period of ten years from the grant date, provided that the exercise may only be carried out in a period of three weeks following the publication of Symphogen's financial statements in each of the respective years. However, in cases where the employment or consultancy relationship is terminated by the warrant holder without Symphogen providing a good reason to do so, the warrant holder will be entitled to exercise all vested warrants within one month from the date of termination at which point all non exercised warrants will lapse without further compensation.

Warrant activity

Symphogen had a total of 1,295,643 warrants outstanding at December 31, 2010, equivalent to 12.3% of the shares at a fully diluted basis. The following schedule specifies the warrant grants. The classification of warrant holders has been updated to reflect the current status of the individual warrant holders; i.e. if an external consultant has been granted warrants and subsequently becomes employed by Symphogen, he/she will be included in the "employees" category. As a result, the updated totals of individual groups may differ from the information disclosed in previously published financial statements.

Note

19 Share-based payments, continued

Analysis of movements in warrants granted by Symphogen:

	Board of Directors	Executive Management	Employees	Other	Total	Average Exercise price
Outstanding at January 1, 2009	124,438	520,000	133,825	470,509	1,248,772	23.20
Granted during the period	31,036	110,000	47,550	87,950	273,536	67.56
Exercised during the period	-	-	-	-7,678	-7,678	5.03
Expired during the period	- 4,000	-110,000	-10,300	-237,772	-237,772	74.38
Outstanding at December 31, 2009	151,474	520,000	171,075	434,309	1,276,858	23.28
Outstanding at January 1, 2010	151,474	520,000	171,075	434,309	1,276,858	23.28
Granted during the period	27,660	50,000	67,275	75,500	220,435	33.70
Exercised during the period	-	-	-	-4,100	-4,100	1.71
Expired during the period	-	-	-14,000	-183,550	-197,550	39.01
Outstanding at December 31, 2010	179,134	570,000	224,350	322,159	1,295,643	22.73

Value of outstanding warrants

The following table summarizes the exercise price and value of outstanding warrants at December 31, 2010. The market value has been determined in DKK millions as of December 2010 using the Black-Scholes formula, applying a dividend of DKK 0 per share, a risk-free interest rate of 2.08%, a date of exercise as stated below, share price of DKK 212.42 per B share and DKK 26.94 per D share and a volatility rate of 54.78%, equivalent to the average volatility rate as of December 2010, for a peer group comprising a number of international antibody platform companies and Danish biotech companies. The market value of the outstanding warrants equals DKK 48.5 million at December 31, 2010, as compared to DKK 47.1 million at December 31, 2009.

Note

19 Share-based payments, continued

Symphogen's total outstanding warrants at December 31, 2010

	Exercise price	Outstanding warrants	Expiration date (month-year)	Market value per warrant in DKK	Market value in DKK in 2008
Board of Directors	1	12,470	Apr-15	22.82	284,586
	1	10,219	Aug-15	22.83	233,281
	1	2,000	Mar-16	22.84	45,681
	1	20,000	Dec-16	22.86	457,106
	6	17,139	Sep-16	19.56	335,209
	6	6,984	Dec-16	19.64	137,171
	15	20,958	Dec-17	16.34	342,544
	15	6,986	Apr-18	16.52	115,425
	30	23,682	Dec-18	13.57	321,405
	30	27,036	Dec-19	14.30	386,510
	62	2,000	Dec-19	10.64	21,289
	120	2,000	Dec-19	136.22	272,432
	25	27,660	Dec-20	15.75	435,733
		179,134			3,388,372
Executive Management	1	61,000	Mar-16	22.84	1,393,264
	6	119,000	Mar-16	19.45	2,314,673
	6	180,000	Dec-17	19.88	3,577,580
	15	50,000	Mar-18	16.45	822,490
	82.5	110,000	Dec-19	147.15	16,186,980
	30	50,000	Apr-20	14.52	725,853
		570,000			25,020,840
Employees	1	17,400	Apr-15	22.82	397,096
	1	14,400	Aug-15	22.83	328,725
	6	26,700	Sep-16	19.56	522,206
	15	28,700	Sep-17	16.16	463,701
	30	22,375	Dec-18	13.57	303,667
	30	37,200	Dec-19	14.30	531,816
	120	10,300	Dec-19	136.22	1,403,026
	25	54,175	Dec-20	15.75	853,428
	120	13,100	Dec-20	139.82	1,831,631
		224,350			6,635,295
Other (consultants, founders, former employees)	1	28,840	Apr-15	22.82	658,176
	1	35,430	Aug-15	22.83	808,800
	1	50,000	Mar-16	22.84	1,142,020
	6	40,000	Mar-16	19.45	778,042
	6	32,143	Sep-16	19.56	628,662
	6	11,021	Sep-17	19.80	218,252
	15	18,200	Sep-17	16.16	294,054
	15	15,000	Mar-18	16.45	246,747
	15	10,000	Apr-18	16.52	165,224
	15	20,000	Nov-18	16.80	336,089
	30	4,475	Dec-18	13.57	60,733
	30	1,750	Dec-19	14.30	25,018
	82.5	50,000	Dec-19	147.15	7,357,718
	120	4,800	Dec-19	136.22	653,837
	120	500	Dec-20	139.82	69,910
			322,159		
Total		1,295,643			48,487,791

Note

19 Share-based payments, continued

Symphogen had 1,295,643 warrants outstanding of which 1,036,744 warrants were fully vested as of December 31, 2010. In general, warrants granted to employees, the Board of Directors and non-employee consultants are considered as granted and fully vested at the time of grant whereas the vesting of warrants granted to the Executive Management is subject to specific development milestones of Symphogen.

Compensation expenses relating to warrants

Symphogen accounts for share-based payments by recognizing compensation expenses related to warrants granted to employees, board members and non-employee consultants in the income statement. Symphogen applies IFRS 2 according to which the fair value of the warrants at the grant date is recognized as an expense in the income statement over the vesting period. A corresponding amount is recognized in a separate reserve under equity.

The fair value of the warrants has been determined as of the grant date using the Black-Scholes formula, applying a share price as of the grant date and a volatility rate which was equivalent to the average volatility rate over the previous year for a peer group comprising a number of international antibody platform companies and Danish biotech companies.

Compensation expenses under IFRS 2 totaled DKK 4.6 million in 2010, compared to DKK 32.8 million in 2009. Such compensation expenses represent calculated values of warrants granted and do not represent actual cash expenditures.

The following table lists the input to the Black-Scholes formula used for the grant of warrants in 2009 and in 2010. Reference is made to Note 2 "Critical accounting estimates and judgments".

Grant date	12-31-09	12-31-09	12-31-09	12-31-09	04-28-10	12-31-10	12-31-10
Share class	D	B	B	B	D	D	B
Dividends	0%	0%	0%	0%	0%	0%	0%
Share price	24.48	206.12	206.12	206.12	24.48	26.94	212.42
Exercise price	30	62	82.50	120	30	25	120
Expiration date	12-31-19	12-31-19	12-31-19	12-31-19	04-28-20	12-31-20	12-31-20
Risk free rate	3.03%	3.03%	3.03%	3.03%	2.43%	2.08%	2.08%
Volatility	53.72	53.72	53.72	53.72	54.60	54.78	54.78
Value of 1 warrant	13.40	152.74	146.35	136.56	13.14	15.75	139.82

Note

20 The Board of Directors' and the Executive Management's shareholdings in Symphogen.

On December 31, 2010, the Board of Directors and the Executive Management held the following shareholdings in Symphogen:

	Number of shares
Board of Directors (1)	0
Executive Management (2)	220,000
Total (3)	220,000

1) Shares held by the CEO are included in the Executive Management.

2) The Executive Management consists of 3 persons, including the CEO.

3) Equivalent to 2.1% of the outstanding share capital fully diluted.

21 Adjustments, cash flow statement

	Symphogen Group		Parent Company	
	2010	2009	2010	2009
	DKK'000	DKK'000	DKK'000	DKK'000
Amortization/depreciation	10,229	11,005	10,229	11,005
Expensed value of share-based payments	4,572	32,844	4,572	32,844
Financial income	-2,656	-5,130	-2,656	-5,105
Financial expenses	3,859	4,076	3,859	4,075
Net foreign exchange (gain)/loss	0	0	-147	0
Total changes	16,004	42,795	15,857	42,819

22 Changes in working capital, cash flow statement

	Symphogen Group		Parent Company	
	2010	2009	2010	2009
	DKK'000	DKK'000	DKK'000	DKK'000
Changes in receivables	-2,499	2,033	-2,499	2,033
Changes in trade payables	7,263	-19,280	5,192	-19,280
Changes in other payables	-1,292	130	-1,174	9
Changes in payables to group enterprises	0	0	1,063	1,341
Total changes in working capital	3,472	-17,117	2,582	-15,896

Note

23 Government grants

Symphogen has been awarded a USD 4.6 million grant by the U.S. National Institute of Allergy and Infectious Disease (NIAID) at the National Institutes of Health (NIH) for the preclinical scale-up and development of Sym002. This grant is recorded as a cost reduction and is not included in reported revenues. The grant is paid to Symphogen in quarterly installments. At the end of 2010, Symphogen had received a total of DKK 24.7 million under this grant. The payments received are recognized as a cost reduction when the actual costs have been incurred. The balance, if any, is taken to the statement of financial position under "Trade payables". At the end of 2010 Symphogen had recorded DKK 2.5 million under "Trade payables".

24 Financial risk management objectives and policies

Symphogen is exposed to certain financial risk factors including credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of financial loss to Symphogen if a debtor or counterparty fails to meet its contractual obligations. Symphogen has no accruals for loss on receivables from trade sale. To minimize the credit risk Symphogen has placed its marketable securities in a deposit and its cash and cash equivalents with Danske Bank which has a high credit rating. The maximum risk corresponds to the carrying amount.

Liquidity risk

Liquidity risk is the risk that Symphogen will not be able to meet its financial obligations as they fall due. The maturity profile of Symphogen's financial liabilities is based on contractual undiscounted payments, cf. Note 14 "Finance and operating leases" and Note 15 "Financial instruments". The liquidity risk is managed through a 3-year cash budget which is updated quarterly.

Market risk

Market risk is the risk that changes in the market price, such as changes in the exchange rate and interest rate will affect Symphogen's income.

Foreign currency risk

Symphogen is exposed to currency risks since its income and expenses are denominated in a number of different currencies. Symphogen's revenues are mainly generated in EUR and USD whereas the majority of Symphogen's internal expenses are incurred in DKK. The most significant cash flows for Symphogen on a quantity-basis are, in descending order, DKK, EUR, and USD. The payments under the grant from NIH are in USD. The currency risks relating to the NIH funding and project costs have been partly eliminated since a major part of the preclinical work has been outsourced to a U.S. based contract manufacturing organization. The payments under the agreement with Biovitrum and Meiji have been agreed in EUR, not currently deemed to constitute a currency exposure in terms of translation into DKK. The milestone payments under the agreement with Genentech have been agreed in USD whereas payments relating to research funding at Symphogen have been agreed EUR. The Symphogen Group had no derivatives as of December 31, 2010, since the Symphogen Group does not use derivative financial instruments to hedge against risks of losses in relation to foreign exchange rate movements.

Interest rate risk

Symphogen's exposure to interest rate risks primarily relates to the position of cash, cash equivalents and marketable securities since Symphogen has no significant interest-bearing debt. The objective of Symphogen's investment activities is to preserve Symphogen's capital while at the same time maximizing the income derived from security investment without significantly increasing the risk. To minimize the interest rate risk, Symphogen has implemented a conservative investment policy which only allows investments in Danish government notes and Danish mortgage bonds with an average duration of less than 3 years. Due to the type and the short-term nature of the current investments, Symphogen considers its current exposure to interest rate risk to be immaterial.

Note

24 Financial risk management objectives and policies, continued

Capital management

Symphogen does not have any products on the market and is dependent on its ability to raise capital from financial investors and through partnerships for purposes of its continued development.

Symphogen attempts to control these risks by establishing a broad and internationally recognized group of financial investors. Since its inception, Symphogen's has raised a total of DKK 813.6 million (EUR 109.1 million) from American, European and Japanese investors. Furthermore, Symphogen has received grants from the U.S. government as well as payments and research funding through collaboration agreements with American, European and Japanese biopharmaceutical companies.

The majority of Symphogen's equipment is financed through finance leases.

Symphogen's three year rolling liquidity forecast is updated quarterly in order to plan for future financial rounds. The marketable securities, cash and cash equivalents at December 31 are set out in the table below.

Year	Symphogen Group		Parent Company	
	2010	2009	2010	2009
	DKK '000	DKK '000	DKK '000	DKK '000
Marketable securities	6,583	74,943	6,583	74,943
Cash and cash equivalents	10,764	22,629	8,755	21,943
Total	17,347	97,572	15,338	96,886

Note

25 Significant events after the end of the financial year

In January 2011, Symphogen announced that it closed a EUR100 million placement of preferred stock to a group of investors of which EUR 34 million was paid in at closing. The balance is scheduled to be paid in over two equal tranches subject to certain development milestones and the approval by the Board of Directors. The EUR 100 million raised is the largest ever financing for a private European biotech company. Novo A/S led the round. The Danish Pension Fund PKA joined as another new investor and Essex Woodlands Fund VIII joined previous investments made by Funds V and VI.

26 Exchange Rates

Exchange rates	31/12 2010	31/12 2009
DKK per USD 100	561.33	519.01
DKK per EUR 100	745.44	744.14

Definitions

ADP	anti-Rhesus D prophylaxis of hemolytic disease of the newborn.	Hyperimmune Immunglobulin	a diverse array of antibodies isolated from newly vaccinated donors or donors recovering from relevant disease.
Affinity	the binding strength with which antibodies attach to antigens.	Idiopathic	the cause of the disease or disorder is not known.
Antibody	a circulating immune system molecule (protein) produced by B cells which specifically recognizes and binds foreign molecules entering into the body (antigens).	IND (Investigational New Drug)	a permission to ship and test an experimental drug in the U.S. before a marketing application has been approved. The FDA reviews and approves the IND application for safety, before the drug enters clinical trial trials.
Antigen	the foreign substance which elicits an immune response and which is recognized by antibodies. One antigen may contain several regions where different antibodies may bind (epitopes).	ITP	Idiopathic/Immune Thrombocytopenic Purpura.
CMC	Chemistry, Manufacturing and Controls issues and requirements to documentation and the manufacturer of pharmaceutical products at set by regulatory agencies.	KRAS	a protein, which is involved in many signal transduction pathways. When mutated KRAS is an oncogene, which also predicts lack of response to EGFR inhibitors.
EMEA	European Medicines Agency.	Ligand	a substance that forms a complex with a biomolecule to serve a biological purpose. In a narrower sense, it is a signal triggering molecule, binding to an epitope on a receptor, and may be a peptide (short protein) or other small molecule, such as a neurotransmitter, a hormone, a pharmaceutical drug, or a toxin.
Epidermal growth factor receptor, EGFR	The epidermal growth factor receptor (also EGFR; ErbB-1; HER-1) is a member of the of four closely related receptor tyrosine kinases: EGFR (HER-1; ErbB-1), HER2/c-neu (ErbB-2), Her 3 (ErbB-3) and Her 4 (ErbB-4). Mutations that lead to EGFR overexpression (known as upregulation) or overactivity have been associated with a number of cancers, including lung cancer and colon cancer.	Metastatic cancer	When a cancer spreads (metastasizes) from its original site to another area of the body, it is termed metastatic cancer.
Epitope	a molecular region on the surface of an antigen capable of eliciting an immune response and of combining with the specific antibody produced by such a response.	Mixture of monoclonal antibodies	A mixture of monoclonal antibodies with different variable regions produced by genetic engineering in separate batches and subsequently mixed.
FDA	U.S. Food and Drug Administration.	Monoclonal antibodies	completely identical antibodies, all reacting with the same antigen at the same binding site (epitope).
Hemolytic (Hemolysis)	hemo, meaning blood, -lysis, meaning to break open - is the breaking open of red blood cells and the release of hemoglobin into the surrounding fluid.	NIAID	U.S. National Institute of Allergy and Infectious Diseases.

NIH	U.S. National Institute of Health.
Normal Immuno-globulin	a diverse array of antibodies isolated from the blood of healthy donors.
Prophylaxis	measures designed to preserve health and prevent the spread of disease : protective or preventive treatment.
Purpura	purple dots on the skin or purple bruises on the mucus membranes (for example, in the mouth).
Receptor	a protein molecule, embedded in either the plasma membrane or the cytoplasm of a cell, to which one or more specific kinds of ligands may attach. Many functions of the human body are regulated by these receptors responding uniquely to specific ligands.
Recombinant	produced by genetic engineering.
Recombinant polyclonal antibodies	A mixture of monoclonal antibodies with different variable regions produced by genetic engineering in one batch.
Rhesus D	a major cause of Hemolytic disease in newborns is an incompatibility of the Rh blood group between the mother and fetus. Most commonly, HDN is triggered by the D antigen, although other Rh antigen types, such as c, C, E, and e, can also cause problems.
Specificity	the binding preference of an antibody.
Thrombocytopenic	a lower-than-normal number of platelets in the blood.
Vaccinia virus	the virus used for vaccination against smallpox.

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Symphogen invites all shareholders and other stakeholders to register for our e-mail service to receive notification of press releases when released. This can be done directly at www.symphogen.com under News.

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noise
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noise