Affimed N.V.

Amsterdam, The Netherlands

Annual Report 2015

Contents

Forward-Looking Statements

This Annual Report contains statements that constitute forward-looking statements. Many of the forward-looking statements contained in this Annual Report can be identified by the use of forward-looking words such as “anticipate,” “believe,” “could,” “expect,” “should,” “plan,” “intend,” “will,” “estimate” and “potential,” among others.

Forward-looking statements appear in a number of places in this Annual Report and include, but are not limited to, statements regarding our intent, belief or current expectations. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors, including, but not limited to, those identified under the section “Risk Management” in this Annual Report.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

Report by Affimed's Management Board

Overview

We are a clinical-stage biopharmaceutical company focused on discovering and developing highly targeted cancer immunotherapies. Our product candidates are being developed in the field of immuno-oncology, which represents an innovative approach to cancer treatment that seeks to harness the body's own immune defenses to fight tumor cells. The most potent cells of the human defense arsenal are types of white blood cells called Natural Killer cells, or NK-cells, and T-cells. Our proprietary, next-generation bispecific antibodies, which we call TandAbs because of their tandem antibody structure, are designed to direct and establish a bridge between either NK-cells or T-cells and cancer cells. Our TandAbs have the ability to bring NK-cells or T-cells into proximity and trigger a signal cascade that leads to the destruction of cancer cells. Due to their novel tetravalent architecture (which provides for four binding domains), our TandAbs bind to their targets with high affinity and have half-lives that allow regular intravenous administration. We believe, based on their mechanism of action and the preclinical and clinical data we have generated to date, that our product candidates, alone or in combination, may ultimately improve response rates, clinical outcomes and survival in cancer patients and could eventually become a cornerstone of modern targeted oncology care.

Affimed was founded in 2000 based on technology developed by the group led by Professor Melvyn Little at Deutsches Krebsforschungszentrum, the German Cancer Research Center, or DKFZ, in Heidelberg.

We have focused our research and development efforts on five proprietary programs for which we retain global commercial rights. Because our TandAbs bind with receptors that are known to be present on a number of types of cancer cells, each of our TandAb product candidates could be developed for the treatment of several different cancers. We intend to initially develop our two clinical stage product candidates in orphan or high-medical need indications, including as a salvage therapy for patients who have relapsed after, or are refractory to, that is who do not respond to treatment with, standard therapies, which we refer to as relapsed/refractory. These patients have a limited life expectancy and few therapeutic options. We believe this strategy will allow for a faster path to approval and will likely require smaller clinical trials compared to indications with more therapeutic options and larger patient populations. We believe such specialized market segments in oncology can be effectively targeted with a small and dedicated marketing and sales team. We currently intend to establish a commercial sales force in the United States and/or Europe to commercialize our product candidates when and if they are approved. We are also active in preclinical development with our collaborator Amphivena Therapeutics, Inc.

Our offices and laboratories are located at the Technology Park adjacent to the DKFZ in Heidelberg, where we employ 45 personnel, approximately 70% of whom have an advanced academic degree. Including AbCheck and Affimed Inc. personnel, our total headcount is 71 (64 full time equivalents). We are led by experienced executives with a track record of successful product development, approvals and launches, specifically of biologics. Our supervisory board includes highly experienced experts from the pharmaceutical and biotech industries, with a specific background in hematology. Affimed has attracted investments from top-tier venture capital firms, including Aeris Capital, BioMedInvest, Life Sciences Partners, the venture capital arm of Novo Nordisk A/S, OrbiMed and prominent public health care specialist funds.

In 2009, we formed AbCheck, our 100% owned, independently run antibody screening platform company, located in the Czech Republic. AbCheck is devoted to the generation and optimization of fully human antibodies. Its technologies include a combined phage and yeast display antibody library and a proprietary algorithm to optimize affinity, stability and manufacturing efficiency. AbCheck also uses a super human library as well as their newly developed mass humanization technology to discover and optimize high-quality human antibodies. In addition to providing candidates for Affimed projects, AbCheck is recognized for its expertise in antibody discovery throughout the United States and Europe and has been working with globally active pharmaceutical companies such as Eli Lilly, Daiichi Sankyo, Pierre Fabre and others.

We have recently established a subsidiary, Affimed Inc., in the U.S. with senior employees in investor relations, business development and corporate strategy, as well as a senior clinical function.

Business Overview

Our Strategy

Our goal is to engineer targeted immunotherapies, seeking to cure patients by harnessing the power of innate and adaptive immunity (NK- and T-cells). We are developing single and combination therapies to treat cancers and other life-threatening diseases. For this, we have developed an entirely novel antibody platform that delivers two different types of next-generation antibodies, bispecific TandAbs and Trispecific Abs. Based on the unique properties and mechanism of action of these products and supported by the preclinical and clinical data we have generated to date, we believe that our product candidates, alone or in combination, may ultimately improve clinical outcomes in cancer patients and could eventually become a key element of modern targeted oncology care. Key elements of our strategy to achieve this goal are to:

- ***Rapidly Advance the Development of our Clinical Stage Product Candidates, including Combinations with Other Immunotherapies***. Our product development strategy initially targets relapsed or refractory cancer patients who have limited therapeutic alternatives, which we believe will enable us to utilize an expedited regulatory approval process. We have initiated a phase 1b clinical trial to investigate AFM13 in combination with pembrolizumab (KEYTRUDA®) in HL patients that have relapsed after or are refractory to chemotherapy and Adcetris with an IND active and the first sites opened and recruiting. We anticipate to provide a first update on the study by the end of 2016 or in the first quarter 2017. In the second quarter of 2015, a phase 2a proof of concept trial of AFM13 as a monotherapy was initiated by the German Hodgkin Study Group (GHSG) in HL patients that have received all standard therapies and have relapsed after or are refractory to Adcetris. This phase 2a trial is ongoing and recruiting. We are also supporting an investigator-sponsored phase 1b/2a clinical trial of AFM13 in patients with CD30+ lymphoma conducted by Columbia University for which Columbia submitted an IND to the FDA that has since become effective. For AFM11, we have begun a phase 1 dose escalation study designed to evaluate safety and tolerability and to potentially assess anti-tumor activity after four weeks of therapy in NHL patients. The phase 1 clinical trial is ongoing and recruiting with a modified dose regimen. The amended study protocol was approved by the applicable regulatory authorities in the third quarter of 2015. We expect to report first data from this phase 1 trial by the end of 2016. The Company will also investigate AFM11 in acute lymphocytic leukemia (ALL) with a Phase 1 study anticipated to be initiated in the third quarter of 2016.

- ***Establish R&D and Commercialization Capabilities in Europe and in the United States*** We plan to retain rights for all of our product candidates, although in the future we may enter into additional collaborations that provide value for our shareholders. We intend to build a focused marketing and specialty sales team in Europe and in the United States to commercialize any of our product candidates that receive regulatory approval. We have established a U.S. presence in order to expand our access to the talent pool, maintain better control over our studies conducted in North America, maintain and expand our scientific and medical network, further increase our interaction with the FDA and maintain a close relationship to the financial community.

- ***Use Our Technology Platforms and Intellectual Property Portfolio to Continue to Build our Cancer Immunotherapy Pipeline***. We generate our product candidates from our proprietary antibody engineering technology platforms consisting of NK-cell TandAbs, T-cell TandAbs and Trispecific Abs. We plan to continue to leverage these technologies to develop new pipeline product candidates. We believe we can utilize our platforms to address additional targets that we may in-license in the future or identify internally. We intend to continue to innovate in our field and create additional layers of intellectual property in order to enhance the platform value and extend the life cycle of our products. We believe our strong intellectual

property position can be used to support internal development as well as out-licensing and collaboration opportunities.

- ***Maximize the Value of our Collaboration Arrangements with LLS, Amphivena and Merck.*** We have a research agreement with LLS under which LLS has committed to co-fund up to $4.4 million over two years for the phase 2a monotherapeutic development of AFM13. We believe that this collaboration will also allow us to expedite patient enrollment for future trials by leveraging the LLS's existing relationships with key U.S. investigators. In 2013, we entered into a license and development agreement with Amphivena, which amended and restated a 2012 license agreement, to develop a CD33/CD3 TandAb candidate for AML in exchange for an interest in Amphivena and certain milestone payments. Amphivena has entered into an agreement with Janssen under which Janssen has the option to acquire Amphivena upon predetermined terms following acceptance by the FDA of an IND filing for the product candidate. Affimed has successfully reached its first three milestones, including the selection and acceptance of a development candidate. The third milestone was achieved in the first quarter of 2015. In January 2016, we entered into a clinical research collaboration with Merck & Co to investigate the combination of Merck's anti PD-1 therapy, KEYTRUDA® (pembrolizumab), with AFM13 for the treatment of patients with relapsed/refractory HL. We believe that these collaborations help to validate and more rapidly advance our discovery efforts, technology platforms and product candidates, and will enable us to leverage our platforms through additional high-value partnerships. As part of our business development strategy, we aim to enter into additional research collaborations in order to derive further value from our platforms and more fully exploit their potential.

- ***Intensify our Collaboration with Academia***. We have entered into collaborations with the German Hodgkin Study Group, Stanford University, the Mayo Clinic, the Columbia University, as well as with the German Cancer Research Center DKFZ. We finalized the establishment of a Scientific Advisory Board in the first half of 2015 and strengthened it through addition of Dr. Andrew Evens in early 2016. We will continue to engage with key experts in our areas of interest with activities such as our Hodgkin Lymphoma KOL Day in January 2016.

- ***Utilize AbCheck to Generate and Optimize Antibodies***. We formed AbCheck in 2009 to leverage our antibody screening platform and partner with other biopharmaceutical companies in fee-for-service engagements. We use AbCheck's state-of-the-art phage and yeast display screening technologies as well as a proprietary batch humanization process and bioinformatics tools to identify and optimize antibodies that are highly specific for the targets we or our customers select, and that we engineer into TandAbs or Trispecific Abs. AbCheck's high-quality capabilities have been validated through multiple international collaborations including a strategic research partnership with Pierre Fabre.

Our Strengths

We believe we are a leader in developing cancer immunotherapies due to several factors:

- ***Our Lead Product Candidate, AFM13, is a First-in-Class NK-Cell Mediated Cancer Immunotherapy***. AFM13 is a targeted immunotherapy that is currently in development for HL as a salvage therapy. To engage and activate NK-cells, we have engineered AFM13 with a unique binding specificity for CD16A. AFM13 binds to CD16A with approximately 1,000-fold higher affinity than native antibody molecules via the constant region. While native antibodies bind to CD16A and CD16B with similar affinity, AFM13 does not bind to CD16B at all. CD16B is expressed on the surface of neutrophils, which show very limited anti-tumor activity and exist in such large amounts that little would be left for NK-cell binding and tumor cell killing were AFM13 not to be so selective for only CD16A. We believe that AFM13 is the only antibody in development that can specifically engage CD16A+ cells, in particular NK-cells, with very high affinity. In the second quarter of 2015, a phase 2a proof of concept trial of AFM13 was initiated by the German Hodgkin Study Group (GHSG) in HL patients that have received all standard therapies and have relapsed after or are refractory to Adcetris. This phase 2a trial is ongoing and recruiting. The Leukemia and Lymphoma Society, or LLS, has agreed to co-fund this phase 2a HL study, a further indication of the promise this development

candidate holds. We are also supporting an investigator-sponsored phase 1b/2a clinical trial of AFM13 in patients with CD30+ lymphoma conducted by Columbia University for which Columbia submitted an IND to the FDA that has since become effective. In order to prepare for further clinical development, we have conducted preclinical studies investigating the combination of AFM13 with CPIs and checkpoint agonists, or CPAs (collaboration with Stanford University). Based on data from these studies, we have initiated a phase 1b clinical trial in collaboration with Merck to investigate AFM13 in combination with pembrolizumab (KEYTRUDA®) in HL patients that have relapsed after or are refractory to chemotherapy and Adcetris. We are the sole sponsor of this trial, which we have recently initiated with an IND active and the first sites opened and recruiting. We anticipate to provide a first update on the study by the end of 2016 or in the first quarter 2017. A preclinical investigation of the combination of AFM13 with lenalidomide (collaboration with Mayo Clinic) is still ongoing.

- ***Growing Pipeline of Product Candidates Focused on Key Cancer Indications.*** By leveraging our technology platform, we have built a growing pipeline of additional product candidates. Our second product candidate, AFM11, has demonstrated in preclinical studies highly specific and effective engagement of T-cells, inducing rapid and potent in vitro and in vivo tumor cell killing. AFM11 is expected to not require continuous infusion due to its half-life and has shown 100-fold higher affinity to CD3 compared to a reference molecule with the same sequence as Amgen's Blincyto (blinatumomab) and we believe it may have an efficacy advantage, especially in immunocompromised patients. We have begun a phase 1 dose ranging study of AFM11 designed to evaluate safety and tolerability and to potentially assess anti-tumor activity after four weeks of therapy in NHL patients. The phase 1 clinical trial is ongoing and recruiting with a modified dose regimen. The amended study protocol was approved by the applicable regulatory authorities in the third quarter of 2015. We believe that the new, less frequent dosing regimen provides a better opportunity to investigate potential benefits of AFM11 related to the molecular characteristics of TandAbs, i.e. the longer half-life and the higher affinity to T-cells compared to BiTEs. We expect to report first data from this phase 1 trial by the end of 2016. In addition, we are planning to investigate AFM11 in ALL patients and are preparing a phase 1 dose ranging study that is expected to begin recruitment in the third quarter of 2016. Our third product candidate, AFM21 (EGFRvIII / CD3), which is in preclinical development, addresses a target that to date has been elusive and that is abundant in certain solid tumors, including glioblastoma, prostate cancer and head and neck cancer, but not found on healthy tissue. In preclinical studies, AFM21 has demonstrated an ability to selectively kill EGFRvIII-carrying cells and not wild-type EGFR. In addition to the AFM21, which targets EGFRvIII on tumor cells and CD3 on T-cells, we further advanced an EGFRvIII/CD16A NK-cell TandAb, called AFM22. An additional CD16A NK-cell TandAb, called AFM24 targeting EGFR-wild type, a validated solid tumor target has been engineered and characterized preclinically. Based on data from ongoing experiments, we will decide which program to advance into IND-enabling studies.

- ***Retained Global Commercial Rights for our Five Candidates in our Product Pipeline***. Our five pipeline product candidates AFM13, AFM11, AFM21, AFM22 and AFM24 are unencumbered. We retain all options to derive value from our product candidates, including commercialization in all or select markets when and if they are approved. To maximize the value of our platform, we will continue to explore partnerships to support the development or commercialization of our programs in certain territories.

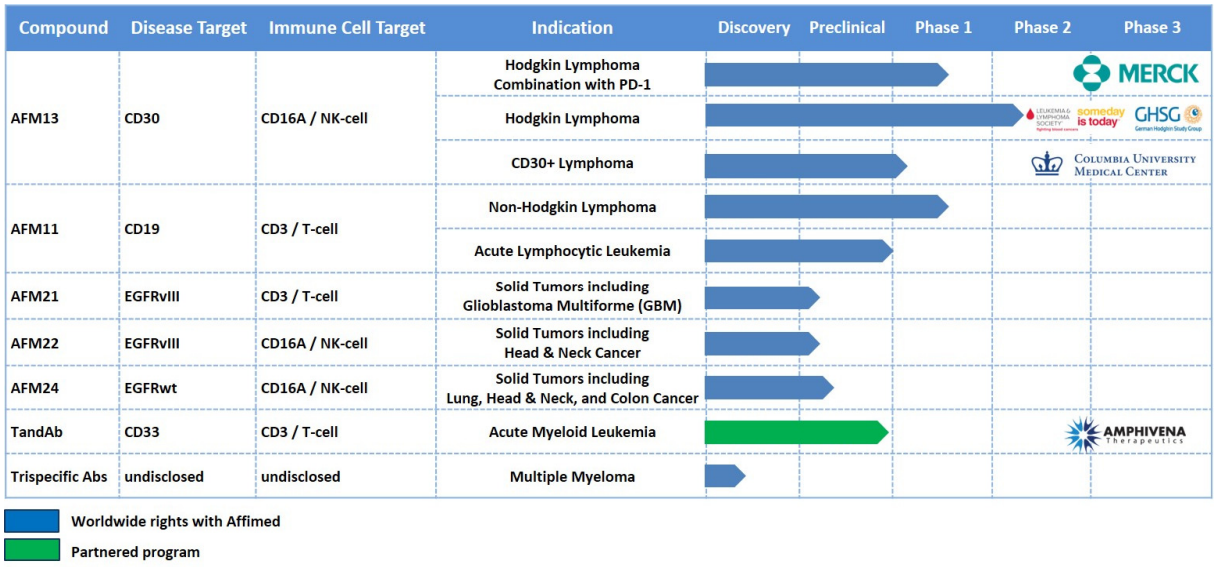
- ***Experienced Management Team with Strong Track Record in the Development and Commercialization of New Medicines.*** Members of our management team have extensive experience in the biopharmaceutical industry, and key members of our team have played an important role in the development and commercialization of approved drugs. Our Chief Executive Officer Adi Hoess and our Chief Medical Officer Jens-Peter Marschner were members of the teams that developed and commercialized Firazyr® and Erbitux®, respectively, while our Chief Operating Officer Jörg Windisch played a leading role in the development of Omnitrope®, Binocrit® and Zarzio®.

- ***Strong Technology Base and Solid Patent Portfolio in the Field of Targeted Immuno-Oncology***. We are a leader in the field of bi-and trispecific antibody therapeutics for the

treatment of cancer. We have a patent portfolio that includes the tetravalent antibody platform itself. Further, we have a proprietary position in NK-cell engagement, specifically regarding binding domains directed at CD16A with no cross-reactivity to CD16B. We have more than a decade of experience in the discovery and development of such complex antibodies, and our molecular architecture allows for efficient and cost-effective manufacturing. In addition to supporting internal product development, we believe our strong intellectual property position can be used to support out-licensing and collaboration opportunities in the field of immuno-oncology.

Our research and development pipeline

We are developing a pipeline of immune-cell engagers for the treatment of cancer as shown below:



Our lead candidate, AFM13, is a first-in-class NK-cell TandAb designed for the treatment of certain CD30-positive (CD30+) B- and T-cell malignancies, including Hodgkin lymphoma, or HL. AFM13 selectively binds with CD30, a clinically validated target in HL patients, and CD16A, an integral membrane glycoprotein receptor expressed on the surface of NK-cells, triggering a signal cascade that leads to the destruction of tumor cells that carry CD30. In contrast to conventional full-length antibodies, AFM13 does not bind to CD16B, which prevents binding to other cells, e.g. neutrophils.

We are initially developing AFM13 for HL in the salvage setting for patients who have relapsed after, or are refractory to, Adcetris (brentuximab vedotin), a CD30-targeted chemotherapy approved by the U.S. Food and Drug Administration, or FDA, in August 2011 as a salvage therapy for HL. Approximately half of the patients treated with Adcetris experience disease progression in less than half a year after initiation of therapy. In a recent phase 1 dose-escalation clinical trial, AFM13 was well-tolerated and demonstrated tumor shrinkage or slowing of tumor growth, with disease control shown in 16 of 26 patients eligible for efficacy evaluation. AFM13 also stopped tumor growth in patients who are refractory to Adcetris. Six out of seven patients who became refractory to Adcetris as the immediate prior therapy experienced stabilization of disease under AFM13 treatment according Cheson's criteria, standard criteria for assessing treatment response in lymphoma. We believe that based on its novel mode of action, AFM13 may be beneficial to patients who have relapsed or are refractory to treatment with Adcetris and may provide more durable clinical benefit.

In the second quarter of 2015, a phase 2a proof of concept trial of AFM13 was initiated by the German Hodgkin Study Group (GHSG) in HL patients that have received all standard therapies and have relapsed after or are refractory to Adcetris. This 2a trial is ongoing and recruiting. The Leukemia and Lymphoma Society, or LLS, has agreed to co-fund this phase 2a HL study, a further indication of the promise this development candidate holds. We are also supporting an investigator-sponsored phase

1b/2a clinical trial of AFM13 in patients with CD30+ lymphoma conducted by Columbia University for which Columbia submitted an IND to the FDA that has since become effective.

In order to prepare for further clinical development, we are continuing to perform preclinical studies investigating the combination of AFM13 with CPIs and checkpoint agonists, or CPAs (collaboration with Stanford University), and lenalidomide (collaboration with Mayo Clinic). We believe that AFM13 and immunomodulators administered together could lead to greater tumor cell killing because these molecules may have a synergistic anti-tumor effect involving both NK-cells and T-cells. In preclinical animal studies of HL using both patient derived xenograft (PDX) and immune cells from blood (PBMCs), the established tumor was treated with AFM13 and CPIs/CPAs (anti-PD-1, anti-CD137 and anti-CTLA4) both alone and in combination. While the single agent treatment showed a significant reduction in tumor growth for most molecules when compared to the control treatment group (irrelevant IgG), all combinations of AFM13 and CPI/CPA showed enhanced anti-tumor efficacy. We also analyzed the change in intra-tumoral lymphocyte population compared to IgG treatment. It was observed that in all AFM13-treated animals (as a single agent and in all combinations), the NK-cell population in the tumor increased. In addition, while there was no increase of T-cells in animals treated with only AFM13 or CPIs/CPAs, there was an increase of cytotoxic T-cells detected in animals treated with AFM13 in combination with a CPI/CPA. These results provide the rationale for the investigation of combinations with AFM13 in the clinical setting, initially focusing on PD-1. Preclinical data on the combination with CPIs/CPAs were presented at the American Society of Clinical Oncology (ASCO) annual meeting in 2015. Based on the preclinical data, we have entered into a collaboration with Merck and have initiated a clinical phase 1b study investigating the combination of AFM13 with Merck's anti PD-1 antibody KEYTRUDA® (pembrolizumab) in patients with relapsed/refractory HL with an IND active and the first sites opened and recruiting. The trial is designed to establish a dosing regimen for the combination therapy and assess its safety and efficacy. We anticipate to provide a first update on the study by the end of 2016 or in the first quarter 2017.

Our second clinical stage candidate, AFM11, is a T-cell TandAb designed for the treatment of certain CD19+ B-cell malignancies, including non-Hodgkin Lymphoma, or NHL, Acute Lymphocytic Leukemia, or ALL, and Chronic Lymphocytic Leukemia, or CLL. AFM11 binds selectively with CD19, a clinically validated target in B-cell malignancies. It also binds to CD3, a component of the T-cell receptor complex, triggering a signal cascade that leads to the destruction of tumor cells that carry CD19. Based on its molecular characteristics, in particular its molecular weight, we expect AFM11 will have a longer half-life than blinatumomab, a bispecific antibody also targeted against CD19 and CD3 developed by Amgen, and approved in the United States and Europe. This should allow administration through bolus intravenous infusion, rather than continuous infusion, which requires hospitalization or a portable pump over one or more cycles of four-weeks each with frequent reconstitution and refill of medication, as is necessary for blinatumomab. In preclinical studies, AFM11 compared to the blinatumomab reference compound also showed a 100-fold higher affinity to the CD3 receptor, resulting in up to 40-fold greater cytotoxic potency at low T-cell counts. We have begun a phase 1 dose ranging study of AFM11 designed to evaluate safety and tolerability and to potentially assess anti-tumor activity after four weeks of therapy in NHL patients. The phase 1 clinical trial is ongoing and recruiting with a modified dose regimen. The amended study protocol was approved by the applicable regulatory authorities in the third quarter of 2015. We believe that the new, less frequent dosing regimen provides a better opportunity to investigate potential benefits of AFM11 related to the molecular characteristics of TandAbs, i.e. the longer half-life compared to BiTEs and higher affinity to T-cells. We expect to report first data from this phase 1 trial by the end of 2016. In addition, we are planning to investigate AFM11 in ALL patients and are preparing a phase 1 dose ranging study that is expected to be initiated in the third quarter of 2016.

We further are targeting Epidermal Growth Factor Receptor variant III, or EGFRvIII, a receptor that appears to be highly specific for solid tumors and is prominent in a significant portion of patients with glioblastoma, hormone refractory prostate cancer and head and neck cancer. Through access to our proprietary antibody libraries, we isolated antibodies that bind to EGFRvIII but not to wild-type EGFR, which is also expressed on many healthy tissues. In this context we have developed 2 bispecific antibodies, AFM21, an EGFRvIII/CD3 T-cell engager, and AFM22, an EGFRvIII/CD16A NK-cell engager. In preclinical studies, AFM21 and AFM22 have demonstrated a highly selective kill of EGFRvIII- but not wild-type EGFR- carrying cells. We will further compare the preclinical efficacy of

both TandAb molecules and thereafter decide which one to advance into IND-enabling studies, which we expect to commence in 2016, with a potential IND-filing estimated in 2017.

We are also developing AFM24, an NK-cell-engaging TandAb targeting EGFR-wild type, which represents another validated antigen expressed by a variety of solid tumors. Constitutive EGFR activation through amplification or dysregulation plays an important role in the pathophysiology of numerous solid cancers, such as colorectal cancer (CRC), non-small cell lung cancer (NSCLC) or squamous cell carcinomas of the head and neck (SCCHN). We expect to initiate IND-enabling studies in 2016, with a potential IND-filing estimated in 2017.

In our collaboration with Amphivena, we are developing a CD33/CD3-specific T-cell TandAb to treat acute myeloid leukemia (AML). We currently expect Amphivena to file an IND for the lead candidate in 2016.

In addition, we are developing Trispecific Abs for various undisclosed targets which are currently at a discovery stage to be developed for indications such as multiple myeloma (MM).

Operating results

To date, we have financed our operations primarily through our public offerings of our common shares, private placements of equity securities, the incurrence of loans including convertible loans and through government grants and milestone payments for collaborative research and development services. Through December 31, 2015, we have raised an aggregate of €171.2 million through the issuance of equity and incurrence of loans. To date, we have not generated any revenues from product sales or royalties. Based on our current plans, we do not expect to generate product or royalty revenues unless and until we or any collaboration partner obtain marketing approval for, and commercialize, any of our product candidates.

We have generated losses since we began our drug development operations in 2000. For the year ended December 31, 2015, we incurred a net loss of €20.2 million. As of December 31, 2015, we had an accumulated deficit of €120.2 million.

We expect to continue incurring losses as we continue our preclinical and clinical development programs, apply for marketing approval for our product candidates and, subject to obtaining regulatory approval for our product candidates, build a marketing and sales team to commercialize our product candidates. Our profitability is dependent upon the successful development, approval, and commercialization of our product candidates and achieving a level of revenues adequate to support our cost structure. We may never achieve profitability, and unless and until we do, we will continue to need to raise additional cash. We intend to fund future operations through additional equity and debt financings, and we may seek additional capital through arrangements with strategic partners or from other sources.

Collaboration Agreements

We have entered into strategic collaborations for some of our therapeutic programs. As part of our business development strategy, we aim to increase the number of our research collaborations in order to derive further value from our platforms and more fully exploit their potential. Key terms of our current material collaborations are summarized below.

Amphivena

Pursuant to a July 2013 license and development agreement, which amended and restated a 2012 license agreement between us and Amphivena Therapeutics, Inc., or Amphivena, based in San Francisco, California, we licensed certain technology to Amphivena that enables Amphivena to develop an undisclosed product candidate for hematologic malignancies. In exchange for the technology license to Amphivena, we received shares of stock of Amphivena, and, in connection with an equity financing involving us and other third-party investors, we made cash investments in Amphivena in exchange for additional shares of stock and entered into certain related agreements governing our rights as a shareholder of Amphivena. As of December 31, 2015, those cash investments totaled $0.9 million (€0.7 million), and we owned approximately 21% of the outstanding equity of Amphivena on a fully diluted basis.

Amphivena has separately entered into a warrant agreement with Janssen Biotech Inc. that has given Janssen the option to acquire Amphivena following IND acceptance by the FDA of such product candidate, upon predetermined terms.

Pursuant to the July 2013 license and development agreement between Amphivena and us, we will perform certain services for Amphivena related to the development of a product candidate for hematological malignancies, and we have granted Amphivena certain product and technology licenses, each of which includes the right to grant sublicenses to its affiliates or third parties through multiple tiers, subject to certain notice requirements. In consideration for the research and development work to be performed prior to IND acceptance, Amphivena will pay to us service fees totaling approximately €16 million (net of our share in funding Amphivena) payable upon the

achievement of milestones and phase progressions as described under the license and development agreement.

We recognized revenue of €4.4 million in the third quarter of 2013 upon achievement of the first milestone consisting of the earned milestone payment of €4.6 million less our share in funding Amphivena in 2013 of €0.2 million. A further payment of €2.0 million for research and development services was collected in the first quarter of 2014 and recognized as revenue upon achievement of the second milestone in the third quarter of 2014, net of our share in funding Amphivena of €0.2 million. In the third quarter of 2014 we received advance payments in total of €2.4 million for research and development services prior to achievement of the third milestone and deferred such amount as of December 31, 2014 until the milestone was achieved. In the first quarter of 2015, we recognized revenue of €2.4 million for the achievement of the third milestone which had been received in cash in 2014 and deferred until the milestone was achieved. After the achievement of the third milestone, we continue to provide research and development services to Amphivena for nonrefundable advance payments of €7.5 million, payable in three installments (€1.3 million, €4.2 million and €2.0 million). The first two installments totalling €5.2 million (€5.5 million, net of Affimed's share of €0.3 million) were received in 2015. We recognized €2.4 million as revenue for these research and development services in 2015 and €2.8 million was deferred as of December 31, 2015. We are paid in euros under the license and development agreement.

The Leukemia & Lymphoma Society

In August 2013, we entered into a research funding agreement with The Leukemia & Lymphoma Society, or LLS, for the clinical development of AFM13. Pursuant to the research funding agreement, LLS agreed to co-fund the clinical phase 2a development of AFM13 and to contribute up to approximately $4.4 million (€4.0 million) over two years to support the project. We agreed to match LLS's contributions toward the project budget. Our receipt of the $4.4 million (€4.0 million) total that LLS agreed to contribute was conditioned on the achievement of certain milestones in connection with the development of AFM13, four of which have been met as of December 31, 2015. We achieved milestones in January 2014 and April 2014 and recognized revenues of $1.5 million (€1.1 million) in total for related research and development services in 2014. We received additional milestone payments and recognized revenues of $1.8 million (€1.6 million) in the second and third quarters of 2015. We must use the funding provided by LLS exclusively with the development program.

In consideration of LLS's payments to us, we have agreed to pay LLS a mid-single digit royalty on net sales of products containing AFM13 until we have paid LLS a low single digit multiple of the funding they provided to us. After we have reached this initial royalty cap, we will pay LLS a sub-single digit royalty on net sales until the earlier of (i) the expiration of the last to expire patent covering the AFM13 products and (ii) ten years after the initial royalty cap is satisfied. These royalty payments are calculated on a country-by-country and product-by-product basis. We have also agreed to make certain low-to-mid-single digit royalty payments to LLS in the event of certain transfers of rights to any product containing AFM13 or in the event we undergo certain change of control transactions, in each case up to the royalty cap described above. Amounts paid to us under our agreement with LLS are paid in U.S. dollars.

Financial Operations Overview

Revenue

To date, our revenues have consisted principally of collaboration and service revenue.

Collaboration revenue. Collaboration revenue of €4.4 million for the year ended December 31, 2013 was from the achievement of the first milestone under the license and development agreement with Amphivena. Collaboration revenue of €2.9 million for the year ended December 31, 2014 was from the achievement of the second milestone under the license and development agreement with Amphivena (€1.8 million) and from the LLS collaboration (€1.1 million). Collaboration revenue of €6.3 million for the year ended December 31, 2015 was from the achievement of the third milestone under the license and development agreement with Amphivena (€2.4 million), from research and development services under the license and development agreement with Amphivena (€2.3 million) and from the LLS collaboration (€1.6 million).

Service revenue. Service revenue is primarily revenue from service contracts entered into by AbCheck, our wholly owned, independently operated antibody screening platform. We recognized €0.7 million, €0.5 million and €1.3 million of service revenue in 2013, 2014 and 2015, respectively. Service revenue of AbCheck is dependent from third party contracts as well as from the utilization of the Unit by Affimed. In case Affimed increases or decreases the use of AbCheck's service capabilities that has an impact on the ability to generate third party revenues.

In the future, the timing of our revenue may vary significantly from the receipt of the related cash flows, as the revenue from some upfront or initiation payments is deferred and recognized as revenue over the estimated service period, while other revenue is earned when received, such as milestone payments or service fees. Our revenue has varied substantially, especially due to the impact of Collaboration revenue received from Amphivena, and is expected to continue to vary, from quarter to quarter and year to year, depending upon, among other things, the structure and timing of milestone events, the number of milestones achieved, the level of revenues earned for ongoing development efforts, revenue from service contracts entered into by AbCheck, any new collaboration arrangements we may enter into and the terms we are able to negotiate with our partners. We therefore believe that period-to-period comparisons should not be relied upon as indicative of our future revenues.

Other Income

In addition, we have earned income through several grants and/or contracts with the German government, the European Union and other educational institutions on behalf of the German government, primarily with respect to research and development activities related to the use of the TandAb technology in various indication areas.

Research and Development Expenses

Research and development expenses consist principally of:

- salaries for research and development staff and related expenses, including management benefits;
- costs for production of preclinical compounds and drug substances by contract manufacturers;
- fees and other costs paid to contract research organizations in connection with additional preclinical testing and the performance of clinical trials;
- costs of related facilities, materials and equipment;
- costs associated with obtaining and maintaining patents and other intellectual property;
- amortization and depreciation of tangible and intangible fixed assets used to develop our product candidates; and

- expenses for share-based payments.

We expect that our total research and development expenses in 2016 will be in the range of €34 to €40 million. Our research and development expenses primarily relate to the following key programs:

- *AFM13.* The phase 2a clinical trial of AFM13 in Hodgkin Lymphoma, or HL, is ongoing and recruiting. In addition we are supporting an investigator-sponsored phase 1b/2a clinical trial of AFM13 in patients with CD30+ lymphoma conducted by Columbia University and have initiated a phase 1b study investigating the combination of AFM13 with Merck's anti PD-1 antibody KEYTRUDA® (pembrolizumab) in patients with relapsed/refractory HL with an IND active and the first sites opened and recruiting. We anticipate that our research and development expense will increase substantially in connection with the preparation and commencement of these clinical trials. In addition we will incur substantial expenses for the production of AFM13 clinical trial material and the investigation of commercial scale production options.

- *AFM11*. The phase 1 clinical trial of AFM11 in patients with non-Hodgkin Lymphoma, or NHL, is ongoing and recruiting with a modified dose regimen. Due to the protocol amendment, the trial may require more patients compared to the original protocol. We also are planning to investigate AFM11 in acute lymphocytic leukemia, or ALL and are preparing a phase 1 dose-finding study that is expected to begin recruitment in the third quarter of 2016. Therefore, we anticipate that our research and development expense for the AFM11 program will increase in 2016.

- *Other development programs.* Our other research and development expenses relate to our preclinical studies of AFM21/AFM 22 and AFM 24, our Amphivena collaboration and early stage development / discovery activities. We have allocated a material amount of the proceeds to such discovery activities. The expenses mainly consist of salaries and manufacturing costs for pre-clinical and clinical study material.

- *Infrastructure costs*. We incur a significant amount of costs associated with our research and development that are non-project specific, including intellectual property-related expenses, depreciation expenses and facility costs. Because these are less dependent on individual ongoing programs, they are not allocated to specific projects. We assume that facility costs for further laboratory space and IP related expenses may increase over time.

Since January 1, 2012, we have cumulatively spent €54.7 million on research and development. In the years ended December 31, 2013, 2014 and 2015, we spent €14.4 million, €9.6 million and €22.0 million on research and development; €0.9 million, €4.2 million and €10.0 million on AFM13; and €6.5 million, €1.2 million and €0.8 million on AFM11. Our research and development expenses may vary substantially from period to period based on the timing of our research and development activities, including due to timing of initiation of clinical trials and enrollment of patients in clinical trials. Research and development expenses are expected to increase as we advance the clinical development of AFM13 and AFM11 and further advance the research and development of our preclinical product candidates. The successful development of our product candidates is highly uncertain. At this time we cannot reasonably estimate the nature, timing and estimated costs of the efforts that will be necessary to complete the development of, or the period, if any, in which material net cash inflows may commence from, any of our product candidates. This is due to numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- the scope, rate of progress, results and cost of our clinical trials, nonclinical testing, and other related activities;

- the cost of manufacturing clinical supplies and establishing commercial supplies of our product candidates and any products that we may develop;

- the number and characteristics of product candidates that we pursue;

- the cost, timing, and outcomes of regulatory approvals;

- the cost and timing of establishing sales, marketing, and distribution capabilities; and
- the terms and timing of any collaborative, licensing, and other arrangements that we may establish, including any milestone and royalty payments thereunder.

A change in the outcome of any of these variables with respect to the development of AFM13, AFM11 or any other product candidate that we may develop could mean a significant change in the costs and timing associated with the development of such product candidate. For example, if the U.S. Food and Drug Administration, or FDA, or other regulatory authority were to require us to conduct preclinical and clinical studies beyond those which we currently anticipate will be required for the completion of clinical development, if we experience significant delays in enrollment in any clinical trials or if we encounter difficulties in manufacturing our clinical supplies, we could be required to expend significant additional financial resources and time on the completion of the clinical development.

General and Administrative Expenses

Our general and administrative expenses consist principally of:

- salaries for employees other than research and development staff, including benefits;
- business development expenses, including travel expenses;
- professional fees for auditors and other consulting expenses not related to research and development activities;
- professional fees for lawyers not related to the protection and maintenance of our intellectual property;
- cost of facilities, communication and office expenses;
- IT expenses;
- amortization and depreciation of tangible and intangible fixed assets not related to research and development activities; and
- expenses for share-based payments.

We expect that our general and administrative expenses in 2016 will increase compared to the expenses in 2015 by roughly 25%, and will continue to increase in the future as our business expands. These public company-related increases will likely include costs of additional personnel, additional legal fees, accounting and audit fees, managing directors' and supervisory directors' liability insurance premiums and costs related to investor relations. In addition, we may grant share-based compensation awards to key management personnel and other employees.

Results of Operations

The numbers below have been derived from our audited consolidated financial statements for the years ended December 31, 2013, 2014 and 2015. The discussion below should be read along with these financial statements, and it is qualified in its entirety by reference to them.

Comparison of the years ended December 31, 2014 and 2015

	Year ended December 31,	
	2014	2015
	(in € thousand)	
Total Revenue:	**3,382**	**7,562**
Other income—net	381	651
Research and development expenses	(9,595)	(22,008)
General and administrative expenses	(2,346)	(7,548)
Operating income/(loss)	**(8,178)**	**(21,343)**

Finance income—net	**7,753**	**1,104**
Income/(Loss) before tax	(425)	(20,239)
Income taxes	166	0
Income/(loss) for the period	**(259)**	**(20,239)**
Total comprehensive income/(loss)	**(259)**	**(20,239)**
Earnings/(loss) per common share in € per share	**(0.01)**	**(0.71)**

Revenue

Revenue increased 124% from €3.4 million in the year ended December 31, 2014 to €7.6 million for the year ended December 31, 2015, mainly due to higher revenues from the Amphivena collaboration and higher service revenues at AbCheck in 2015.

Research and development expenses

	Year ended December 31,		
R&D Expenses by Project	**2014**	**2015**	**Change %**
	(in € thousand)		
Project			
AFM13	4,176	10,004	140%
AFM11	1,249	800	(36%)
Other projects and infrastructure costs	5,650	10,593	87%
Share-based payment expense/(credit)	(1,480)	611	-
Total	**9,595**	**22,008**	**129%**

Research and development expenses increased 129% from €9.6 million in the year ended December 31, 2014 to €22.0 million in the year ended December 31, 2015, mainly due to higher expenses for AFM13, other projects and infrastructure. For the year 2016, we anticipate significantly higher research and development expenses particularly from the expected start of additional clinical trials with AFM13 (phase 1b/2a trial of AFM13 in patients with CD30+ lymphoma and phase 1b combination trial of AFM13 with Merck's anti PD-1 antibody KEYTRUDA® in patients with relapsed/refractory HL), an additional clinical trial with AFM11 (phase 1 dose ranging study with AFM11 in ALL patients), production of clinical trial material and preclinical research activities. The variances in project related expenses between the year ended December 31, 2014 and the corresponding period in 2015 are mainly due to the following projects:

- *AFM13.* In the year ended December 31, 2015, we incurred higher expenses due to the ongoing phase 2a clinical trial and the manufacturing of clinical trial material for this study and for the additional studies expected to start in 2016.
- *AFM11.* In the year ended December 31, 2015, clinical expenses were lower than in the year ended December 31, 2014 primarily due to higher expenses associated with the production of the clinical study material and the preparation of the phase 1 clinical study of AFM11 in 2014, whereas in 2015 we incurred expenses for the ongoing phase 1 study as well as expenses in relation to the trial protocol amendment.
- *Other projects and infrastructure costs.* In the year ended December 31, 2015, expenses increased significantly primarily due to higher expenses associated with our internal R&D activities in 2015. Other projects comprise expenses incurred in relation to the AFM21 program and our discovery/early stage development activities. We incur a significant amount of costs associated with our research and development that are non-project specific, including intellectual property-related expenses, depreciation expenses and facility costs. Because these are less dependent on individual ongoing programs, they are not allocated to specific projects.

General and administrative expenses

General and administrative expenses increased 222% from €2.3 million in the year ended December 31, 2014 to €7.5 million in the year ended December 31, 2015. In 2014, general and administrative expenses were largely affected by a credit to the share-based payment expense of €3.4 million resulting from a re-measurement gain at consummation of the initial public offering (see Notes 2 and 19 to our financial statements as of December 31, 2015).

Finance income / (costs)-net

We recognized finance income net for the year ended December 31, 2015 of €1.1 million. The income reflects the net gains from foreign exchange differences less interest expense for borrowings under the Perceptive Credit Facility.

Finance income decreased in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The year ended December 31, 2014 was primarily affected by the gain from the exchange of preferred shares of Affimed Therapeutics AG into common shares of Affimed N.V. and the decrease in the fair value of the derivative conversion feature embedded in the convertible loan totaling €10.9 million. These preferred shares and convertible loan were no longer outstanding in 2015.

Income tax expense

During the year ended December 31, 2015, we did not incur any income tax expense.

Comparison of the years ended December 31, 2013 and 2014

	Year ended December 31,	
	2013	**2014**
	(in € thousand)	
Total Revenue:	**5,087**	**3,382**
Other income/(expenses)—net	610	381
Research and development expenses	(14,354)	(9,595)
General and administrative expenses	(7,046)	(2,346)
Operating income/(loss)	**(15,703)**	**(8.178)**
Finance income/(costs)—net	**(10,397)**	**7,753**
Income/(Loss) before tax	**(26,100)**	**(425)**
Income taxes	1	166
Income/(loss) for the period	**(26,099)**	**(259)**
Total comprehensive income/(loss)	**(26,099)**	**(259)**
Earnings/(loss) per common share in € per share	**(1.76)**	**(0.01)**

Revenue

Revenue decreased 34% from €5.1 million in the year ended December 31, 2013 to €3.4 million for the year ended December 31, 2014, mainly due to lower revenues from the Amphivena collaboration, partially offset by first time revenues from LLS in 2014.

Research and development expenses

R&D Expenses by Project	Year ended December 31, 2013	2014	Change %
	(in € thousand)		
Project			
AFM13	921	4,176	353%
AFM11	6,462	1,249	(81%)
Other projects	3,950	5,650	43%
Share-based payment expense/(credit)	3,021	(1,480)	-
Total	**14,354**	**9,595**	**(33%)**

Research and development expenses decreased 33% from €14.4 million in the year ended December 31, 2013 to €9.6 million in the year ended December 31, 2014, due to a credit to the share-based payment expense resulting from a re-measurement gain at consummation of the initial public offering (see Note 2 to our financial statements as of December 31, 2014). The variances in project related expenses between the year ended December 31, 2013 and the corresponding period in 2014 are mainly due to the following projects:

- *AFM13.* In the year ended December 31, 2014 we incurred higher expenses due to the preparation for the phase 2a clinical trial and the manufacturing of clinical material for the phase 2a trial.

- *AFM11.* In the year ended December 31, 2014, clinical expenses were significantly lower than in the year ended December 31, 2013. In 2013, expenses were higher due to the manufacturing of materials for clinical trials.

- *Other projects.* In the year ended December 31, 2014 we continued to incur substantial costs related to the activities of the Amphivena collaboration. In contrast, in 2013, the collaboration had only been initiated at the beginning of the third quarter.

- *Infrastructure costs*. We incur a significant amount of costs associated with our research and development that are non-project specific, including intellectual property-related expenses, depreciation expenses and facility costs. Because these are less dependent on individual ongoing programs, they are not allocated to specific projects.

General and administrative expenses

General and administrative expenses decreased 67% from €7.0 million in the year ended December 31, 2013 to €2.3 million in the year ended December 31, 2014, due to a credit to the share-based payment expense of €3.4 million resulting from a re-measurement gain at consummation of the initial public offering (see Notes 2 and 18 to our financial statements as of December 31, 2014).

We expect that general and administrative expense will increase in the future as our business expands and we incur additional costs associated with operating as a public company.

Finance income / (costs)-net

We recognized finance income net for the year ended December 31, 2014 of €7.8 million. The income reflects the following transactions up to the consummation of the initial public offering and subsequently: the interest expense for preferred shares, the interest expense for the convertible loan, the interest expense for borrowings under the Perceptive Credit Facility (as defined herein), an extinguishment gain on the exchange of preferred shares of Affimed Therapeutics AG into common shares of Affimed N.V., the remeasurement gain resulting from changes in fair value and the extinguishment gain of the derivative conversion feature (see the table in Note 11 to our financial statements as of and for the year ended December 31, 2014).

Finance income increased in the year ended December 31, 2014 as compared to the year ended December 31, 2013 as a result of the transactions described above.

Income tax expense

During the year ended December 31, 2014, we recorded a tax income of €166,000 due to changes in deferred tax assets.

Liquidity and Capital Resources

Since inception, we have incurred significant operating losses. For the years ended December 31, 2013, 2014 and 2015, we incurred net losses of €26.1 million, €0.3 million and €20.2 million, respectively. To date, we have financed our operations primarily through public offerings of our common shares, private placements of equity securities and loans, grants and revenues from collaboration partners. As of December 31, 2015, we had cash and cash equivalents of €76.7 million.

Our cash and cash equivalents have been deposited primarily in savings and deposit accounts with original maturities of three months or less. Saving and deposit accounts generate a small amount of interest income. We expect to continue this investment philosophy but could consider to deposit our cash in savings and deposit account with slightly longer (6 months) maturities.

Cash Flows

Comparison of the years ended December 31, 2014 and 2015

The table below summarizes our consolidated statement of cash flows for the years ended December 31, 2014 and 2015:

	Year ended December 31,	
	2014	2015
	(in € thousand)	
Net cash used in operating activities	(10,547)	(18,535)
Net cash used for investing activities	(298)	(277)
Net cash generated from financing activities	44,889	53,498
Net changes to cash and cash equivalents	34,044	34,686
Cash and cash equivalents at the beginning of the year	4,151	39,725
Exchange-rate related changes of cash and cash equivalents	1,530	2,329
Cash and cash equivalents at the end of the year	39,725	76,740

The increase in net cash used in operating activities by 76% from €10.5 million in the year ended December 31, 2014 to €18.5 million in the year ended December 31, 2015 was mainly due to higher cash expenditure for research and development efforts and higher general and administrative cost.

Net cash used for investing activities remained unchanged with €0.3 million.

Net cash generated from financing activities increased from €44.9 million in the year ended December 31, 2014 to €53.5 million in the year ended December 31, 2015. The 2015 amount mainly includes the net proceeds from the public offering in May 2015 and the net proceeds received from the private placement in October 2015.

Comparison of the years ended December 31, 2013 and 2014

The table below summarizes our consolidated statement of cash flows for the years ended December 31, 2013 and 2014:

	Year ended December 31,	
	2013	2014
	(in € thousand)	
Net cash used in operating activities	(5,678)	(10,547)
Net cash used for investing activities	(157)	(298)
Net cash generated from financing activities	5,084	44,889
Net changes to cash and cash equivalents	(751)	34,044
Cash and cash equivalents at the beginning of the year	4,902	4,151
Exchange-rate related changes of cash and cash equivalents	0	1,530
Cash and cash equivalents at the end of the year	4,151	39,725

The increase in net cash used in operating activities by 84% from €5.7 million in the year ended December 31, 2013 to €10.5 million in the year ended December 31, 2014 was mainly due to the increase of cash effective expenses. While cash effective expenses in the year ended December 31, 2013 totaled €12.3 million (total expenses of €20.8 million less non cash effective expenses totaling €8.5 million), cash effective expenses in the year ended December 31, 2014 totaled €16.1 million (total expenses of €11.6 million plus non cash effective income totaling €4.5 million).

The increase in net cash used for investing activities from €0.2 million in the year ended December 31, 2013 to €0.3 million in the year ended December 31, 2014 was due to acquisition of laboratory equipment.

The increase in net cash generated from financing activities from €5.1 million in the year ended December 31, 2013 to €44.9 million in the year ended December 31, 2014 was mainly due to an increase in average cash and cash equivalents following the completion of our initial public offering, the Series E Financing (as defined herein) and the borrowing of funds under the Perceptive Credit Facility.

Cash and Funding Sources

Cash and cash equivalents and financial assets as of December 31, 2015 were €76.7 million and were €66.8 million as of March 31, 2016. Funding sources generally comprise proceeds from the issuance of equity instruments, revenues from collaboration agreements and government grants.

On July 24, 2014, our subsidiary Affimed Therapeutics AG (now Affimed GmbH) entered into an agreement for a loan facility (the “Perceptive Credit Facility”) with an affiliate of Perceptive Advisors LLC. The Perceptive Credit Facility originally provided for aggregate funding of $14.0 million, including $5.5 million in initial funding and up to an additional $8.5 million of capital available in subsequent tranches. In 2015, we agreed with Perceptive to cancel the option to draw the remaining available $8.5 million.

The loans outstanding under the Perceptive Credit Facility accrue interest at an annual rate equal to an applicable margin of nine percent plus one-month LIBOR, with LIBOR deemed to equal 1% if LIBOR is less than 1% and is payable in monthly installments of interest only through April 2016 and then principal and interest thereafter in monthly installments through August 2018, with the outstanding balance to be repaid in full at the end of August 2018. Borrowings under the Perceptive Credit Facility are secured by a substantial portion of our tangible assets and intellectual property. Under the loan agreement governing the facility, we are subject to customary affirmative and negative covenants including limitations on additional indebtedness, limitations on liens, limitations on acquisitions and other restrictions related to our tangible assets and intellectual property. Additionally, covenants set forth under the facility will require us to maintain a minimum cash balance of $2.0 million. We have also agreed to achieve certain development milestones for AFM11 and AFM13. We

have entered into a discussion regarding the facility with Perceptive, including with respect to the development milestones.

Following the closing of our initial public offering, we issued to Perceptive 106,250 warrants at an exercise price of $8.80 in accordance with the loan agreement governing the facility.

On September 17, 2014, we completed our initial public offering of common shares in which we sold an aggregate of 8,000,000 common shares at a price to the public of $7.00 per share. The proceeds to us from the offering were approximately €43.2 million, before deducting the underwriting discounts, commissions and offering expenses.

In January 2015, we announced that we had been awarded a €2.4 million ($3 million) grant from the German Federal Ministry of Education and Research (BMBF). The grant, awarded under the BMBF's "KMU-innovative: Biotechnology–BioChance" program, will cover approximately 40% of expenses for a research and development program to develop multi-specific antibodies for the treatment of multiple myeloma. The grant payments are scheduled to be made periodically through the end of 2017.

On May 12, 2015, we announced the closing of our offering of 5,750,000 common shares at a public offering price of $7.15 per common share. The total amount includes 750,000 common shares issued pursuant to the underwriters' option to purchase additional shares which was exercised on May 7, 2015. After deducting the underwriting discounts and other offering expenses, the net proceeds of the public offering were €33.5 million ($37.5 million).

On October 14, 2015, we sold 3.3 million shares to SGR Sagittarius Holding AG, an existing shareholder affiliated with Aeris Capital AG, in a private placement exempt from registration, resulting in net proceeds to us of €19.1 million ($21.8 million).

Funding Requirements

We expect that we will require additional funding to complete the development of our product candidates and to continue to advance the development of our other product candidates. In addition, we expect that we will require additional capital to commercialize our product candidates AFM13, AFM11, AFM21/AFM22, AFM24 and to broaden our pre-clinical and clinical NK-cell related development activities. If we receive regulatory approval for AFM13, AFM11, AFM21/AFM22 or AFM24, and if we choose not to grant any licenses to partners, we expect to incur significant commercialization expenses related to product manufacturing, sales, marketing and distribution, depending on where we choose to commercialize. We also expect to incur additional costs associated with operating as a public company. Additional funds may not be available on a timely basis, on favorable terms, or at all, and such funds, if raised, may not be sufficient to enable us to continue to implement our long-term business strategy. If we are not able to raise capital when needed, we could be forced to delay, reduce or eliminate our product development programs or commercialization efforts.

We believe that our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements until the first quarter of 2018. We have based this estimate on assumptions that may prove to be incorrect, and we could use our capital resources sooner than we currently expect. Our future funding requirements will depend on many factors, including but not limited to:

- the scope, rate of progress, results and cost of our clinical trials, nonclinical testing, and other related activities;
- the cost of manufacturing clinical supplies, and establishing commercial supplies, of our product candidates and any products that we may develop;
- the number and characteristics of product candidates that we pursue;

- the cost, timing, and outcomes of regulatory approvals;
- the cost and timing of establishing sales, marketing, and distribution capabilities; and
- the terms and timing of any collaborative, licensing, and other arrangements that we may establish, including any required milestone and royalty payments thereunder.

To address our financing needs, we may raise additional capital through the sale of equity or convertible debt securities. In such an event, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a holder of our common shares. In this context we are also considering the restructuring of our existing debt financing with Perceptive or entering into new or additional debt financing agreements to address our funding needs, including to extend our cash reach.

For more information as to the risks associated with our future funding needs, see “Risk Management.”

JOBS Act Exemptions

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for an “emerging growth company.” As an emerging growth company, we are electing to take advantage of the following exemptions:

- not providing an auditor attestation report on our system of internal controls over financial reporting;
- not providing all of the compensation disclosure that may be required of non-emerging growth public companies under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act;
- not disclosing certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer’s compensation to median employee compensation; and
- not complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis).

These exemptions will apply for a period of five years following the completion of our initial public offering (through 2019) or until we no longer meet the requirements of being an “emerging growth company,” whichever is earlier. We would cease to be an emerging growth company if we were to have more than $1.0 billion in annual revenue or have more than $700 million in market value of our common shares held by non-affiliates or issue more than $1.0 billion of non-convertible debt over a three-year period.

Risk Management

Our business is exposed to specific industry risks, as well as general business risks. Our financial condition or results of operations could be materially and adversely affected if any of these risks occurs, and as a result, the market price of our common shares could decline. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors.

Listed below are the risks perceived by management to be the most significant. The risks faced by Affimed during 2015 are not limited to this list; a more comprehensive set of risks are described in Affimed's form 20-F which was filed with the Securities Exchange Commission on March 30, 2016, and a copy of which is available from Affimed's website.

Risks Related to our Business Strategy

Any failure or delay in commencing or completing clinical trials for our products could severely harm our business. To obtain the requisite regulatory approvals to market and sell any of our products, we must demonstrate through extensive pre-clinical tests and clinical trials that the products are safe and effective in humans. Pre-clinical tests and clinical trials are expensive, can take many years and have an uncertain outcome. A failure of one or more of our pre-clinical programs on clinical trials could occur at any stage of testing.

Positive or timely results from pre-clinical tests and early clinical trials do not ensure positive or timely results in later stage clinical trials or product approval by the European Medicines Agency, or EMA, the U.S. Food and Drug Administration, or FDA or any other regulatory authority. Products that show positive preclinical or early clinical results often fail in later stage clinical trials.

Any delay in commencing or completing clinical trials for our product candidates would delay commercialization of our products and severely harm our business and financial condition. It is also possible that none of our product candidates will complete clinical trials in any of the markets in which we intend to sell those product candidates. Accordingly, we would not receive the regulatory approvals needed to market our product candidates.

The regulatory approval process is costly and lengthy and we may not be able to successfully obtain all required regulatory approvals. The pre-clinical development, clinical trials, manufacturing, marketing and labeling of pharmaceuticals and medical devices are all subject to extensive regulation by governmental authorities and agencies in the European Union ("EU"), the US and other jurisdictions.

We must obtain regulatory approval for products before marketing or selling any of them. The approval process is typically lengthy and expensive, and approval is never certain.

Additional clinical trials may be required if clinical trial results are negative or inconclusive, which will require us to incur additional costs and significant delays.

Our products will remain subject to ongoing regulatory review even if they receive marketing approval. If we fail to comply with continuing regulations, we could lose these approvals and the sale of our products could be suspended.

Even if we receive regulatory approval to market a particular product, the approval could be conditional on us conducting additional costly post-approval studies or could limit the indicated uses included in the labeling of our products. Moreover, the product may later cause adverse effects that limit or prevent its widespread use, force us to withdraw it from the market or impede or delay our ability to obtain regulatory approvals in additional countries. In addition, the manufacturer of our products, and their facilities, will continue to be subject to regulatory review and periodic inspections to ensure adherence to applicable regulations. After receiving marketing approval, the manufacturing,

labeling, packaging, adverse event reporting, storage, advertising, promotion and the product will remain subject to extensive regulatory requirements.

Our products may not gain market acceptance. Sales of medical products depend on physicians' willingness to prescribe the treatment, which is likely to be based on a determination by these physicians that the products are safe and effective from a therapeutic and cost perspective relative to competing treatments. We cannot predict whether physicians will make this determination in respect of our products.

Even if our products achieve market acceptance, the market may prove not to be large enough to allow us to generate significant revenues.

Our ability to generate revenue from any products that we may develop will depend on reimbursement and pricing policies and regulations.

Our ability to commercialize our products may depend, in part, on the extent to which reimbursement for our products will be available from government and health administration authorities, private health insurers, managed care programs and other third-party payers.

Significant uncertainty exists as to the reimbursement status of newly approved healthcare products. In many countries, healthcare and pharmaceutical products are subject to a regime of reimbursement by government health authorities, private health insurers or other organizations. There is increasing pressure from these organizations to limit healthcare costs by restricting the availability and level of reimbursement.

Risks Related to our Financial Position and need for Additional Capital

We have a history of operating losses and anticipate that we will continue to incur losses for the foreseeable future. We may never become profitable.

The business has incurred losses in each year since inception. These losses have arisen mainly from costs incurred in research and development of our products and general and administrative expenses.

No assurance can be given that we will achieve profitability in the future. Furthermore, if our products fail in clinical trials or do not gain regulatory approval, or if our products do not achieve market acceptance, we may never achieve profitability.

Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

We expect to need additional funding in the future, which may not be available to us on acceptable terms, or at all, which could force us to delay or impair our ability to develop or commercialize our products.

Our current cash and cash equivalents balances may not be sufficient to finance our long term research, development and commercialization programs. Therefore, additional funds will be required. There can be no assurance that additional funds will be available on a timely basis, on favorable terms, or at all, or that such funds, if raised, would be sufficient to enable us to continue to implement our long term business strategy. If we are unable to raise such additional funds through collaboration arrangements or equity or debt financing, we may need to delay, scale back or cease expenditures for some of our longer term research, development and commercialization programs, or grant rights to develop and market products that we would otherwise prefer to develop and market ourselves, thereby reducing their ultimate value to us. Our inability to obtain additional funds necessary to operate the business could materially and adversely affect the market price of our shares and all or

part of an investment in our shares could be lost. In addition, to the extent we raise capital by issuing additional shares, shareholders' equity interests would be diluted.

Risks Related to Legal Compliance Matters

Our operations, including our research, development, testing and manufacturing activities, are subject to numerous environmental, health and safety laws and regulations. If we fail to comply with such laws and regulations, we could be subject to fines or other sanctions.

The third parties with whom we contract to manufacture our product candidates are also subject to these and other environmental, health and safety laws and regulations. Liabilities they incur pursuant to these laws and regulations could result in significant costs or in certain circumstances, an interruption in operations, any of which could adversely impact our business and financial condition if we are unable to find an alternate supplier in a timely manner.

Risks Related to Financial Reporting

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. Section 404 of the Sarbanes-Oxley Act of 2002 requires management of public companies to develop and implement internal controls over financial reporting and evaluate the effectiveness thereof.

A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. No material weaknesses were identified in connection with the preparation of our financial statements for the years ended December 31, 2014 and 2015. If the implemented internal controls fail to be effective in the future, it could result in material misstatements in our financial statements, impair our ability to raise revenue, result in the loss of investor confidence in the reliability of our financial statements and subject us to regulatory scrutiny and sanctions, which in turn could harm the market value of our common shares.

Risk Management regarding Financial Instruments

Qualitative Disclosure about Market Risk

As a result of our operating and financing activities, we are exposed to market risks that may affect our financial position and results of operations. Market risk is the potential to incur economic losses on risk sensitive instruments arising from adverse changes in factors such as foreign exchange rate fluctuations.

Our senior management is responsible for implementing and evaluating policies which govern our funding, investments and any use of derivative financial instruments. Management monitors risk exposure on an ongoing basis.

Credit risk

The Company offers services to its collaboration partners / clients with the possibility to pay with a certain payment term. The credit risks on these payment terms have been and will continue to be borne by the Company. It is impossible that these credit risks may increase in the future, which could have a material adverse effect on its business and/or financial results. The company is aiming to negotiate advance payments for services provided to clients or collaboration partners. The Company invoices its collaboration partners, in relation to the contractual agreements (i.e. FTE rates, milestones reached, etc.). The Company is therefore subject to a certain credit default risk.

The cash and cash equivalents are held with banks, which are rated BBB- to AA- based on Standard & Poor's and Moody's.

Interest rate risks

The group's interest rate risk arises from cash accounts and long-term borrowings at variable rates.

Affimed entered into a loan agreement of $5.5 million with a variable interest rate of an annual rate of 9% plus one-month LIBOR, with LIBOR deemed to equal 1% if LIBOR is less than 1%. The group does not expect the LIBOR to exceed the floor or 1% within the foreseeable future, and considers the interest risk to be low.

Our financial assets are exposed to interest rate risk. A shift in interest rates would have an immaterial impact on the loss of the group.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. We use the euro as our functional and reporting currency. The group's entities are exposed to Czech Koruna (CZK) and US Dollars (USD). As a result, we are exposed to foreign currency exchange movements. Our material budgeted future expenses are in euros and US dollar. We have converted into euros only the portion of the IPO proceeds and the proceeds from our follow-on offering in May and the private placement in October 2015 that will be spent in euros according to our budget. The company does not apply additional hedging methods. Assets and liabilities and income and expenses of Group companies, other than the euro, are translated to euro at foreign exchange rates prevailing at the balance sheet date and the dates of the transactions respectively. The Company regards its positions in other countries (in this case outside the Eurozone) as strategic and assumes that, over the longer term, currency fluctuations will be neutral on balance.

Cash surpluses, held in a currency other than the functional currency, are not used for speculative purposes. We do not enter into contracts that reflect the changes in the value of foreign currency exchange rates to preserve the value of assets, commitments and anticipated transactions. Therefore, fluctuations in exchange rates may distort year-to-year comparisons of financial performance.

In 2015, if the Euro had weakened/strengthened by 10% against the US dollar with all other variables held constant, the loss would have been approximately €2.8 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets. The group considers a shift in the exchange rates of 10% as a realistic scenario.

Net investments in subsidiaries in foreign countries are long-term investments. Their book value changes through movements of foreign currency exchange rates. We do not hedge the net investments in foreign subsidiaries.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities which are normally settled by delivering cash. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Group continually monitors its risk of a shortage of funds using short and mid-term liquidity planning. This takes account of the expected cash flows from all activities. The supervisory board undertakes regular reviews of the budget.

In 2014 and 2015, Affimed raised significant funding that it estimates will enable the group to fund operating expenses and capital expenditure requirements until Q1 2018:

In 2015, the issue of new common shares and the exercise of stock options resulted in net proceeds of €53.5 million.

The group expects to require additional funding to complete the development of the existing product candidates. In addition, the group expects to require additional capital to commercialize the products if regulatory approval is received.

In 2015, Affimed has filed a “shelf registration statement” with the SEC in order to offer and sell securities to the public in multiple, future offerings.

Corporate Governance Report

I. GENERAL

Affimed N.V. is a public limited liability company (the "**Company,**" "**Affimed,**" or "**we**") with corporate seat in Amsterdam, the Netherlands, governed by Dutch law, and with registered office in Heidelberg, Germany. Affimed started as a private company with limited liability and was converted to a Dutch public limited liability company in connection with a corporate reorganization that occurred prior to the consummation of our initial public offering in 2014. The Company's common shares began trading on the Nasdaq Global Market on September 12, 2014 under the symbol "AFMD."

The Dutch Corporate Governance Code

We are subject to various corporate governance requirements and best practices codes, the most relevant being those in the Netherlands and the United States. As a Dutch company, the Company is subject to the Dutch Corporate Governance Code ("**DCGC**" or the "**Code**") and is required to disclose in its statutory annual report, filed in the Netherlands, whether it complies with the provisions of the DCGC. The DCGC contains principles and best practice provisions for managing boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards. If the Company does not comply with the provisions of the DCGC (for example, because of a conflicting Nasdaq requirement or otherwise), the Company must list the reasons for any deviation from the DCGC in this Annual Report.

In this report, we address our overall corporate governance structure and state to what extent we apply the provisions of the DCGC. The Company's deviation from certain practices of the DCGC is due to the Company being listed in the United States with most of Affimed's investors being outside of the Netherlands, as well as due to the international business focus of the Company. As a company listed on Nasdaq, the Company also complies with Nasdaq's corporate governance listing standards (except for instances where we follow our home country's corporate governance practices in lieu of certain Nasdaq corporate governance requirements as explained below) and the rules and regulations promulgated by the SEC. Nasdaq investors are often more familiar with Nasdaq's rules than with the DCGC.

The full text of the DCGC can be found at the website of the Monitoring Commission Corporate Governance Code (www.commissiecorporategovernance.nl). Further information about the Company's corporate governance practices is available at our website (www.affimed.com/corporate-governance).

II. MANAGING DIRECTORS AND SUPERVISORY DIRECTORS

The following table lists the members of our current management board:

Name	Age	Position
Adi Hoess	54	Chief Executive Officer
Florian Fischer	48	Chief Financial Officer
Jens-Peter Marschner	53	Chief Medical Officer
Jörg Windisch	45	Chief Operating Officer

The following is a brief summary of the business experience of the members of our management board.

Adi Hoess, Chief Executive Officer. Dr. Hoess joined us in October 2010 as Chief Commercial Officer and since September 2011 has served as our Chief Executive Officer. He has more than 20 years of professional experience with an extensive background in general management, business development, product commercialization, fund raising and M&A. Prior to joining us, Dr. Hoess was Chief Commercial Officer at Jerini AG and Chief Executive Officer of Jenowis AG. At Jerini AG he was responsible for business development, marketing and sales and the market introduction of Firazyr. He also played a major role in the sale of Jerini to Shire plc. Dr. Hoess began his professional career in 1993 at MorphoSys. Dr. Hoess received his Ph.D. in chemistry and biochemistry from the University of Munich in 1991 and an M.D. from the Technical University of Munich in 1997.

Florian Fischer, Chief Financial Officer. Dr. Fischer joined us in 2005 as Chief Financial Officer on a part-time basis, which has increased over time to a full time position since September 2014. Dr. Fischer is founder and Chief Executive Officer of MedVenture Partners, a Munich-based corporate finance and strategy advisory company focusing on the life sciences and health care industry. Dr. Fischer was the Chief Financial Officer of Activaero GmbH from 2002 until 2011 and has been involved with corporate development since 2011. He also served as the Chief Financial Officer of Vivendy Ltd. from 2008 until 2013 and as a managing director of AbCheck in 2009. Prior to founding MedVenture Partners, Dr. Fischer worked with KPMG for more than six years until 2002, where he was responsible for biotech and healthcare assignments. Before joining KPMG, he worked for Deutsche Bank AG. Dr. Fischer is also a member of the audit committee of Amphivena. He holds a graduate degree in business administration from Humboldt University, Berlin and a Ph.D. in public health from the University of Bielefeld.

Jens-Peter Marschner, Chief Medical Officer. Dr. Marschner joined us in 2013 from Merck KGaA (Merck Serono). He has 19 years of professional experience in clinical development with a focus on biological compounds. At Merck Serono, Dr. Marschner served as Vice President Immunological Programs Oncology from 2009-2012 and Vice President Global Medical Affairs from 2003-2009, primarily in the field of oncology. Dr. Marschner led the clinical development team of cetuximab (Erbitux®), a monoclonal antibody to treat colorectal cancer, which was successfully launched in 2004. He started his pharmaceutical career in 1995 at Boehringer Mannheim, which is now part of Roche. He studied medicine in Jena (Germany), obtained an M.D. in 1991 from Johann-Wolfgang-Goethe-University in Frankfurt and became a board certified specialist in clinical pharmacology in 1995.

Jörg Windisch, Chief Operating Officer. Dr. Windisch joined us in 2016 after spending 20 years at Sandoz Biopharmaceuticals (a Novartis company), most recently serving as Chief Science Officer. He joined Novartis in 1996 in the biologics unit of Sandoz, where he played a leading role in the development of Somatropin (Omnitrope®), the first ever biosimilar medicine, as well as of Sandoz' Epoetinalfa (Binocrit®) and Filgrastim (Zarzio®) products. Over the course of 15 years he built an international technical development organization for biologics and for five years Dr. Windisch also led the joint biologics technical development and manufacturing organization for Novartis Pharma and Sandoz. He was involved in the development and manufacturing of about 20 biologics, six of which are currently marketed. Dr. Windisch was educated in Austria, Germany and the U.S. and received his Ph.D. in Biochemistry and Molecular Genetics from the University of Innsbruck.

The following table lists the supervisory directors currently in office appointed by the general meeting of shareholders. Thomas Hecht is the chairman of our supervisory board. The term of each of our supervisory directors will terminate on the date of the annual general meeting of shareholders in the year indicated below.

Name	Gender	Nationality	Age	Initial appointment	Term
Bernhard Ehmer	M	German	61	January 21, 2016	2019
Ulrich Grau	M	German/US	67	July 1, 2015	2018
Thomas Hecht	M	German	65	September 17, 2014	2017
Berndt Modig	M	Swedish/US	57	September 17, 2014	2017
Richard B. Stead	M	US	63	September 17, 2014	2016
Ferdinand Verdonck	M	Belgian	73	September 9, 2014	2017

The following is a brief summary of the business experience of the Company's supervisory directors.

Bernhard R.M. Ehmer, Director. Dr. Ehmer has been a member of our supervisory board since 2016. He has been chairman of the board of management of Biotest AG since January 2015. Prior to this, he worked for the Imclone Group, a wholly owned subsidiary of Eli Lilly, as president of Imclone Systems Corporation in the United States and as managing director in Germany. In 2007/2008 he was CEO of Fresenius Biotech, Germany and before this, Dr. Ehmer headed the Business Area Oncology of Merck KGaA, Darmstadt and served as head of Global Clinical Operations at Merck. Between 1986 and 1998 he held various functions at Boehringer Mannheim in Germany, Italy and Singapore. Dr. Ehmer holds a degree in medicine and worked in the Department of Internal Medicine at the Academic Teaching Hospital of the University of Heidelberg.

Ulrich M. Grau, Director. Dr. Grau served as an advisor to our board from May 2013 until June 2015 and became a board member in July 2015. He has over 30 years of experience in the biotechnology and pharmaceutical industries including general management, business development, corporate strategy and the development of new products and technologies. Dr. Grau was Chief Operating Officer at Micromet from 2011 to 2012. Between 2006 and 2010, Dr. Grau was a founder, President and CEO of Lux Biosciences, Inc., a clinical stage ophthalmic company. Previously, Dr. Grau served as President of Research and Development at BASF Pharma/ Knoll where he directed a global R&D organization whose development pipeline included Humira. The majority of his career was at Aventis Pharma, where he last held the position of senior VP of global late stage development. Lantus® is based on his inventions made during his early years as a scientist with Hoechst AG. Dr. Grau received his Ph.D. in chemistry and biochemistry from the University of Stuttgart and spent three years as a post-doctoral fellow at Purdue University in the field of protein crystallography.

Thomas Hecht, Chairman. Dr. Hecht has been the chairman of our supervisory board since 2007. He is head of Hecht Healthcare Consulting in Küssnacht, Switzerland, a biopharmaceutical consulting company founded in 2002. Dr. Hecht also serves as chairman of the board of directors of Cell Medica Ltd., Delenex AG and as a director of Humabs BioMed AG. Until the beginning of March 2015, he served as chairman of the supervisory council of SuppreMol GmbH. Dr. Hecht was previously Vice President Marketing at Amgen Europe. A seasoned manager and industry professional, he held various positions of increasing responsibility in clinical development, medical affairs and marketing at Amgen between 1989 and 2002. Prior to joining the biopharmaceutical industry, he was certified in internal medicine and served as Co-Head of the Program for Bone Marrow Transplantation at the University of Freiburg, Germany.

Berndt Modig, Director. Mr. Modig has been a member of our supervisory board since 2014. He has served as Chief Financial Officer of Prosensa Holding N.V. from March 2010 through January 2015 when Prosensa was acquired by BioMarin Pharmaceutical Inc. Mr. Modig also serves as member of the board of directors and chairman of the audit committee of Auris Medical Holding AG and Axovant Sciences Ltd. Mr. Modig has more than 25 years of international experience in finance and operations, private equity and mergers and acquisitions. Before joining Prosensa, Mr. Modig was Chief Financial Officer at Jerini AG from October 2003 to November 2008, where he directed private financing rounds, its initial public offering in 2005 and its acquisition by Shire plc in 2008. Prior to Jerini, Mr. Modig served as Chief Financial Officer at Surplex AG from 2001 to 2003 and as Finance Director Europe of U.S.-based Hayward Industrial Products Inc. from 1999 to 2001. In previous positions, Mr. Modig was a partner in the Brussels-based private equity firm Agra Industria from 1994 to 1999 and a Senior Manager in the Financial Services Industry Group of Price Waterhouse LLP in New York from 1991 to 1994. Mr. Modig served as a director of Mobile Loyalty plc from 2012 to 2013. Mr. Modig has a bachelor’s degree in business administration, economics and German from the University of Lund, Sweden and an M.B.A. degree from INSEAD, Fontainebleau, France and is a Certified Public Accountant.

Richard B. Stead, Director. Dr. Stead has been a member of our supervisory board since 2007. He has more than 25 years of experience in the biotechnology and pharmaceutical industries, designing and directing clinical trials, regulatory strategy and licensing activities. He is currently Founder and Principal of BioPharma Consulting Services, where he is involved in the development of a number of oncology products including different strategies for cancer immunotherapy. Previously, he was Vice President, Clinical Research of Immunex Corporation, responsible for oncology and neurology product development. Dr. Stead has served in various positions in clinical development and played a key role

in the FDA approval and commercialization of Amgen's first two products, Epogen and Neupogen. Dr. Stead graduated from the University of Wisconsin and earned an M.D. from Stanford University. He completed his internship and residency as well as a fellowship in Hematology at Harvard Medical School and the Brigham and Women's Hospital followed by post-doctoral research in the Laboratory of Molecular Biology at the National Cancer institute. He also serves on the boards of Ascend Biopharmaceuticals Ltd. and the Seattle Reparatory Theatre.

Ferdinand Verdonck, Director. Mr. Verdonck has been a member of our supervisory board since July 2014. He is chairman of the supervisory board of uniQure N.V. and is a director and a member of the Audit Committee of Virtus Funds and Laco Information Services. In recent years he was director of Groupe SNEF, director and member of the audit committee of J.P. Morgan European Investment Trust and director and chairman of the audit committee of two biotechnology companies in Belgium, Movetis and Galapagos. He has previously served as chairman of Banco Urquijo and of Nasdaq Europe and as a director of Dictaphone Corporation. From 1992 to 2003, he was the managing director of Almanij NV, a financial services company which has since merged with KBC, and his responsibilities included company strategy, financial control, supervision of executive management and corporate governance, including board participation in publicly-traded and privately-held companies in many countries. Mr. Verdonck holds a law degree from KU Leuven and degrees in economics from KU Leuven and the University of Chicago.

III. BOARD PRACTICES

Governance structure

Affimed N.V. is a public limited liability company under Dutch law with a two-tier board structure. Our management board (*raad van bestuur*) has ultimate responsibility for the overall management of Affimed. The management board is supervised and advised by a supervisory board (*raad van commissarissen*). The management board and the supervisory board are accountable to Affimed's shareholders.

Management board

The management board manages our general affairs and ensures that we can effectively implement our strategy and achieve our objectives.

At least once per year the management board informs the supervisory board in writing of the main lines of the Company's strategic policy, the general and financial risks and the management and control system. The management board provides the supervisory board with such necessary information as the supervisory board requires performing its duties.

We have a strong centralized management board led by Adi Hoess, our Chief Executive Officer, who has a strong track record in the development and commercialization of new medicines. Our management team has extensive experience in the biopharmaceutical industry, and key members of our team have played an important role in the development and commercialization of approved drugs.

For a more detailed description of the responsibilities of the management board, please refer to the corporate governance section of our website at www.affimed.com.

Composition of the management board

The number of managing directors is determined by the supervisory board. Currently the management board consists of four (4) directors.

The size and composition of our management board and the combined experience and expertise of its members should reflect the best fit for Affimed's profile and strategy, irrespective of gender.

This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in Affimed, as of April 30, 2016, having a management board in which all four members are male. In order to increase gender diversity of the management board, in accordance with article 2:166 section 2 of the Dutch Civil Code, we pay close attention to gender diversity in the process of recruiting and appointing new management board members. In addition, we continuously recruit female executives, as demonstrated by the employment of several women to key leadership positions across the Company in 2015.

Appointment, suspension and dismissal

Managing directors are appointed by the general meeting of shareholders upon a binding nomination of the supervisory board. The general meeting of shareholders can suspend or dismiss a management board member by an absolute majority of votes cast, upon a proposal made by the supervisory board. If another party makes the proposal, a two-thirds majority of the votes cast, representing more than half of the issued share capital, is required. If this qualified majority is not achieved, second general meeting as referred to in article 2:120 section 3 of the Dutch Civil Code may not be convened.

Supervisory board

Our supervisory board supervises the policies of the management board and the general course of the affairs of the Company's business. The supervisory board gives advice to the management board and is guided by the Company's interests and its business when performing its duties. The management board provides the supervisory board with such necessary information as is required to perform its duties. Currently the supervisory board consists of six (6) supervisory directors.

The Company's articles of association provide for a term of appointment of supervisory directors of up to four years. Furthermore, the Company's articles of association state that a supervisory director may be reappointed, but that any supervisory director may be a supervisory director for no longer than twelve (12) years. The Company's supervisory directors are appointed for different terms as a result of which only approximately one quarter of the Company's supervisory directors will be subject to election in any one year. Such an appointment has the effect of creating a staggered board and may deter a takeover attempt.

The supervisory board meets as often as a supervisory board member deems necessary. In a meeting of the supervisory board, each supervisory director has a right to cast one vote. All resolutions by the supervisory board are adopted by an absolute majority of the votes cast. In the event the votes are equally divided, the chairman has the decisive vote. A supervisory director may grant another supervisory director a written proxy to represent him at the meeting.

The Company's supervisory board can pass resolutions outside of meetings, provided that the resolution is adopted in writing and all supervisory directors have consented to adopting the resolution outside of a meeting.

The Company's supervisory directors do not have a retirement age requirement under the Company's articles of association.

Composition of the supervisory board

The composition of the supervisory board, including its members' combined experience and expertise, independence, and diversity of age and gender, should reflect the best fit for Affimed's profile and strategy. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in Affimed currently having a supervisory board in which all six members are male. In order to increase gender diversity in the supervisory board in accordance with article 2:166 section 2 of the Dutch Civil Code, we pay close attention to gender diversity in the process of recruiting and appointing new supervisory board candidates.

Appointment, suspension and dismissal

Supervisory directors are appointed by the general meeting of shareholders upon a binding nomination of the supervisory board for a term of up to four years. The general meeting of shareholders can suspend or dismiss a supervisory board member by an absolute majority of votes cast, upon a proposal made by the supervisory board. If another party makes the proposal, a two-thirds majority of the votes cast, representing more than half of the issued share capital, is required. If this qualified majority is not achieved, a second general meeting as referred to in article 2:120 section 3 of the Dutch Civil Code may not be convened.

Conflicts of interest

Each member of the management board is required to immediately report any potential conflict of interest to the chairman of the supervisory board and to the other members of the management board and provide them with all relevant information. Each member of the supervisory board is required to immediately report any potential conflict of interest to the chairman of the supervisory board and provide him or her with all relevant information. The chairman determines whether there is a conflict of interest. If a member of the supervisory board or a member of the management board has a conflict of interest with the Company, the member may not participate in the discussions and/or decision-making process on subjects or transactions relating to the conflict of interest. The chairman of the supervisory board will arrange for such transactions to be disclosed in the Annual Report.

Dr. Ulrich Grau, who was appointed as Supervisory Director effective July 1, 2015, is a significant shareholder and Chairman of i-novion Inc. which was engaged by the Company in 2015 prior to his appointment as Supervisory Director to conduct preclinical services through a services agreement. In accordance with best practise provision III.6.3, Affimed reports that Dr. Ulrich Grau had a conflict of interest in relation to the Company entering into this service agreement with i-novion Inc. Affimed reports that best practise provisions III.6.1 to III.6.3 inclusive have been complied with. Dr. Grau immediately reported this conflict of interest to the chairman of the supervisory board. The service agreement was agreed on terms that are customary in the sector concerned and the supervisory board approved the entering into this service agreement. Dr. Grau did not take part in discussions and/or decision-making on this topic.

In accordance with best practice provision III.6.4 of the DCGC, Affimed reports that no transactions between the Company and legal or natural persons who hold at least 10% of the shares in the Company occurred in 2015.

Supervisory Board Committees

Although the supervisory board retains ultimate responsibility, the supervisory board has delegated certain of its tasks to its committees.

<u>Audit committee</u>

The audit committee, which consists of Ferdinand Verdonck (Chairman), Berndt Modig and Bernhard Ehmer (since January 2016), assists the board in overseeing our accounting and financial reporting processes and the audits of our financial statements. In addition, the audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. Our supervisory board has determined that all members of the audit committee satisfy the “independence” requirements set forth in Rule 10A-3 under the Exchange Act. The supervisory board has determined that Ferdinand Verdonck and Berndt Modig qualify as “audit committee financial experts,” as such term is defined in the rules of the SEC.

The audit committee is responsible for recommending the appointment of the independent auditor to the general meeting of shareholders; the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing

other audit services; pre-approving the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services; evaluating the independent auditor's qualifications, performance and independence, and presenting its conclusions to the full supervisory board on at least an annual basis and reviewing and discussing with the management board and the independent auditor our annual audited financial statements and quarterly financial statements prior to the filing of the respective annual and quarterly reports, among other things.

The audit committee meets as often as one or more members of the audit committee deem necessary, but in any event at least four times per year. The audit committee meets at least once per year with our independent accountant, without our management board being present. The audit committee held five meetings in person and seven meetings by conference call in 2015.

Compensation committee

The compensation committee, which consists of Thomas Hecht (Chairman), Ulrich Grau and Berndt Modig, assists the supervisory board in determining management board compensation. The committee recommends to the supervisory board for determination of the compensation of each of our managing directors. Under SEC and Nasdaq rules, there are heightened independence standards for members of the compensation committee, including a prohibition against the receipt of any compensation from us other than standard supervisory director fees. As permitted by the listing requirements of Nasdaq, we have opted out of Nasdaq Listing Rule 5605(d) which requires that a compensation committee consist entirely of independent directors.

The compensation committee is responsible for identifying, reviewing and approving corporate goals and objectives relevant to management board compensation; analysing the possible outcomes of the variable remuneration components and how they may affect the remuneration of the managing directors; evaluating each managing director's performance in light of such goals and objectives and determining each managing director's compensation based on such evaluation and determining any long-term incentive component of each managing director's compensation in line with the remuneration policy and reviewing our management board compensation and benefits policies generally, among other things.

The compensation committee held three meetings in person and two meetings by conference call in 2015.

Nomination and corporate governance committee

The nomination and corporate governance committee, which consists of Thomas Hecht (Chairman), Ulrich Grau and Richard B. Stead, assists our supervisory board in identifying individuals qualified to become members of our supervisory board and management board consistent with criteria established by our supervisory board and in developing our corporate governance principles. As permitted by the listing requirements of Nasdaq, we have opted out of Nasdaq Listing Rule 5605(e) which requires independent director oversight of director nominations.

The nomination and corporate governance committee held four meetings in person and one meeting by conference call in 2015.

IV. COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Affimed's remuneration policy aims to attract, motivate and retain the best-qualified workforce. The objectives and structure of the remuneration policy for the management board is regularly reviewed and/or evaluated by the supervisory board. The current remuneration policy for the management board and supervisory board was adopted and approved by the general meeting of shareholders on 17 September 2014, prior to the consummation of our initial public offering.

Compensation of Managing Directors and Supervisory Directors

Dutch law provides that we must establish a policy in respect of the remuneration of our managing directors and supervisory directors. With respect to remuneration in the form of plans for shares or rights to shares (such as the Equity Incentive Plan 2014 mentioned below) the policy for managing directors must set out the maximum number of shares or rights to shares to be granted as well as the criteria for grants and for amending existing grants. The remuneration policy for the managing directors provides the supervisory board with a framework within which the supervisory board determines the remuneration of the managing directors.

Our remuneration policy for our managing directors provides the supervisory board with the authority to enter into management services agreements with managing directors that provide for compensation consisting of base compensation, performance-related variable compensation, long-term equity incentive compensation (as detailed in the terms of the Equity Incentive Plan 2014 described below), pension and other benefits and severance pay and benefits. The remuneration policy for the managing directors provides that the annual cash bonus payable to managing directors may not exceed 100% of the annual base gross salary and will be based upon the achievement of set financial and operating goals for the period. The bonus payments may be increased in any given year by the supervisory board upon a proposal of the compensation committee based on any exceptional achievements of that managing director. In addition, the remuneration policy for managing directors allows for cash termination payments, which may not exceed 100% of the managing director's base salary. This policy also allows for additional compensation and benefits to our managing directors following a change of control.

The remuneration policy for the supervisory board established the compensation for our supervisory directors. This policy provides for payments and initial and annual equity awards. This is permissible under Dutch law, but constitutes a deviation from best practice provisions III.7.1 of the DCGC.

The remuneration policy for our supervisory directors provides that each supervisory director is entitled to an annual retainer of €20,000, provided that the chairman of the supervisory board is entitled to an annual retainer of €75,000. In addition, the chairman of the audit committee is entitled to an additional annual retainer of €15,000 and the chairmen of the compensation and nomination and corporate governance committees are each entitled to annual retainers of €7,500. Supervisory directors will also be paid €3,000 for each supervisory board meeting attended in person and €1,500 for each supervisory board meeting attended by telephone, provided the meeting attended by telephone exceeds 30 minutes. The members of each committee will be paid €1,500 for each committee meeting attended in person and €750 for each committee meeting attended by telephone, provided the meeting attended by telephone exceeds 30 minutes.

In addition, under the remuneration policy for our supervisory directors we granted the chairman of the supervisory board on the date of the consummation of our initial public offering in September 2014 an initial award of stock options to purchase 35,000 common shares and we will grant any future chairman of the supervisory board an initial award of stock options to purchase 35,000 common shares on the date of their election as the chairman of the supervisory board. Further, under the remuneration policy we granted each other supervisory director on the date of the consummation of our initial public offering in September 2014 an initial award of stock options to purchase 20,000 common shares and we will grant each other supervisory director an initial award of stock options to purchase 20,000 common shares on the date of their election as a supervisory director. These initial stock options will vest over a three-year period in three equal instalments on the anniversaries of the grant date. In addition, the remuneration policy provides that each supervisory director is entitled to an annual grant of 10,000 stock options, with the chairman of the supervisory board entitled to an annual grant of 20,000 stock options. These annual awards will vest in four quarterly instalments and will be fully vested on the first anniversary of the grant date. Initial awards and annual awards will be granted automatically on the respective dates of issuance based on the approval by the shareholders of the remuneration policy and will not require any further approval by the supervisory board or the company. Supervisory directors are also entitled to be reimbursed for their reasonable expenses incurred in attending meetings of the supervisory board and its committees.

The aggregate cash compensation, including benefits in kind, accrued or paid to our managing directors and supervisory directors with respect to the year ended December 31, 2015, for services in all capacities was approximately €1.8 million. As of December 31, 2015, we have no amounts set aside or accrued to provide pension, retirement or similar benefits to our managing directors and supervisory directors. In 2015, awards for 545,000 stock options were granted to management and members of the supervisory board. Further details on the managing directors and supervisory directors individual remuneration are outlined in Note H to the Company only financial statements and Note 24 to the consolidated financial statements.

Long-term incentive plans

Equity Incentive Plan 2014

In conjunction with the closing of our initial public offering ("**IPO**"), we established the Affimed N.V. Equity Incentive Plan 2014 ("**the 2014 Plan**") with the purpose of advancing the interests of our shareholders by enhancing our ability to attract, retain and motivate individuals who are expected to make important contributions to us. The maximum number of shares available for issuance under the 2014 Plan equals 7% of the total outstanding common shares on September 17, 2014, or 1,678,891 common shares. On January 1 of any calendar year thereafter, an additional 5% of the total outstanding common shares on that date becomes available for issuance under the 2014 Plan. The absolute number of shares available for issuance under the 2014 Plan will increase automatically upon the issuance of additional shares by the Company. The option exercise price for options under the 2014 Plan is the fair market value of a share as defined in the 2014 Plan on the relevant grant date. We are following home country rules relating to the re-pricing of stock options. Under applicable Dutch law, re-pricing is permissible, but constitutes a deviation from the best practice provisions of the DCGC. As a result, if we engage in re-pricing of stock options, we would be required to provide an explanation in our annual report for why we do not comply with the best practice provisions.

Plan administration. The 2014 Plan is administered by our compensation committee. Approval of the compensation committee is required for all grants of awards under the 2014 Plan. The compensation committee may delegate to the managing directors the authority to grant equity awards under the 2014 Plan to our employees.

Eligibility. Managing directors, supervisory directors and other employees and consultants of the Company are eligible for awards under the 2014 Plan.

Awards. Awards include options and restricted stock units.

Vesting period. Subject to any additional vesting conditions that may be specified in an individual grant agreement, and the accelerated vesting conditions below, the plan provides for three year vesting of stock options. One-third of the stock options granted to participants in connection with the start of their employment vest on the first anniversary of the grant date, with the remainder vesting in equal tranches at the end of each 3-month period thereafter. Stock options granted to other participants vest in equal tranches at the end of each 3-month period after the grant date over the course of the vesting period. The compensation committee will establish a vesting schedule for awards granted to supervisory directors as well as for any awards in the form of restricted stock units.

Accelerated vesting. Unless otherwise specified in an individual grant agreement, the 2014 Plan provides that upon a change of control of the Company (as defined in the 2014 Plan) all then outstanding equity awards will vest and become immediately exercisable. It also provides that upon a participant's termination of service due to (i) retirement (or after reaching the statutory retirement age), (ii) permanent disability rendering the relevant participant incapable of continuing employment or (iii) death, all outstanding equity awards that would have vested during a 12 month period following such termination of service will vest and become immediately exercisable. Otherwise at termination all unvested awards will be forfeited. If a participant experiences a termination of service without "cause" or for "good reason" (in each case, as defined in the 2014

Plan) within six months prior to a change of control, the Company will make a cash payment equivalent to the economic value that the participant would have realized in connection with the change of control upon the exercise and sale of the equity awards that such participant forfeited upon his or her termination of service. In connection with a change of control and subject to the approval of the supervisory board, the management board may amend the exercise provisions of the 2014 Plan.

Stock Option Equity Incentive Plan 2007

Under the Stock Option Equity Incentive Plan 2007 (the "**2007 SOP**"), we granted options that were exercisable for preferred shares. In conjunction with the corporate reorganization in connection with our initial public offering, all outstanding awards granted under the 2007 SOP were converted into awards exercisable for common shares of Affimed N.V., and no additional grants will be made under the 2007 SOP. All awards are fully vested and can be exercised by the beneficiaries. The 2007 SOP is administered by the management board, or with respect to awards to our officers, by the supervisory board.

Carve Out Agreements

Our pre-IPO shareholders have entered into agreements with our managing directors and certain of our supervisory directors and consultants that grant the beneficiaries the right to receive common shares of the company. These agreements were satisfied or will be satisfied in the future through a transfer to the beneficiaries of in the aggregate 7.78% of the common shares owned by our pre-IPO shareholders, or the respective market value thereof in cash to the beneficiaries.

Managing director and Supervisory director services agreements

Our managing directors have entered into management services agreements with us which became effective upon the consummation of our initial public offering in September 2014 (for three managing directors) and the approval of the shareholder meeting in January 2016 (for one managing director). These agreements provide for benefits upon a termination of service. Prior to the closing of our IPO certain of our managing and supervisory directors have entered into consulting agreements with us. All such consulting agreements were terminated in the course of our IPO.

The management services agreements are for a definite period of time, which period equals the term of office of the managing director. In addition, the management services agreements provide for a termination notice period of six months, both for us and for the managing director. In the event of an urgent cause, the management services agreements may be terminated with immediate effect.

Each management services agreement provides for payment of severance upon pre-defined circumstances such as a termination by us without urgent cause or the existence of certain events posing the managing director to terminate the management services agreement for urgent cause (including, but not limited to, a reduction of the managing director's salary) for which the severance is 100% of the managing director's gross annual compensation.

The management services agreements provide for a lump-sum payment following a change of control, subject to certain conditions. In the event of termination of the managing services agreements following a change of control, the aforementioned severance is increased to 150% of the managing director's gross annual compensation. In addition, the managing director receives an amount equal to the average variable compensation over the last two years.

The management services agreements contain post-termination restrictive covenants, including a post-termination non-competition covenant, which lasts until six months after the management services agreement has ended, and a non-solicitation covenant, which lasts until two years after the management services agreement has ended.

Insurance and Indemnification

Our managing directors and supervisory directors have the benefit of indemnification provisions in our articles of association. These provisions give managing directors and supervisory directors the right, to the fullest extent permitted by law, to recover from us amounts, including but not limited to litigation expenses, and any damages they are ordered to pay, in relation to acts or omissions in the performance of their duties. However, there is generally no entitlement to indemnification for acts or omissions that amount to willful (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*) conduct. In addition, upon consummation of our initial public offering, we entered into agreements with our managing directors and supervisory directors to indemnify them against expenses and liabilities to the fullest extent permitted by law. These agreements also provide, subject to certain exceptions, for indemnification for related expenses including, among others, attorneys' fees, judgments, penalties, fines and settlement amounts incurred by any of these individuals in any action or proceeding. In addition to such indemnification, we provide our managing directors and supervisory directors with directors' and officers' liability insurance.

Insofar as indemnification of liabilities arising under the U.S. Securities Act of 1933 (the "Securities Act") may be permitted to supervisory directors, managing directors or persons controlling us pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

V. Related party transactions

The following is a description of related party transactions Affimed or its direct subsidiary Affimed GmbH have entered into since January 1, 2015 with any of our members of our supervisory board or management board and the holders of more than 5% of our common shares.

Agreements with Supervisory Directors

We had a consulting agreement with Ulrich M. Grau, whose term as a supervisory director became effective as of July 1, 2015. Dr. Grau's remuneration under the agreement consisted of service fees for business development, corporate strategy and the development of new products. In June 2015, this consulting agreement was terminated and all associated rights and obligations ceased. Also, according to a service agreement with i-novion Inc., of which Dr. Grau serves as Chairman of the Board of Directors, i-novion Inc. conducted certain preclinical services for us. In 2015, i-novion Inc. received related payments of €138,000 (further details are given on page 30 of this report).

Agreements with Amphivena

In 2013, we entered into a license and development agreement, which amended and restated a 2012 license agreement, with Amphivena Therapeutics, Inc., or Amphivena, based in San Francisco, to develop an undisclosed product candidate for hematologic malignancies in exchange for an interest in Amphivena and certain milestone payments. We have also assigned and licensed certain technology to Amphivena and provided it with funding.

Registration rights agreement

Following the consummation of our IPO, we entered into a registration rights agreement with certain of our existing shareholders pursuant to which we granted them the rights set forth below.

Demand registration rights. Certain of our shareholders that are party to the Registration Rights Agreement (the "**RRA Shareholders**") are entitled to request that we effect up to an aggregate of four demand registrations under the Registration Rights Agreement, and no more than one demand registration within any six-month period, covering the RRA Shareholders' common shares that are subject to transfer restrictions under Rule 144 ("**registrable securities**"). The demand registration rights are subject to certain customary conditions and limitations, including customary underwriter cutback rights and deferral rights. No demand registration rights exist while a shelf registration is in effect.

Piggyback registration rights. If we propose to register any common shares (other than in a shelf registration or on a registration statement on Form F-4, S-4 or S-8), the RRA Shareholders are entitled to notice of such registration and to include their registrable securities in that registration. The registration of RRA Shareholders' registrable securities pursuant to a piggyback registration does not relieve us of the obligation to effect a demand registration. The managing underwriter has the right to limit the number of registrable securities included in a piggyback registration if the managing underwriter believes it would interfere with the successful marketing of the common shares.

Form F-3 registration rights. When we are eligible to use Form F-3, one or more RRA Shareholders have the right to request that we file a registration statement on Form F-3. RRA Shareholders will have the right to cause us to undertake underwritten offerings from the shelf registration, but no more than one underwritten offering in a six-month period. Each underwritten takedown constitutes a demand registration for purposes of the maximum number of demand registrations we are obligated to effectuate.

Subject to limited exceptions, the Registration Rights Agreement provides that we must pay all registration expenses in connection with a demand, piggyback or shelf registration. The Registration Rights Agreement contains customary indemnification and contribution provisions.

Indemnification Agreements

We have entered into indemnification agreements with our managing directors and supervisory directors. The indemnification agreements and our articles of association require us to indemnify our managing directors and supervisory directors to the fullest extent permitted by law.

VI. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS

Our managing board, including our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2015, have concluded that based on the evaluation of these controls and procedures required by Rule 13a-15(b) of the Exchange Act, our disclosure controls and procedures were effective and the risk management and control systems worked properly in 2015. We conclude that these systems provide a reasonable assurance that the financial report does not contain any errors of material importance.

The main elements of our internal control and risk management system in relation to the financial reporting process comprise the following:

- Clear assignment of responsibilities
- Segregation of duties and four eyes principle
- Appropriate financial accounting system including authorisation concepts
- Use of checklists when preparing quarterly and annual financial statements
- Use of guidelines and work procedures

Our internal control system has been discussed with the supervisory board's audit committee and the external auditors on a regular basis.

A Disclosure Committee is in place, which advises the various officers and departments involved, including the CEO and the CFO, on the timely review, publication and filing of periodic and current (financial) reports. In addition to the certification by the CEO and the CFO under U.S. law, each individual member of the supervisory board and management board must under Dutch law, sign the consolidated and the company-only financial statements being disclosed and submitted to the General Meeting of Shareholders for adoption.

A description of the risk factors and the risk management approach, as well as the sensitivity of the Company's results to external factors and variables are described in more detail in "Risk Management."

VII. MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon criteria established in Internal Control – Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2015.

VIII. CODE OF CONDUCT

We have adopted a Code of Conduct which covers a broad range of matters including the handling of conflicts of interest, compliance issues and other corporate policies such as insider trading and equal opportunity and non-discrimination standards. Our Code of Conduct applies to all of our supervisory directors, managing directors and employees. We have published our Code of Conduct on our website, www.affimed.com.

IX. SHARES AND SHAREHOLDERS' RIGHTS

General meeting of shareholders

Affimed shareholders exercise their rights through annual and extraordinary general meetings of shareholders. We are required to convene an annual general meeting of shareholders in the Netherlands each year, no later than six months after the end of the Company's financial year.

Additional extraordinary general meetings of shareholders may be convened at any time by the supervisory board and the management board. Pursuant to Dutch law, one or more shareholders, who jointly represent at least 10% of the issued capital may, on their application, be authorized by a Dutch district court to convene a general meeting of shareholder.

The agenda for the annual general meeting of shareholders must contain certain matters as specified in our articles of association and under Dutch law, including the adoption of our annual financial statements. Shareholders are entitled to propose items for the agenda of the general meeting of shareholders provided that they hold at least 3% of the issued share capital. Proposals for agenda items for the general meeting of shareholders must be submitted at least 60 days prior to the date of the meeting. The general meeting of shareholders is also entitled to vote on important decisions regarding Affimed's identity or character, including major acquisitions and divestments.

In accordance with our articles of association, for each general meeting of shareholders, the management board may determine that a record date will be applied in order to establish which shareholders are entitled to attend and vote at the general meeting of shareholders. Such record date shall be the 28th day prior to the day of the general meeting. The record date and the manner in which shareholders can register and exercise their rights will be set out in the notice of the meeting.

We encourage participation in Affimed's general meetings of shareholders. All shareholders and others entitled to attend general meetings of shareholders are authorized to attend the general meeting of shareholders, to address the meeting and, in so far as they have such right, to vote.

Voting rights

In accordance with Dutch law and our articles of association, each issued common share and each issued cumulative preferred share confers the right to cast one vote at the general meeting of shareholders. Each holder of shares may cast as many votes as it holds shares. Shareholders may vote by proxy. No votes may be cast at a general meeting of shareholders on shares held by us or our subsidiaries or on shares for which we or our subsidiaries hold depositary receipts. Nonetheless, the holders of a right of use and enjoyment (*vruchtgebruik*) and the holders of a right of pledge in respect of shares held by us or our subsidiaries in our share capital are not excluded from the right to vote on such shares, if the right of use and enjoyment (*vruchtgebruik*) or the right of pledge was granted prior to the time such shares were acquired by us or any of our subsidiaries. Neither we nor any of our subsidiaries may cast votes in respect of a share on which we or such subsidiary holds a right of use and enjoyment (*vruchtgebruik*) or a right of pledge. Shares which are not entitled to voting rights pursuant to the preceding sentences will not be taken into account for the purpose of determining the number of shareholders that vote and that are present or represented, or the amount of the share capital that is provided or that is represented at a general meeting of shareholders.

Decisions of the general meeting of shareholders are taken by an absolute majority of votes cast, except where Dutch law or the articles of association provide for a qualified majority or unanimity.

In accordance with Dutch law and generally accepted business practices, our articles of association do not provide quorum requirements generally applicable to general meetings of shareholders. To this extent, our practice varies from the requirement of Nasdaq Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting stock.

Under our articles of association, our managing directors and supervisory directors are appointed by the general meeting of shareholders upon a binding nomination by our supervisory board. The general meeting of shareholders may overrule the binding nomination by a resolution adopted with a two-thirds majority of the votes cast representing at least half of the issued share capital. If the general meeting of shareholders overrules the binding nomination, the supervisory board shall make a new binding nomination.

Issue of additional shares and pre-emptive rights

Shares may be issued following a resolution by the general meeting of shareholders on a proposal of the management board made with the approval of the supervisory board. The general meeting of shareholders may resolve to delegate this authority to the management board for a period of time not exceeding five years. At the general meeting of shareholders held at September 12, 2014, our management board was granted the authority, with effect from September 17, 2014 being the date of our conversion into a Dutch public limited liability company prior to the consummation of our initial public offering, for a period of five years (*i.e.*, until September 17, 2019) and subject to the approval of the supervisory board, to resolve to (i) issue common shares (either in the form of stock dividend or otherwise) and/or grant rights to subscribe common shares in the share capital of the Company, for a maximum of common shares that can be issued under the size of the authorised share capital of the Company as per the date of adoption of such resolution and (ii) issue cumulative preferred shares and/or grant rights to subscribe for cumulative preferred shares, to a maximum of cumulative preferred shares that can be issued under the size of the authorised share capital of the Company as per the date of adoption of such resolution.

Upon the issuance of new common shares, holders of Affimed's common shares have a pre-emptive right to subscribe to common shares in proportion to the total amount of their existing holdings of Affimed's common shares. According to the Company's articles of association, this pre-emptive right does not apply to any issuance of shares to Affimed employees.

The general meeting of shareholders may decide to restrict or exclude pre-emptive rights. The general meeting of shareholders may also resolve to designate the management board as the corporate body authorized to restrict or exclude pre-emptive rights for a period not exceeding five years.

At the general meeting of shareholders held at September 12, 2014, with effect from September 17, 2014 being the date of our conversion into a Dutch public limited liability company prior to the consummation our initial public offering, our management board was granted the authority, for a period of five years (*i.e.*, until September 17, 2019) and subject to the approval of the supervisory board, to restrict or exclude the pre-emptive rights of holders of common shares upon the issuance of common shares and/or upon the granting of rights to subscribe for common shares.

Repurchase by Affimed of its own shares

Affimed may only acquire fully paid shares of any class in its capital for a consideration following authorization by the general meeting of shareholders and subject to certain provisions of Dutch law and the Company's articles of association, if: (i) the Company's shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up and called-up capital and any reserves required by Dutch law or its articles of association and (ii) the Company and its subsidiaries would not thereafter hold shares or hold a pledge over shares with an aggregate par value exceeding 50% of its then current issued share capital.

At the general meeting of shareholders held at June 9, 2015, our management board was granted the authority, for a period of 18 months, with effect from the same date (*i.e.*, until December 9, 2016) and subject to the approval of the supervisory board, to cause the repurchase of common shares by us of up to 10% of our issued share capital, for a price per share not exceeding 110% of the most recent closing price of a common share on any stock exchange where the common shares are listed.

No authorization of the general meeting of shareholders is required if common shares are acquired by us with the intention of transferring such common shares to our employees under an applicable employee stock purchase plan.

Articles of Association

Our articles of association outline certain of the Company's basic principles relating to corporate governance and organization. The current text of the articles of association is available at the Trade Register of the Chamber of Commerce and Industry for Amsterdam and on our public website at www.affimed.com. A resolution to amend the articles of association may only be adopted by the general meeting at the proposal of the management board with the prior approval of the supervisory board. A proposal to amend the articles of association whereby any change would be made in the rights which vest in the holders of shares of a specific class in their capacity as such, shall require the prior approval of the meeting of holders of the shares of that specific class.

Auditor

The general meeting of shareholders appoints the external auditor. The audit committee was closely involved in the evaluation of Affimed's external auditor and recommends to the supervisory board the external auditor to be proposed for (re)appointment by the general meeting of shareholders. In addition, the audit committee evaluates and, where appropriate, recommends the replacement of the external auditors. On June 9, 2015, the general meeting of shareholders appointed KPMG Accountants N.V. as external auditor for the Company for the financial year 2015.

Anti-Takeover Provisions

Dutch law permits us to adopt protective measures against takeovers. Although we have not adopted any specific takeover measures, our management board has been designated for a period of five years from September 17, 2014 (*i.e.*, until September 17, 2019) to issue cumulative preferred shares and grant rights to subscribe for cumulative preferred shares, up to the amount of our authorized share capital. Our cumulative preferred shares are a separate class of equity securities that could be issued for defensive purposes. Such shares would typically have both a liquidation and dividend preference over our common stock and otherwise accrue cash dividends at a fixed rate.

X. COMPLIANCE WITH DUTCH CORPORATE GOVERNANCE CODE

As a Dutch company, the Company is subject to the DCGC and is required to disclose in this Annual Report, filed in the Netherlands, whether the Company complies with the provisions of the DCGC. If the Company does not comply with the provisions of the DCGC (for example, because of a conflicting Nasdaq requirement or otherwise), the Company must list the reasons for any deviation from the DCGC in this Annual Report. The Company's most substantial deviations from the DCGC are summarized below.

Remuneration

- The Company has granted and intends to grant options and restricted stock units in the future to members of its supervisory board, which qualifies as a deviation from best practice provision III.7.1 of the DCGC. Such remuneration is in accordance with the Nasdaq corporate governance requirements and market practice among companies listed at Nasdaq. The Company is in competition with other companies in this field and intends to maintain an attractive compensation package for its current and any future supervisory board members. The number of option rights granted to each supervisory board member is determined by the general meeting of shareholders.

- The remuneration committee of the Supervisory Board has not prepared a remuneration report as referred to in best practise provision II.2.12 of the DCGC, which qualifies as a deviation from best practice provision III.5.10 of the DCGC. An overview of the implementation and planning of the remuneration of managing and supervisory directors is ample given in the Annual Report. The disclosures set out under Note 24 of the consolidated financial statements cover to a large extent these requirements. In addition the remuneration policy is described in more detail in the annual report (20-F) filed with the Securities and Exchange Commission on March 30, 2016 (available on our website: http://www.affimed.com/sec).

Re-pricing of stock options

- The Company is following home country rules relating to the re-pricing of stock options under the 2014 Plan. Under applicable Dutch law, re-pricing of stock options is permissible, but constitutes a deviation from best practice provision II.2.7 of the DCGC where it concerns the stock options granted to the Company's managing directors and supervisory directors. The Company is in competition with other companies in this field and intends to maintain an attractive compensation package for its current and any future management and supervisory board. Therefore such a re-pricing possibility gives the Company more flexibility to react on high volatility of its shares and maintain issued stock options as a valuable incentive. The re-pricing is subject to the approval of the respective Committees as defined in the 2014 Plan.

Board nominations and shareholder voting

- Pursuant to our articles of association, the supervisory board will nominate one or more candidates for each vacant seat on the management board or the supervisory board. A resolution of the Company's general meeting of shareholders to appoint a member of the management board or the supervisory board other than pursuant to a nomination by the Company's supervisory board requires at least two-thirds of the votes cast representing more

than half of the Company's issued share capital, which qualifies as a deviation from best practice provision IV.1.1 of the DCGC. Although a deviation from the provision IV.1.1 of the DCGC, the supervisory board and the management board hold the view that these provisions will enhance the continuity of Affimed's management and policies.

Independence

- More than one of our current members of the supervisory board are not deemed independent based on the standards set out in the DCGC, which qualifies as a deviation from best practice provisions III.2.1 and III.2.2 of the DCGC. The Company will evaluate for any future composition of the supervisory board whether to comply again with these best practice provisions III.2.1 and III.2.2 of the DCGC.

Chairman of the compensation committee

- Thomas Hecht, chairman of our supervisory board, chairs the compensation committee, which qualifies as a deviation from best practice provision III.5.11 of the DCGC. Our compensation committee is subject to the independence requirements of Nasdaq.

May 19, 2016

On behalf of the Management Board,

Dr. Adi Hoess, CEO,

Dr. Florian Fischer, CFO

Supervisory Board report

The Supervisory Board is an independent corporate body responsible for supervising and advising the Management Board and overseeing the general course of affairs and strategy of the Company. The Supervisory Board is guided by the interests of the Company and the enterprise connected with the Company and will take into consideration the overall good of the enterprise and the relevant interests of all the Company's stakeholders. We report on the activities of the Supervisory Board in 2015.

We had a number of highlights last year and earlier this year. Together with our collaboration partner, Stanford University, we presented pre-clinical data at ASCO and ASH on the synergistic effect of our lead candidate AFM13, a bispecific CD30/CD16A NK-cell-engaging TandAb, in combination with anti-PD-1 CPIs indicating AFM13's unique ability to trigger the body's natural immune cascade. Based on this exciting and encouraging data, we were able to close a collaboration with Merck in the US, which we announced early 2016 to evaluate AFM13 in combination with Merck's anti-PD-1 checkpoint inhibitor KEYTRUDA® in HL. We are currently preparing a Phase 1b clinical trial designed to establish a dosing regimen for this combination therapy and assess its safety and efficacy in HL patients relapsed/refractory to chemotherapy including Adcetris™. Affimed is the sole sponsor and Merck will supply us with KEYTRUDA® for this study.

Our wholly owned subsidiary, AbCheck, and Pierre Fabre Pharmaceuticals entered into a strategic research partnership in the field of human antibody discovery and optimization, expanding their ongoing collaboration. Together with its partner Distributed Bio, Inc., AbCheck developed a novel, potent technology enabling accelerated humanization of rabbit antibodies.

We completed two major financings in 2015. In May, we successfully closed a follow-on offering on the Nasdaq Global Market, raising a total of about US $37.5 million (€33.5 million) in net proceeds and in October, we raised $21.8 million (€19.1 million) from Aeris Capital, a long-term existing shareholder. In addition we received a research grant of €2.4 million from the German Government to fund our trispecific platform.

In June 2015 we formalized a Scientific Advisory Board comprising renowned scientists and physicians from a broad range of areas relevant to Affimed's approach including immuno-oncology, NK-cells, lymphoma and leukemia.

Over the course of 2015, we established operations in the United States and strengthened our new US presence with key hires in the areas of Investor Relations, Clinical Development and Corporate Strategy and Business Development. Early 2016, we also strengthened our management team through the addition of Dr. Joerg Windisch as Chief Operating Officer with his broad expertise in pharmaceutical regulatory affairs, quality control and project management and his proven track record in the development and manufacturing of marketed biologics. At the same time point, Dr. Bernhard Ehmer joined our Supervisory Board who is a seasoned expert in the industry with extensive international clinical development experience in biopharmaceuticals.

Composition

The Supervisory Board determines the number of its members, provided that the Supervisory Board shall always consist of at least three members. The composition of the Supervisory Board changed in 2015. Dr. Frank Mühlenbeck did not stand for re-election in the Annual General Meeting held on June 9, 2015 and Dr. Ulrich Grau was elected effective July 1, 2015. Furthermore Michael B. Sheffery left the Supervisory Board effective June 29, 2015 and was replaced by Dr. Bernhard Ehmer, who was elected in the extraordinary general meeting on January 21, 2016. Dr. Ehmer, who meets the NASDAQ independence requirements, joined the Audit Committee and became the new member in addition to Ferdinand Verdonck (Chairman) and Berndt Modig in the beginning of 2016. The Supervisory Board profile was not

amended in 2015 and the Supervisory Board is of the opinion that its composition is currently in accordance with such profile.

The following table lists the members of the Supervisory Board. See chapter II. “Managing Directors and Supervisory Directors” of the Corporate Governance Report of the Management for detailed biographies including details on their profession, principal positions and other positions. Thomas Hecht is the chairman of the Supervisory Board. The term of each member will terminate on the date of the annual general meeting of shareholders in the year indicated below.

Name	Initial appointment	Term	Age	Gender	Nationality
Bernhard Ehmer	January 21, 2016	2019	61	M	German
Ulrich Grau	July 1, 2015	2018	67	M	German/US
Thomas Hecht	September 17, 2014	2017	65	M	German
Berndt Modig	September 17, 2014	2017	57	M	Swedish/US
Richard B. Stead	September 17, 2014	2016	63	M	US
Ferdinand Verdonck	September 9, 2014	2017	73	M	Belgian

Meeting and activities

The Supervisory Board held four meetings in person in 2015. The Management Board attended these meetings. During these meetings, the progress of the various projects, the main risks of the business, the financial situation and the strategic direction of the Company including structural changes thereto were discussed.

In addition, the Supervisory Board discussed the Company’s internal control system with the audit committee and the external independent auditor. The Supervisory Board, on the advice of the audit committee, also discussed the result of the assessment of the structure and operation of the internal risk management and control systems as well as significant changes thereto including the need for an internal audit function. Based on the results of the review of the audit committee the Supervisory Board currently does not see a need for an internal audit function.

The Supervisory Board reviewed the Company's annual financial statements, including non-financial information. The report of the external auditor to the annual financial statements is included in the annual accounts. The Supervisory Board agrees to the contents of the annual accounts and will recommend the adoption thereof by the annual general meeting of shareholders.

The Supervisory Board meetings were all attended by the complete Supervisory Board. All Supervisory Board members made adequate time available to give sufficient attention to matters concerning Affimed. Each of the members was able to frequently attend Supervisory Board meetings.

The members of the Supervisory Board have regular contact with the members of the Management Board outside of the scheduled meetings of the Supervisory Board. These informal consultations ensure that the Supervisory Board remains well-informed about the Company’s operations.

The Supervisory Board is responsible for the quality of its own performance and it discusses, once a year on its own, without the members of the Management Board both its own performance and that of the individual members, as well as the performance of the Management Board and its individual members. In 2015 the Supervisory Board conducted an evaluation through a self-assessment and was positive, overall, about the performance of its committees and the Management Board. Further the Supervisory Board was satisfied with the performance of the Supervisory Board and determined that it works well together, with all members fully contributing to discussions. Only very few areas of improvement were identified, in

particular the Supervisory Board came to the conclusion, that a further increase in information flow between the meetings via additional BoD calls would be beneficial and also allow for additional time to discuss strategic matters. Such activities have been implemented.

During the financial year 2015 one conflict of interest of a Supervisory Board member was reported. We refer to the chapter Conflict of Interest in the corporate governance report of the annual report for further information.

Committees of the Supervisory Board

The Supervisory Board has three permanent committees to which certain tasks are assigned. The committees report back on their activities to the Supervisory Board on a regular basis. The composition of each committee is detailed in the following table.

Name	audit committee	compensation committee	nomination and corporate governance committee
Bernhard Ehmer	member		
Ulrich Grau		member	member
Thomas Hecht		chairman	chairman
Berndt Modig	member	member	
Richard B. Stead			member
Ferdinand Verdonck	chairman		

Audit committee

The audit committee assists the Supervisory Board in overseeing Affimed's accounting and financial reporting processes and the audits of the financial statements. The audit committee meets at least four times per year and during the regular meetings at least once a year with our external independent auditor, without the Management Board being present. In 2015, the audit committee's main areas of focus were review of quarterly financial statements, the Company's system of internal controls and risk management, auditing approach and auditing timelines of quarterly and annual financial statements, discussion of meeting intervals.

The financial statements of the company for 2015 as presented by the Management Board have been audited by KPMG as independent external auditors. KPMG attended the audit committee meeting in which the annual accounts and the auditor's report were discussed. The Management Board and the audit committee report to the Supervisory Board annually on their dealings with the external auditor, including the auditor's independence. The Supervisory Board takes these reports into account when deciding on the nomination for the appointment of an external auditor that is submitted to the general meeting of shareholders.

The audit committee held five meetings in person and seven meetings by conference call in 2015.

Nomination and corporate governance committee

The nomination and corporate governance committee assists the Supervisory Board in identifying individuals qualified to become members of the Supervisory Board and Management Board consistent with criteria established by the Supervisory Board and in developing our corporate governance principles.

In 2015, the committee's main areas of focus were to identify the profile of new supervisory directors, discussions regarding the profile of a Chief Operating Officer and the selection of suitable candidates for the vacant position in the Supervisory Board and the new position of the Chief Operating Officer.

The Nomination and corporate governance committee held four meetings in person and one meeting by conference call in 2015.

Compensation committee

The compensation committee assists the Supervisory Board in determining Management and Supervisory Board compensation. The main responsibilities of the compensation committee are preparing proposals for the Supervisory Board on the remuneration policy for the Management Board, to be adopted by the general meeting of shareholders, and preparing proposals on the remuneration of individual members of the Management Board. In 2015, the compensation committee's main areas of focus were to discuss Management compensation matters and especially to review the achievement by the Management Board of the performance criteria for 2015. For more information on the remuneration policy, see *Compensation of Managing Directors and Supervisory Directors* in the Corporate Governance section in the management report.

The compensation committee held three meetings in person and two meetings by conference call in 2015.

Remuneration of the Supervisory Board

The compensation of Supervisory Board members consists of a fixed annual fee in cash and an additional meeting fee for any Supervisory Board meeting or committee meeting. Members of the Supervisory Board are entitled to annual grants under our share-based compensation plans. Remuneration is subject to an annual review by the Supervisory Board.

The remuneration of members of the Supervisory Board complies with almost all aspects of the provision of the Dutch Corporate Governance Code. The exceptions are where it conforms more closely to customary practice in the biotechnology industry worldwide, in particular in the United States. These exemptions and further details on the remuneration of the Supervisory Board are disclosed in the Corporate Governance section in the management report.

Independence of the Supervisory Board

The Supervisory Board is a separate corporate body that is independent of the Management Board of the Company. Members of the Supervisory Board can neither be a member of the Management Board nor an employee of Affimed. Three of our Supervisory Board members, Dr. Thomas Hecht, Dr. Ulrich Grau and Dr. Richard Stead, do not meet the independence requirements according to the Dutch Corporate Governance Code (see also the Corporate Governance section in the management report in which deviations from the Dutch Corporate Governance Code are disclosed).

Appreciation

The Supervisory Board is of the opinion that during the year 2015, its composition, mix and depth of available expertise, working processes, level and frequency of engagement in all critical Company activities, and access to all necessary and relevant information and the Company's management and staff were satisfactory and enabled it to carry out its duties towards all the Company's stakeholders.

The members of the Supervisory Board would like to express their gratitude and appreciation to the Management Board and employees of Affimed for their efforts and performance in 2015. In particular, the Supervisory Board would very much like to thank our shareholders for their continued support.

May 19, 2016

On behalf of the Supervisory Board,

Dr. Thomas Hecht,

Chairman of the Supervisory Board

Consolidated Financial Statements

Affimed N.V.
Consolidated statement of comprehensive loss
(in € thousand)

	Note	2013	2014	2015
Revenue	6	**5.087**	**3.382**	**7.562**
Other income - net	7	610	381	651
Research and development expenses	8	(14.354)	(9.595)	(22.008)
General and administrative expenses	9	(7.046)	(2.346)	(7.548)
Operating loss		**(15.703)**	**(8.178)**	**(21.343)**
Finance income / (costs) - net	11	**(10.397)**	**7.753**	**1.104**
Loss before tax		**(26.100)**	**(425)**	**(20.239)**
Income taxes	12	1	166	0
Loss for the period		**(26.099)**	**(259)**	**(20.239)**
Total comprehensive Loss		**(26.099)**	**(259)**	**(20.239)**
Loss per share in € per share (undiluted = diluted)		**(1,76)**	**(0,01)**	**(0,71)**

The Notes are an integral part of these consolidated financial statements.

Affimed N.V.
Condensed consolidated statement of financial position
(in € thousand)

	Note	December 31, 2014	December 31, 2015
ASSETS			
Non-current assets			
Intangible assets	13	72	72
Leasehold improvements and equipment	14	974	915
		1.046	987
Current assets			
Inventories	15	199	228
Trade and other receivables	16	939	915
Other assets	17	0	452
Cash and cash equivalents		39.725	76.740
		40.863	78.335
TOTAL ASSETS		**41.909**	**79.322**
EQUITY AND LIABILITIES			
Equity			
Issued capital		240	333
Capital reserves		131.544	187.169
Accumulated deficit		(99.989)	(120.228)
Total equity	18	**31.795**	**67.274**
Non current liabilities			
Borrowings	20	3.895	3.104
Total non-current liabilities		**3.895**	**3.104**
Current liabilities			
Trade and other payables	21	3.759	4.444
Borrowings	20	0	1.472
Deferred revenue	6	2.460	3.028
Total current liabilities		**6.219**	**8.944**
TOTAL EQUITY AND LIABILITIES		**41.909**	**79.322**

The Notes are an integral part of these consolidated financial statements.

Affimed N.V.
Consolidated statement of cash flows
(in € thousand)

	Note	2013	2014	2015
Cash flow from operating activities				
Loss for the period		(26.099)	(259)	(20.239)
Adjustments for the period:				
- Income taxes	12	(1)	(166)	0
- Depreciation and amortisation	13, 14	427	441	336
- Loss from disposal of leasehold improvements and equipment	13, 14	24	3	0
- Share based payments	19	8.054	(4.891)	2.220
- Finance income / costs - net	11	10.397	(7.753)	(1.104)
		(7.198)	(12.625)	(18.787)
Change in trade and other receivables	16	(333)	62	24
Change in inventories	15	(20)	(59)	(29)
Change in other assets	17	0	0	(452)
Change in trade and other payables	21	1.880	2.275	1.253
Cash used in operating activities		(5.671)	(10.347)	(17.991)
Interest received		9	2	10
Paid interest		(16)	(202)	(554)
Net cash used in operating activities		**(5.678)**	**(10.547)**	**(18.535)**
Cash flow from investing activities				
Purchase of intangible assets	13	(23)	(45)	(28)
Purchase of leasehold improvements and equipment	14	(139)	(260)	(249)
Proceeds from sale of equipment		5	7	0
Net cash used for investing activities		**(157)**	**(298)**	**(277)**
Cash flow from financing activities				
Proceeds from issue of common shares	18	0	43.213	56.615
Transactions costs related to issue of common shares	18	0	(5.343)	(3.117)
Proceeds from issue of preferred shares		0	2.999	0
Proceeds from convertible debt		5.100	0	0
Transactions costs related to preferred shares and convertible debt		(16)	0	0
Proceeds from borrowings		0	4.020	0
Cash flow from financing activities		**5.084**	**44.889**	**53.498**
Net changes to cash and cash equivalents		**(751)**	**34.044**	**34.686**
Cash and cash equivalents at the beginning of the period		**4.902**	**4.151**	**39.725**
Exchange-rate related changes of cash and cash equivalents		**0**	**1.530**	**2.329**
Cash and cash equivalents at the end of the period		**4.151**	**39.725**	**76.740**

The Notes are an integral part of these consolidated financial statements.

Affimed N.V.
Consolidated statement of changes in equity
(in € thousand)

	Note	Issued capital	Capital reserves	Own shares	Accumulated deficit	Total equity
Balance as of January 1, 2013		**63**	**469**	**(25)**	**(73.631)**	**(73.124)**
Loss for the period					(26.099)	(26.099)
Balance as of December 31, 2013		**63**	**469**	**(25)**	**(99.730)**	**(99.223)**
Balance as of January 1, 2014		**63**	**469**	**(25)**	**(99.730)**	**(99.223)**
Exchange of preferred shares		97	84.907	25		85.029
Issue of common shares	18	80	37.791			37.871
Modification of cash-settled share based payment awards	2		7.648			7.648
Equity-settled share based payment awards	19		299			299
Issue of warrant note (Perceptive loan)	20		430			430
Loss for the period					(259)	(259)
Balance as of December 31, 2014		**240**	**131.544**	**0**	**(99.989)**	**31.795**
Balance as of January 1, 2015		**240**	**131.544**	**0**	**(99.989)**	**31.795**
Issue of common shares	18	91	52.463			52.554
Exercise of share based payment awards	19	2	942			944
Equity-settled share based payment awards	19		2.220			2.220
Loss for the period					(20.239)	(20.239)
Balance as of December 31, 2015		**333**	**187.169**	**0**	**(120.228)**	**67.274**

The Notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
(in € thousand)

1. Reporting entity

Affimed N.V. (in the following Affimed or Company) is a Dutch company with limited liability (naamloze vennootschap) and has its corporate seat in Amsterdam, the Netherlands. The Company was founded as Affimed Therapeutics B.V. on May 14, 2014 as private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) for a purpose of a corporate reorganization of Affimed Therapeutics AG and converted its legal form under Dutch law to a public company with limited liability for an initial public offering of its common shares.

The consolidated financial statements of Affimed as of and for the year ended December 31, 2015 comprise the Company and its wholly owned and controlled subsidiaries Affimed GmbH, Heidelberg, Germany (former Affimed Therapeutics AG), AbCheck s.r.o., Plzen, Czech Republic and Affimed Inc., Delaware, USA. Financial information presented in the consolidated financial statements for periods prior to the consummation of the corporate reorganization on September 17, 2014 is that of Affimed GmbH and its subsidiary AbCheck s.r.o. Affimed N.V. had not conducted any operations and had not held any assets or liabilities, including contingent liabilities, prior to the reorganization. Affimed Inc. was formed in February 2015 and provides internal services for the Group.

Affimed is a clinical-stage biopharmaceutical group focused on discovering and developing targeted cancer immunotherapies. The Company's product candidates are developed in the field of immuno-oncology, which represents an innovative approach to cancer research that seeks to harness the body's own immune system to fight tumor cells. Affimed has own research and development programs and collaborations, where the Company is performing research services for third parties.

2. Corporate Reorganization as of September 17, 2014

At the initial step of the corporate reorganization, the shareholders of Affimed Therapeutics AG subscribed for 15,984,168 common shares in Affimed Therapeutics B.V and agreed to transfer their common shares and their preferred shares in Affimed Therapeutics AG to Affimed Therapeutics B.V in consideration therefore. Simultaneously, the share in Affimed Therapeutics B.V. held by Stichting Affimed Therapeutics was cancelled, and as a result, Affimed Therapeutics AG became a wholly owned subsidiary of Affimed Therapeutics B.V. The legal form of Affimed Therapeutics B.V. was converted from a Dutch private company with limited liability to a Dutch public Company with limited liability, which resulted in a name change into Affimed N.V.

In conjunction with the corporate reorganization, the outstanding awards granted under the Stock Option Equity Incentive Plan 2007 (ESOP 2007) as well as under the carve-out plan, were converted into awards exercisable for common shares of Affimed N.V. The carve-out plan granted the right to receive a cash payment equal to a certain percentage of the fair value of Affimed Therapeutics AG upon the occurrence of a defined exit event.

The securities of Affimed Therapeutics AG were exchanged for common shares of Affimed B.V. according to the following ratios:

(i) Common shares and Series D preferred shares on an one-to 7.54 ratio except for shares held by a less than 5% shareholder, which were exchanged on a one- to 15.46 basis;
(ii) Series E preferred shares on a one-to-13.70 basis;

Notes to the consolidated financial statements
(in € thousand)

(iii) ESOP 2007 awards into awards exercisable for common shares of Affimed N.V. on a one-to 7.54 basis.

The carve-out plan provided for a transfer to the grantees of 7.78% of the common shares of the Company owned by the pre-IPO shareholders of the Company at the expiration of the lock up agreements entered into in connection with the IPO. As a result of the consummation of the corporate reorganization, the Company is no longer obliged to deliver cash or common shares to the grantees under the carve-out plan.

The conversion of preferred shares in Affimed Therapeutics AG that had been classified as liability into common shares of Affimed N.V. resulted in a gain of €4,835 recognized as finance income.

3. Basis of preparation – consolidated financial statements

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board as adopted in the European Union (EU-IFRSs) and with Section 2:362(9) of Netherlands Civil Code.

With reference to the income statement of the Company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements were authorized for issuance by the management board and supervisory board on May 19, 2016.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis. The Group did not opt for a valuation of liabilities at fair value through profit or loss.

Consolidation

The Company controls an entity when the Company has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A subsidiary is consolidated from the date on which control is transferred to the Company. It is de-consolidated from the date control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated.

Functional and presentation currency

These consolidated financial statements are presented in euro, which is also the subsidiaries' functional currency. All financial information presented in euro has been rounded to the nearest thousand (abbreviated €) or million (abbreviated € million).

Notes to the consolidated financial statements
(in € thousand)

Presentation of consolidated statement of comprehensive loss

The line items include revenue, research and development expenses and general and administrative expenses. Cost of sales and gross profit are not meaningful measures for Affimed as a clinical-stage biopharmaceutical company with a focus on research and development activities. All expenses with regards to own research and development and collaboration and research service agreements are presented in research and development expenses.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Current and non-current distinction

Affimed presents current and non-current assets and current and non-current liabilities as separate classifications in the statement of financial position. Affimed classifies all amounts expected to be recovered or settled within twelve months after the reporting period as current and all other amounts as non-current.

Foreign currency transactions

Transactions in foreign currencies are translated to euro at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to euro at the exchange rate at the reporting date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange gains or losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive loss within ‘finance income/costs net’. All other foreign exchange gains and losses are presented in the statement of comprehensive loss within ‘Other income/expenses – net’.

Notes to the cash flow statement

The cash flow statement has been prepared using the indirect method for cash flows from operating activities. The cash disclosed in the cash flow statement is comprised of cash and cash equivalents. Cash comprises cash on hand and demand deposits. Cash equivalents are short-term bank deposits and are not subject to a significant risk of changes in value. Interest paid and received is included in

the cash flow from operating activities.

Revenue recognition

The Group licenses its intellectual property to third parties that use the intellectual property to develop product candidates and provides related research and development services to those parties or provides research services based on intellectual property provided by the customer for those services. The research services are performed on a “best efforts” basis without a guarantee of technological or commercial success.

Collaboration and license agreements are evaluated to determine whether they involve multiple elements that can be considered separate units of accounting. To date, the Group has not licensed or sold its intellectual property without continuing involvement by providing the related research and development services. Accordingly, the deliverables under the Group’s collaboration and license agreements have not qualified as separate units of accounting.

Revenue from collaborative or other research service agreements is recognized according to the stage of completion.

Non-refundable upfront licensing fees, research funding or technology access fees that have generally no stand-alone value to the customer and require continuing involvement in the form of research and development services or other efforts by the Group are recognized as revenue over the term of the service agreement which is the period of performance.

Milestone payments are contingent upon the achievement of contractually stipulated targets. The achievement of these milestones depends largely on meeting specific requirements laid out in the collaboration and license agreements. Consideration that is contingent upon achievement of a milestone is recognized in its entirety as revenue in the period in which the milestone is achieved, but only if the consideration earned from the achievement of a milestone meets all the criteria for the milestone to be considered substantive at the inception of the agreement. For a milestone to be considered substantive, the consideration earned by achieving the milestone must (i) be commensurate with either the Group's performance to achieve the milestone or the enhancement of the value of the item delivered as a result of a specific outcome resulting from the Group's performance to achieve the milestone, (ii) relate solely to past performance, and (iii) be reasonable relative to all deliverables and payment terms in the collaboration agreement.

Research and development

Research expenses are recognized as expenses when incurred. Costs incurred on development projects are recognized as intangible assets as of the date as of which it can be established that it is probable that future economic benefits attributable to the asset will flow to the Group considering its technological and commercial feasibility. Given the current stage of the development of the Group’s products, no development expenditures have yet been capitalized. Intellectual property-related costs for patents are part of the expenditure for the research and development projects. Therefore, registration costs for patents are expensed when incurred as long as the research and development project concerned does not meet the criteria for capitalization.

Notes to the consolidated financial statements
(in € thousand)

As part of the process of preparing the consolidated financial statements Affimed is required to estimate its accrued expenses. This process involves reviewing quotations and contracts, identifying services that have been performed on its behalf, estimating the level of service performed and the associated cost incurred for the service when Affimed has not yet been invoiced or otherwise notified of the actual cost. The majority of Affimed's service providers invoice monthly in arrears for services performed or when contractual milestones are met. Affimed makes estimates of its accrued expenses as of each balance sheet date in the consolidated financial statements based on facts and circumstances known to it at that time. Affimed periodically confirms the accuracy of its estimates with the service providers and makes adjustments if necessary.

Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under a short-term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The Company's share-based payment awards outstanding as of December 31, 2014 and 2015 are classified as equity-settled share-based payment plans. Fair value of share-based equity-settled compensation plans is measured at grant date and compensation cost is recognized over the vesting period with a corresponding increase in equity. Fair value is estimated using the Black-Scholes-Merton formula. The formula determines the value of an option based on input parameters like the value of the underlying instrument, the exercise price, the expected volatility of share price returns, dividends, the risk-free interest rate and the time to maturity of the option. The number of stock options expected to vest is estimated at each measurement date.

Prior to the corporate reorganization, all share-based payment awards were classified as cash-settled awards. They were measured based on the services received and the fair value of the liability. Until the cash-settled awards were converted into equity-settled awards in the corporate reorganization (see note 2), the related liability was re-measured at fair value up to the modification date with any changes in fair value recognized in comprehensive loss for the period.

Government grants

The Group receives certain government grants that support its research effort in defined projects. These grants generally provide for reimbursement of approved costs incurred as defined in the respective grants. Income in respect of grants also includes contributions towards the costs of research and development. Income is recognized when costs under each grant are incurred in accordance with the terms and conditions of the grant and the collectability of the receivable is reasonably assured.

Notes to the consolidated financial statements
(in € thousand)

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs they are intended to compensate. When the cash in relation to recognized government grants is not yet received the amount is included as a receivable on the statement of financial position.

The Group recognizes income from government grants under 'Other income' in the consolidated statement of comprehensive loss.

Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Finance income and finance costs

Finance income comprises interest income from interest bearing bank deposits. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and fair value adjustments of embedded derivative conversion features. Borrowing costs are recognized in profit or loss using the effective interest method.

Intangible assets

Intangible assets comprise mainly purchased technology licenses and software. Intangible assets are initially measured at acquisition cost, including any directly attributable costs of preparing the asset for its intended use less accumulated amortization. Amortization begins when an asset is available for use and amortization is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

- Technology licenses: 3-14 years
- Software: 3 years

The Group only owns intangible assets with a definite useful life.

The useful lives of intangible assets are reviewed at each reporting date. The effect of any adjustment to useful lives is recognized prospectively as a change of accounting estimate.

Leasehold improvements and equipment

Leasehold improvements and equipment comprise mainly leasehold improvements, laboratory equipment and other office equipment. Leasehold improvements and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

All repairs and maintenance are charged to profit or loss during the financial period in which they are incurred, because it does not constitute a separate asset.

Notes to the consolidated financial statements
(in € thousand)

Depreciation on leasehold improvements and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

- Leasehold improvements: 8-10 years
- Equipment: 3-14 years

Leasehold improvements are depreciated over the shorter of the expected lease term for the buildings the assets relate to or the estimated useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other income - net in the consolidated statement of comprehensive loss.

Inventories

Inventories are measured at the lower of cost or net realizable value and comprise chemical substances and other consumables used for research and development. The cost of inventories is based on the average cost-principle and includes expenditure incurred in acquiring the inventories, import duties, as well as transport and other costs directly attributable to the purchase.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(iii) Non-derivative financial assets

The Group's only class of non-derivative financial assets is trade and other receivables and cash and cash equivalents.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets and measured as loans and receivables (see note 16). Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(iv) Non-derivative financial liabilities

The Group's classes of financial liabilities are borrowings, trade and other payables and, prior to the corporate reorganization, convertible loans and preferred shares. The Group initially recognizes non-derivative financial liabilities on the date that they are originated and measures them at amortized cost using the effective interest rate method. The Group derecognizes a financial liability when its

contractual obligations are discharged, cancelled or expire.

(v) Compound financial instruments

The Company entered into the Perceptive loan agreement pursuant to which it issued warrants to purchase common shares of the Company at the option of the holder (see note 20). The number of shares to be issued does not vary with changes in their fair value.

The liability component of the Perceptive loan agreement was recognized initially at the fair value of a similar liability that did not have a warrant. The equity component was recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry.

(vi) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. Prior to the corporate reorganization, the conversion features into Series D preferred shares included in the convertible loan issued in 2012 and into Series D or the highest class of preferred shares included in the convertible loan issued in 2013 were embedded derivatives. The Group measured the fair value of the embedded derivative on initial recognition as the difference between the fair value of the hybrid instrument and the fair value of the host contract - the loan. The initial recognition amount of the host contract was calculated as the difference between the issuance price and the fair value of the embedded derivative. The fair value of the host contract was derived from quoted third party offers for similar loans without a conversion feature. Subsequently, the embedded derivatives were measured at fair value through profit or loss with reference to the fair value of Series D preferred shares (see note 11).

Offsetting

Financial assets and liabilities are reported at their net amount in the statement of financial position if there is a legally enforceable right of setoff and there is an intention to settle by setoff. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment

(vii) Trade and other receivables

Trade and other receivables are assessed at each reporting date to determine whether there is objective evidence that they are impaired. Trade or other receivables are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the receivable, and that the loss event had a negative effect on the estimated future cash flows of that receivable that can be estimated reliably. A loss event is the inability of a debtor to pay because of its bankruptcy. All

Notes to the consolidated financial statements
(in € thousand)

receivables are assessed for specific impairment. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. No impairments or reversals of impairments were recognized in 2013, 2014 or 2015.

(viii) Non-financial assets

Assets that are subject to depreciation / amortization are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets that were previously impaired are reviewed for possible reversal of the impairment at each reporting date.

Income taxes

Income taxes comprise current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with assets and liabilities if the transaction which led to their initial recognition is a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are presented net if there is a legally enforceable right to offset.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Fair Value Measurement

All assets and liabilities for which fair value is recognized in the consolidated financial statements are organized in accordance with the following fair value hierarchy, based on the lowest level input parameter that is significant on the whole for fair value measurement:

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- Level 1 – Prices for identical assets or liabilities quoted in active markets (non-adjusted)
- Level 2 – Measurement procedures, in which the lowest level input parameter significant on the whole for fair value measurement is directly or indirectly observable for on the market
- Level 3 – Measurement procedures, in which the lowest level input parameter significant on the whole for fair value measurement is not directly or indirectly observable for on the market

The carrying amount of all trade and other receivables, cash and cash equivalents and trade and other payables is a reasonable approximation of the fair value and therefore information about the fair values of those financial instruments has not been disclosed. The note disclosure for the fair value of a loan (financial liability) is based on level 2 measurement procedures (see note 20).

Loss per share

Affimed presents loss per share data for its common shares. Loss per common share is calculated by dividing the loss of the period by the weighted average number of common shares outstanding during the period, adjusted for the stock split in 2014 (see note 18). The Company has granted warrants under the Perceptive loan agreement (see note 20) and options to share-based payment programs (see note 19) which potentially have a dilutive effect. As of December 31, 2015, December 31, 2014 and December 31, 2013 no instruments actually had a dilutive effect.

Critical judgments and accounting estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these financial statements, the critical judgments made by management in applying the Group's accounting policies resulted in the following accounting estimates:

(i) Share-based payments

The fair value of stock options issued by Affimed N.V. is estimated using the Black-Scholes-Merton formula. The formula determines the value of an option based on input parameters like the value of the underlying instrument, the exercise price, the expected volatility of share price returns, dividends, the risk-free interest rate and the time to maturity of the option. The fair value of share-based equity-settled compensation plans is measured at grant date and compensation cost is recognized over the vesting period with a corresponding increase in equity. The number of stock options expected to vest is estimated at each measurement date.

(ii) Revenue recognition

Elements of consideration in collaboration and license agreements are non-refundable up-front

Notes to the consolidated financial statements
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research funding payments, technology access fees and milestone payments. Generally, the Group has continuing performance obligations and therefore up-front payments are deferred and the related revenues recognized in the period of the expected performance. Technology access fees are generally deferred and recognized over the expected term of the research service agreement on a straight line basis.

The Group estimates that the achievement of a milestone reflects a stage of completion under the terms of the agreements and recognizes revenue when a milestone is achieved. If the research service is cancelled due to technical failure, the remaining deferred revenues from upfront payments are recognized.

New standards and interpretations applied for the first time

A number of amendments to standards and new or amended interpretations are effective for annual periods beginning on or before January 1, 2015, and have been applied in preparing these financial statements.

Standard/interpretation	Effective Date [1]
Annual Improvements to IFRSs 2010-2012 Cycle	February 1, 2015
Annual Improvements to IFRSs 2011-2013 Cycle	January 1, 2015

[1] Shall apply for periods beginning on or after the effective date.

None of these amendments to standards and new or amended interpretations had an effect on the consolidated financial statements of the Group.

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations are effective for annual periods beginning after December 31, 2015, and have not been applied in preparing these consolidated financial statements.

Standard/interpretation	Effective Date [1]
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
Amendments to IAS 16, 38 Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 7 Disclosure Initiative	January 1, 2017
Amendments to IFRS 10, 12 and IAS 28 Investment Entities	January 1, 2016
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 9 Financial Instruments (2014)	January 1, 2018
IFRS 16 Leases	January 1, 2019

Notes to the consolidated financial statements
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[1] Shall apply for periods beginning on or after the effective date.

The Group is assessing the potential impact that IFRS 9, 15 or 16 could have on its consolidated financial statements. The other new or amended standards and interpretations are not expected to have a significant effect on the consolidated financial statements of the Group.

5. Segment reporting

(i) Information about reportable segment

The Group is active in the discovery, pre-clinical and clinical development of antibodies based on core technology. The activities are either conducted as own project development or for third party companies. Management of resources and reporting to the decision maker is based on the Group as a whole.

(ii) Geographic information

The geographic information below analyses the Group's revenue and non-current assets by the country of domicile and other countries. In presenting the following information, segment revenue has been based on the geographic location of the customers and segment assets were based on the geographic location of the assets.

Discovery activities and research services are conducted in both the Heidelberg and Plzen premises. Pre-clinical and clinical activities are conducted and coordinated from Heidelberg.

	2013 TEUR	2014 TEUR	2015 TEUR
Revenues:			
Germany	350	111	125
Europe	344	367	711
USA	4,393	2,904	6,725
	5,087	3,382	7,562
Non-current assets as of December 31:			
Germany		695	692
Czech Republic		351	295
		1,046	987

(iii) Major Customers

In 2013, the Group's revenue from the Amphivena collaboration agreement exceeded 10%. In 2014 and 2015, the Group's revenue with each of its two collaboration partners, Amphivena and the Leukemia and Lymphoma Society (in the following LLS), exceeded 10% (see note 6).

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6. Revenue

Collaboration agreement Amphivena

Affimed is party to a collaboration with Amphivena Therapeutics Inc., San Francisco, USA (in the following Amphivena) to develop a product candidate for hematologic malignancies. The collaboration consists of a series of linked transactions which in substance form a research and development collaboration. Amphivena is a structured entity with one project and uses the funding it receives from investors (which include Affimed) and Janssen Biotech Inc., Horsham, USA (in the following Janssen) to pay Affimed for its research and development services. Once approval of an investigational new drug application (IND) for the product candidate is obtained, Janssen has an option to acquire Amphivena on predetermined terms.

The relevant linked agreements consist of:

- a license and development agreement between Affimed and Amphivena,
- a stock purchase agreement between Amphivena, its investors (which include Affimed) for purposes of financing Amphivena, and
- a warrant agreement between Amphivena and Janssen for purposes of financing Amphivena and providing Janssen the option to acquire the results of the research and development activities through an acquisition of Amphivena following IND approval.

Pursuant to the license and development agreement between Affimed and Amphivena, Affimed grants a license to intellectual property and agreed to perform certain services for Amphivena related to the development of a product candidate for hematological malignancies. In consideration for the research and development work to be performed, Amphivena could be required to pay to Affimed service fees totaling approximately €16 million (net of Affimed's share in funding Amphivena) payable according to the achievement of milestones and phase progressions as described under the license and development agreement.

Affimed recognized revenue of €8.6 million upon achievement of three milestones consisting of the earned milestone payments of €9.0 million less Affimed's share in funding Amphivena of €0.4 million in 2013 (€4.4 million), 2014 (€1.8 million) and 2015 (€2.4 million).

After the achievement of the third milestone, the Group continues to provide research and development services to Amphivena for nonrefundable advance payments of €7.5 million in the aggregate, payable in three installments (€1.3 million, €4.2 million and €2.0 million). Revenue for these research and development services is recognized, net of Affimed's share in funding Amphivena of €0.3 million, over the service performance period. The first two installments of €5.2 million (€5.5 million, net of Affimed's share of €0.3 million) were received in 2015. The Company recognized €2.4 million as revenue for these research and development services in 2015, €2.8 million were deferred as of December 31, 2015.

Amphivena has obtained funding solely by issuing preferred stock to investors and under the warrant agreement with Janssen. Investors have provided financing in exchange for preferred stock issued by Amphivena under the terms of a stock purchase agreement. Affimed has participated in the financing of Amphivena in the amount of €0.7 million.

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Collaboration agreement The Leukemia & Lymphoma Society (LLS)

Affimed is party to a collaboration with LLS to fund the development of a specific TandAb. Under the terms of the agreement, LLS has agreed to contribute up to $4.4 million contingent upon the achievement of certain milestones.

In the event that the research and development is successful, Affimed must proceed with commercialization of the licensed product. If Affimed decides for business reasons not to continue the commercialization, Affimed must at its option either repay the amount funded or grant a license to LLS to enable LLS to continue with the development program. In addition, LLS is entitled to receive royalties from Affimed based on the Group's future revenue from any licensed product, with the amount of royalties not to exceed three times the amount funded.

The Company achieved several milestones and recognized revenue for related payments of €1.1 million in 2014 and €1.6 million in 2015 for research and development services.

Research service agreements

AbCheck has entered into certain research service agreements. These research service agreements provide for non-refundable upfront technology access research funding or capacity reservation fees and milestone payments. The Group recognized revenue of €344 in 2013, €478 in 2014 and €1,126 in 2015.

7. Other income and expenses - net

Other income and expense, net mainly comprises income from government grants for research and development projects of €716 (2014: €381, 2013: €533). In 2013, losses from the disposal of assets of €33 were included.

8. Research and development expenses

The following table shows the different types of expenses allocated to research and development costs:

	2013	2014	2015
Third-party services	5,680	5,558	15,386
Personnel expenses	5,273	292	3,637
Legal, consulting and patent expenses	1,405	1,549	902
Cost of Materials	709	844	902
Amortisation and depreciation	427	428	308
Operating lease expenses	258	243	267
Other expenses	602	681	606
	14,354	9,595	22,008

Notes to the consolidated financial statements
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In 2014, personnel expenses and Legal, consulting and patent expenses include gains for share based payments resulting from the decrease in the carrying amount of the liability for share-based payments prior to the corporate reorganization (see note 19).

9. General and administrative expenses

The following table shows the different types of expenses allocated to general and administrative costs:

	2013	2014	2015
Personnel expenses	5,165	-2,836	3,658
Legal, consulting and audit fees	1,445	4,391	2,468
Operating lease expenses	71	81	89
Other expenses	365	710	1,333
	7,046	2,346	7,548

In 2014, personnel expenses and Legal, consulting and audit fees include gains for share based payments resulting from the decrease in the carrying amount of the liability for share-based payments due to the corporate reorganization (see note 19).

10. Employee benefits

The following table shows the items of employee benefits:

	2013	2014	2015
Wages and salaries	2,490	3,176	5,066
Social security costs	430	470	583
	2,920	3,646	5,649

The employer's contributions to pension insurance plans of €269 (2014: €242, 2013: €216) are classified as payments under a defined contribution plan, and are recognized in full as an expense accordingly.

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11. Finance income and finance costs

	2013	2014	2015
Gain from exchange of Preferred Shares of Affimed AG into Common Shares of Affimed N.V. (see note 2)	0	4,835	0
Changes in fair value of derivative conversion feature	-5,553	6,094	0
Interest Preferred Shares	-4,478	-3,617	0
Interest Convertible Loan	-359	-402	0
Interest Perceptive Loan Agreement (see note 20)	0	-260	-703
Foreign exchange differences	-11	1,106	1,808
Other finance income/finance costs	4	-3	-1
Finance income/costs - net	-10,397	7,753	1,104

On June 23, 2014, the investors and the Company agreed to a conversion of the loan granted by several shareholders as of June 28, 2013 into Series E preferred shares of Affimed Therapeutics AG. Subsequently, all preferred shares were exchanged for newly issued common shares of Affimed N.V. (see note 2). Through the date of conversion, interest costs of €402 have been recognized in 2014 (2013: €359). A re-measurement gain from changes in the fair value of the derivative conversion feature of €6,094 was recognized in 2014 (2013: loss of €5,553).

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12. Income taxes

The Company did not incur any material income tax in the periods presented. As of December 31, 2015 deferred tax liabilities from temporary differences result mainly from borrowings (€142) and other assets (€45). Deferred tax assets from differences resulting from trade and other receivables (€338), intangible assets (€44) and trade and other payables (€15) have not been recognized as deferred tax assets as no sufficient future taxable profits or offsetting deferred tax liabilities are available. A reconciliation between actual income taxes and the expected tax benefit from the loss before tax multiplied by the Company's applicable tax rate is presented below:

	2013	2014	2015
Loss before tax	-26,100	-425	-20,239
Income tax benefit at tax rate of 29.825 %	7,784	127	6,036
Adjustments due to impairment of deferred tax assets	-7,818	2,787	-6,251
change in permanent differences	0	-2,837	199
Adjustments for local tax rates	-9	119	18
Non deductible expenses	0	0	163
Other	44	-30	-165
Income taxes	1	166	0

In Germany, Affimed has tax losses carried forward of €89.2 million (2014: €68.2 million) for corporate income tax purposes and of €89.0 million (2014: €68.0 million) for trade tax purposes that are available indefinitely for offsetting against future taxable profits of that entity. Restrictions on the utilization of tax losses were mitigated through Economic Growth Acceleration Act (Wachstumsbeschleunigungsgesetz).

According to the provisions of this act unused tax losses of a corporation as at the date of a qualified change in ownership are preserved to the extent they are compensated by an excess of the fair value of equity for tax purposes above its carrying amount of the Company. The maximum amount of tax losses at risk of being lost due to ownership changes is approximately €59 million. Deferred tax assets have not been recognized in respect of any losses carried forward as no sufficient taxable profits of Affimed are expected.

In the Czech Republic, AbCheck incurred tax losses of €0.3 million (2014: €0.6 million) available within five years from the year incurred for offsetting against future taxable profits for which no deferred tax assets has been recognized.

Notes to the consolidated financial statements
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13. Intangible assets

The following table shows the reconciliation of intangible assets for the year 2014:

	Technology licenses	Office software	Total
Cost as of January 1	342	301	643
Additions	19	27	46
Reallocation	200	-200	0
Cost as of December 31	561	128	689
Accumulated depreciation as of January 1	222	263	485
Reallocation	195	-195	0
Additions	115	17	132
Accumulated depreciation as of December 31	532	85	617
Carrying amount as of January 1	120	38	158
Carrying amount as of December 31	29	43	72

The following table shows the reconciliation of intangible assets for the year 2015:

	Technology licenses	Office software	Total
Cost as of January 1	561	128	689
Additions	0	28	28
Disposals	-183	-48	-231
Cost as of December 31	378	108	486
Accumulated depreciation as of January 1	532	85	617
Additions	10	18	28
Disposals	-183	-48	-231
Accumulated depreciation as of December 31	359	55	414
Carrying amount as of January 1	29	43	72
Carrying amount as of December 31	19	53	72

Notes to the consolidated financial statements
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14. Leasehold improvements and equipment

The following table shows the reconciliation of tangible assets for the year 2014:

	Leasehold improvements	Laboratory equipment, furniture and fixtures	Total
Cost as of January 1	183	2,502	2,685
Additions	2	258	260
Disposals	0	-55	-55
Cost as of December 31	185	2,705	2,890
Accumulated depreciation as of January 1	181	1,470	1,651
Additions	1	309	310
Disposals	0	-45	-45
Accumulated depreciation as of December 31	182	1,734	1,916
Carrying amount as of January 1	2	1,032	1,034
Carrying amount as of December 31	3	971	974

The following table shows the reconciliation of tangible assets for the year 2015:

	Leasehold improvements	Laboratory equipment, furniture and fixtures	Total
Cost as of January 1	185	2,705	2,890
Additions	23	226	249
Disposals	-179	-609	-788
Cost as of December 31	29	2,322	2,351
Accumulated depreciation as of January 1	182	1,734	1,916
Additions	4	304	308
Disposals	-179	-609	-788
Accumulated depreciation as of December 31	7	1,429	1,436
Carrying amount as of January 1	3	971	974
Carrying amount as of December 31	22	893	915

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15. Inventories

Inventories comprise laboratory materials and supplies of €228 (2014: €199). No impairment was recognized. Total consumption of inventories recognized in profit or loss amounts to €906 (2014: €900, 2013: €731).

16. Trade and other receivables

The trade receivables as at December 31, 2015 of €105 (2014: €5) are all due in the short-term, do not bear interest and are neither overdue nor impaired. Other receivables are all due short-term and mainly comprise receivables for research and development grants and other government subsidies of €68 (2014: €114) and value-added tax receivables of €607 (2014: €697).

17. Other assets

Other assets of €452 comprise deferred expenses related to short-term research projects of €300 and a prepayment of €152 related to probable future equity transactions based on the shelf registration filing (see note 18).

18. Equity

At December 31, 2015 the share capital of €333 (2014: €240) is divided into 33,259,404 (2014: 23,984,168) common shares with a par value of €0.01.

As of September 17, 2014, upon consummation of the corporate reorganization, all common and preferred shares in Affimed Therapeutics AG were exchanged for 15,984,168 common shares of Affimed (see note 2). In addition, in the initial public offering, the Company issued an aggregate of 8,000,000 common shares at a price of $7.00 per share. In the offering, capital reserves of €37,871 were recognized net of issuing costs of €5,342.

The exchange of 37,935 common shares of Affimed Therapeutics AG for 286,160 shares of Affimed N.V. on a 7.54-for-one basis was retrospectively accounted as a stock split. The exchange of the preferred shares of Affimed Therapeutics AG did not represent a stock split as the preferred shares did not contain a conversion right into common shares.

On May 12, 2015, the Company issued 5,750,000 common shares at a public offering at a price of $7.15 per common share. After deducting the offering expenses of €3,091, equity increased by the net proceeds of the public offering of €33,490. In October 2015, an existing shareholder purchased 3,325,236 common shares at $6.55 per share in a private placement, leading to an equity increase of €19,064, net of related expenses of €25.

According to the articles of association of Affimed N.V., up to 55,000,000 common shares and 55,000,000 preferred shares with a par value of €0.01 are authorized to be issued. As of December 31, 2015, 33,259,404 common shares have been issued and are outstanding. Preferred shareholders

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are entitled to receive a fixed dividend yield prior to common shareholders, unpaid preferred dividends accumulate. As of December 31, 2015 no preferred shares have been issued.

19. Share based payments

Affimed Therapeutics AG had granted share-based payment awards to its managing and supervisory directors and consultants pursuant to two incentive plans: (i) the ESOP 2007 Plan granted options to acquire preferred shares at the issue price of EUR 30.89 per Series D preferred share after vesting but during the contractually agreed ten year life of the award and (ii) the carve-out plan granted the right to receive a cash payment equal to a certain percentage of the fair value of the Company contingent upon the occurrence of a defined exit event. The awards pursuant to both share-based incentive plans were accounted for as cash settled until their modification in the corporate reorganization (see note 2).

The ESOP 2007 awards entitled the beneficiary to a cash payment encompassing all preference rights and payments connected to the preferred shares, net of the strike price owed by the beneficiary. In 2013, 13,081 ESOP 2007 awards were replaced by awards under the carve-out plan. The replacement was accounted as a modification. The incremental fair value of €1,271 represents the difference between the fair value of the cancelled awards and the replacement awards.

Pursuant to the carve-out plan, awards entitled the beneficiaries to cash payments of an aggregate of 7.78% of the fair value of the Company in case of a defined exit event, including an initial public offering. The plan had a three year service condition, whereby 50% of the entitlements vested after one year, further 25% after two years and the remaining 25% after three years. In case of a successful sale of the Company during the vesting period an accelerated vesting would have applied and all entitlements vested immediately.

The ESOP 2007 and carve-out plan were both modified in the reorganization (see note 2).

In 2015, 200,000 options of the ESOP 2007 were exercised at the exercise price of $5.29. As of December 31, 2015, 534,142 (December 31, 2014: 734,142) ESOP 2007 options were outstanding.

In the corporate reorganization on September 17, 2014, an equity-settled share based payment program was established by Affimed N.V. (ESOP 2014). Based on this program, the Company granted 555,000 awards in 2014 and 795,000 awards in 2015 to certain members of the Management Board, the Supervisory Board, consultants and employees. The awards vest in installments over three years, and the final exercise date of the options is 10 years after the grant date of the instruments.

As of December 31, 2015, 1,350,000 ESOP 2014 awards were outstanding (December 31, 2014: 555,000), 259,583 awards (December 31, 2014: 0) were vested. No awards were either forfeited or exercised. The options outstanding at December 31, 2015 had an exercise price in the range of $5.18 to $13.47 (2014: $6.20 to $6.27).

The expense of the granted options is recorded over the vesting period, starting from the service commencement date, which is generally the grant date.

In 2015, an expense of €2,220 was recognized affecting research and development expenses (€611)

and general and administrative expenses (€1,609). In 2014, a net gain for share-based compensation of €4,892 was recognized affecting research and development expenses (€1,480) and general and administrative expenses (€3,412) including a gain of €8,261 due to the re-measurement of the ESOP 2007 awards and the carve-out plan as of September 17, 2014, the modification date. In 2013, an expense of €8,054 was recognized affecting research and development expenses (€3,021) and general and administrative expenses (€5,033).

The fair value of options granted under the ESOP 2014 program was determined using the Black-Scholes valuation model. As the Company was listed on the NASDAQ the closing price of the common shares at grant date was used. Other significant inputs into the model were volatility of 65%, an expected option life of 5.9 years, annual risk-free interest rates at grant date in the range of -0.07% to 0.34% and a zero dividend yield. Expected volatility is estimated based on the observed daily share price returns of selected guideline companies measured over a historic period equal to expected life, with the peer group as unsufficient trading data are available to use the share price returns of Affimed to estimate volatility over a historic period equal to expected life. As of December 31, 2015 weighted average fair value of the options was $4.41 (2014: $3.63) and weighted average remaining contractual life was 9.2 years (2014: 9.7 years).

20. Borrowings

In July 2014, the Company entered into a credit facility agreement of $14 million and drew an amount of $5.5 million as of July 31, 2014. Repayment will start in April 2016 in monthly installments of $200, with the final balance due in August 2018. Finance costs comprise interest of an annual rate of 9% plus one month LIBOR, with LIBOR deemed to equal 1% if LIBOR is less than 1%, and an arrangement fee in the amount of 2% of the facility. In addition, the Company issued 106,250 warrants to the lender. The warrants are convertible into common shares of the Company with a strike price of $8.80. Upon initial recognition, the fair value of the warrant of €613 was recognized in equity, net of tax of €183. Fair value was determined using the Black-Scholes-Merton formula, with an expected volatility of 65% and an expected time of six years to exercise of the warrant. The contractual maturity of the warrant is ten years.

In 2015, the Company and Perceptive agreed to cancel the option to draw the outstanding facility of $8.5 million.

The loan is collateralized by shares in AbCheck s.r.o., certain bank accounts, receivables and certain intellectual property rights with a total carrying amount of €6,202 (2014: €6,844).

The loan is measured at amortized cost using the effective interest method. Interest costs of €703 (2014: €258) and foreign exchange losses of €527 (2014: €424) have been recognized in profit or loss. As of December 31, 2015 the fair value of the liability amounts to €4,978 whereas the carrying amount is €4,576. As of December 31, 2014 the Company believes that the fair value of the liability did not differ significantly from its carrying amount (€3,895). According to the repayment schedule €1,472 (December 31, 2014: €0) were classified as current liabilities.

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21. Trade and other payables

Trade and other payables comprise trade payables of €3,743 (2014: €3,396) and are normally settled within 30 days or at a separate settlement date which was agreed between the parties. Other payables mainly comprise payroll and employee related liabilities for withholding taxes and social security contributions of €444 (2014: €281) and payables due to employees for outstanding bonus, holidays and other accruals. Other payables are normally settled within 30 days.

22. Loss per share

Loss per common share is calculated by dividing the loss of the period by the weighted average number of common shares outstanding during the period, adjusted for reorganization of the Company (see note 2).

	2013	2014	2015
Net loss	(26,099)	(259)	(20,239)
Weighted number of common shares outstanding	14,803,450	17,632,825	28,477,438
Loss per share in € per share	(1.76)	(0.01)	(0.71)

No instruments had a dilutive effect.

23. Operating leases and other commitments and contingencies

(ix) Lease and other commitments

The Group has entered into rental agreements for premises as well as into leases for vehicles and the use of licenses. These contracts have an average life of between one and four years with renewal options included in some contracts. There are no restrictions placed upon the lessee by entering into these leases. In 2015, lease expenses of €356 and license fees of €278 have been recognized in consolidated statement of comprehensive income (2014: €324 and €248; 2013: €328 and €260).

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Future minimum lease payment obligations under non-cancellable operating leases as of the reporting date are as follows:

	2014	2015
Within one year	664	642
Between one and five years	561	990
More than five years	42	0
	1,267	1,632

(x) Contingencies

Affimed has entered into various license agreements that contingently trigger payments upon achievement of certain milestones and royalty payments upon commercialization of a product in the future.

24. Related parties

(i) Shareholders

As of December 31, 2015 one shareholder holds more than 20% of the voting rights (2014 and 2013 two shareholders).

(ii) Transactions with key management personnel

The compensation of managing directors and other key management personnel comprised of the following:

	2013	2014	2015
Short-term employee benefits	837	911	1,633
Share-based payments	5,367	-3,253	1,474
	6,204	-2,342	3,107

Remuneration of Affimed's managing directors comprises fixed and variable components and share-based payment awards. In addition, the managing directors receive supplementary benefits such as fringe benefits and allowances. In the case of an early termination, the managing directors receive a severance.

Compensation for other key management personnel comprises fixed and variable components and

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(in € thousand)

share-based payment awards.

The supervisory directors of Affimed N.V., appointed as of September 12, 2014, received compensation for their services on the supervisory board of €296 (2014: €85), the supervisory directors of Affimed Therapeutics AG, the predecessor of Affimed N.V., did not receive compensation for their services on the supervisory board. In 2015, the Group recognized expenses for share-based payments for board members of €478 (2014: €727, 2013: €245).

Selected managing directors and supervisory directors entered into service and consulting agreements with the Company:

Dr. Florian Fischer is founder and Chief Executive Officer of MedVenture Partners, a Munich-based corporate finance and strategy advisory company focusing on the life sciences and health care industry. MedVenture Partners rendered services for a consideration of €129 in 2014 and €30 in 2013. The contract with MedVenture Partners was terminated following the IPO in 2014.

Dr. Adolf Hoess received compensation for consulting services of €163 in 2014 and €314 in 2013. The consulting contract with Dr. Adolf Hoess was terminated following the IPO in 2014.

Dr. Thomas Hecht is Head of Hecht Healthcare Consulting (HHC) in Küssnacht, Switzerland, a biopharmaceutical consulting company. In 2013, he rendered services amounting to €65, in 2014 he received €49.

Dr. Richard B. Stead is Founder and Principal of BioPharma Consulting Services LLC, where he is involved in the development of a number of oncology products including different strategies for cancer immunotherapy. In 2013, he rendered services amounting to €40, in 2014, he received €25.

Dr. Ulrich Grau is a significant shareholder and Chairman of the Board of Directors of i-novion Inc., which was engaged by the Company to conduct preclinical services. In 2015, i-novion Inc. received related payments of €138.

The following table provides the total amounts of outstanding balances related to key management personnel:

	Outstanding balances	
	December 31, 2014	December 31, 2015
Thomas Hecht	19	19
Richard Stead	6	6
Berndt Modig	7	9
Ferdinand Verdonck	7	11
Eugene Zhukovsky	16	0
Ulrich Grau	0	13

Notes to the consolidated financial statements
(in € thousand)

25. Financial risk management

(xi) Financial risk management objectives and policies

The Group's principal financial instruments comprise short-term deposits at commercial banks with a maturity on inception of three months or less and investor loans presented in borrowings. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The measures taken by management to manage each of these risks are summarized below.

(xii) Credit risk

The Company's financial assets comprise to a large extent cash and cash equivalents. In addition financial assets include trade and other receivables. The total carrying amount of cash and cash equivalents (€76.7 million, 2014: €39.7 million) and trade and other receivables (€0.9 million, 2014: €0.9 million) represents the maximum credit exposure of €77.6 million (2014: €40.7 million).

The cash and cash equivalents are held with banks, which are rated BBB- to AA- based on Standard & Poor's and Moody's.

(xiii) Interest rate risk

The group's interest rate risk arises from cash accounts and long-term borrowings at variable rates.

Affimed entered into the Perceptive loan agreement pursuant to which it borrowed $5.5 million with a variable interest rate of an annual rate of 9% plus one-month LIBOR, with LIBOR deemed to equal 1% if LIBOR is less than 1%. The group does not expect the LIBOR to exceed the floor of 1% within the foreseeable future, and considers the interest risk to be low.

Bank accounts of €38.5 million (2014: €7.0 million) are exposed to interest rate risk. A shift in interest rates (increase or decrease) would not have a material impact on the loss of the group.

(xiv) Foreign currency risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The group's entities are exposed to Czech Koruna (CZK) and US Dollars (USD). The net exposure as of December 31, 2015 was €27,423 (2014: €5,983) and mainly relates to US Dollars.

In 2015, if the Euro had weakened/strengthened by 10% against the US dollar with all other variables held constant, the loss would have been €2,794 (2014: €611) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets. The group

Notes to the consolidated financial statements
(in € thousand)

considers a shift in the exchange rates of 10% as a realistic scenario.

Loss is more sensitive to movement in exchange rates shifts in 2015 than in 2014 because of the increased volume of US dollar-denominated transactions.

The following significant exchange rates have been applied during the year:

	2013 CZK or USD/EUR	2014 CZK or USD/EUR	2015 CZK or USD/EUR
CZK - Average Rate	0.03850	0.03632	0.03666
CZK - Spot rate	0.03640	0.03606	0.03701
USD - Average Rate	0.75340	0.75273	0.90190
USD - Spot rate	0.72633	0.82366	0.91853

(xv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities which are normally settled by delivering cash. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Group continually monitors its risk of a shortage of funds using short and mid-term liquidity planning. This takes account of the expected cash flows from all activities. The supervisory board undertakes regular reviews of the budget.

In 2014 and 2015, Affimed raised significant funding that it estimates will enable the group to fund operating expenses and capital expenditure requirements until Q1 2018:

In 2015, the issue of new common shares and the exercise of stock options resulted in net proceeds of €53,498 (see note 18).

The group expects to require additional funding to complete the development of the existing product candidates. In addition, the group expects to require additional capital to commercialize the products if regulatory approval is received.

In 2015, Affimed has filed a "shelf registration statement" with the SEC in order to offer and sell securities to the public in multiple, future offerings.

(xvi) Capital management

Notes to the consolidated financial statements
(in € thousand)

The primary objective of the Group's capital management is to ensure that it maintains its liquidity in order to finance its operating activities and meet its liabilities when due.

The Group manages its capital structure primarily through equity.

Company Financial Statements

Balance sheet of Affimed N.V.

Income statement of Affimed N.V.

Notes to the financial statements of Affimed N.V.

Company balance sheet as at December 31, 2015

(before appropriation of result of the year)

In € thousand	Note	December 31, 2014	December 31, 2015
Assets			
Non current assets			
Financial fixed assets	28	3,370	1,602
Total non current assets		**3,370**	**1,602**
Current assets			
Other receivables		16	180
Cash and cash equivalents	29	29,480	73,711
Total current assets		**29,496**	**73,891**
Total assets		**32,866**	**75,493**
Equity and liabilities			
Shareholders' equity	30		
Issued capital		240	333
Share premium		0	0
Other reserves		39,129	94,754
Accumulated deficit		(7,574)	(27,813)
Total equity		**31,795**	**67,274**
Current liabilities			
Payables to subsidiaries	31	577	7,199
Other current payables	32	494	1,020
Total current liabilities		**1,071**	**8,219**
Total liabilities		**1,071**	**8,219**
Total equity and liabilities		**32,866**	**75,493**

Company income statement

In € thousand	Note	May 14 until December 31, 2014	For the year ended December 31, 2015
Share in results from participating interests after taxation	28	(6,790)	(16,619)
Other result after taxation	33	(784)	(3,620)
Net result		**(7,574)**	**(20,239)**

Notes to the Company financial statements for the year ended 31 December 2015

26. General information

Affimed N.V. (in the following Affimed or Company) has its corporate seat in Amsterdam. The Company was founded as Affimed Therapeutics B.V. on May 14, 2014 as private company for the purpose of a corporate reorganization of Affimed Therapeutics AG, Heidelberg, Germany and converted its legal form under Dutch law to a public company with limited liability for an initial public offering of its common shares.

Prior to the consummation of the corporate reorganization on September 17, 2014 Affimed N.V. or Affimed B.V. had not conducted any operations and had not held any assets or liabilities, including contingent liabilities, prior to the reorganization.

At the initial step of the corporate reorganization, the shareholders of Affimed Therapeutics AG subscribed for 15,984,168 common shares in Affimed Therapeutics B.V and agreed to transfer their common shares and their preferred shares in Affimed Therapeutics AG to Affimed Therapeutics B.V. in consideration therefore. Simultaneously, the share in Affimed Therapeutics B.V. held by Stichting Affimed Therapeutics was cancelled, and as a result, Affimed Therapeutics AG became a wholly owned subsidiary of Affimed Therapeutics B.V. The legal form of Affimed Therapeutics B.V. was converted from a private company with limited liability to a public Company with limited liability, which resulted in a name change into Affimed N.V.

The Company financial statements are part of the 2015 financial statements of Affimed N.V.

27. Basis of preparation

The company financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code.

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362(8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. See the notes to the consolidated EU-IFRS financial statements for a description of these principles.

In case no other policies are mentioned, reference is made to the accounting policies as described in the accounting policies in the consolidated EU-IFRS financial statements. For an appropriate interpretation, the Company financial statements should be read in conjunction with the EU-IFRS consolidated financial statements.

Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the net asset method. Net asset value is based on the measurement of assets, provisions and liabilities and determination of net result based on the principles applied in the consolidated financial statements. Participations with a negative net asset value are valued at nil. A share of the profits from the participation, in later years, will only be processed if and insofar as the cumulative unrecognized share has compensated the loss. However, if the Company wholly or partly guarantees the debts of a participation, or has the constructive obligation to allow the participation (for its share) to pay its debts, a provision is recognized in the amount of the expected payments by the Company on behalf of the participation. The provision is formed primarily at the expense of long-term unsecured receivables that should actually be seen as part of net investment, and the remainder presented under provisions.

Result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realised.

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 Netherlands Civil Code, the income statement of the Company exclusively states the share in the result of participating interests after taxation and the other result after taxation.

28. Financial fixed assets

Financial fixed assets solely include the investment of the Company in its fully owned subsidiary Affimed GmbH (former Affimed Therapeutics AG), with statutory seat in Heidelberg, Germany.

Movements in the financial fixed assets were as follows:

In € thousand	Affimed GmbH	Total
Opening Net asset value January 1, 2015	**3,370**	**3,370**
Capital contribution	14,851	14,851
Share in result of participating interest	(16,619)	(16,619)
Net asset value at December 31, 2015	**1,602**	**1,602**

29. Cash and cash equivalents

All amounts are free disposal of Affimed N.V.

30. Equity

As of December 31, 2015 the number of issued common shares is 33,259,404 with a par value of €0.01 per share. All issued shares are fully paid. Besides the minimum amount of share capital to be held under Dutch law, there are no distribution restrictions applicable to equity of the Company.

As the structure of the equity components for the Company financial statements is largely based on legal aspects, the presentation of the movement in shareholder's equity is different from the presentation in the consolidated financial statements.

The movement in shareholder's equity is as follows:

In € thousand	Issued capital	Other reserves	Unappro-priated result	Total equity
May 14, 2014	-	-	-	-
Issue of common shares	160	-	-	160
Effects of corporate reorganization		1,040	-	1,040
Issue of common shares on IPO	80	43,133	-	43,213
Share issuance costs	-	(5,343)	-	(5,343)
Net result	-	-	(7,574)	(7,574)
Share-based payments	-	299	-	299
December 31, 2014	**240**	**39,129**	**(7,574)**	**31,795**
January 1, 2015	**240**	**39,129**	**(7,574)**	**31,795**
Issue of common shares	91	55,580	-	55,671
Share issuance costs	-	(3,117)	-	(3,117)
Share options exercised	2	942		944
Net result	-	-	(20,239)	(20,239)
Share-based payments	-	2,220	-	2,220
December 31, 2015	**333**	**94,754**	**(27,813)**	**67,274**

Issued capital

As of September 17, 2014, upon consummation of the corporate reorganization, all common and preferred shares in Affimed Therapeutics AG were exchanged for 15,984,168 common shares of Affimed N.V. (see Note 2 of the consolidated financial statements). In addition, in the initial public offering, the Company issued an aggregate of 8,000,000 common shares at a price of $7.00 per share. In total an amount of €43.1 million was recognized in other reserves.

In May and October 2015, the Company issued 5,750,000 and 3,325,236 common shares at $7.15 per share and $6.55 per share respectively. In total an amount of €55.6 million was recognized in other reserves.

According to the articles of association of the Company, up to 55,000,000 common shares and 55,000,000 preferred shares with a par value of €0.01 are authorized to be issued. Preferred shareholders are entitled to receive a fixed dividend yield prior to common shareholders, unpaid preferred dividends accumulate. As of December 31, 2015 no preferred shares have been issued.

Other reserves

Upon the consummation of the corporate reorganization in 2014 an amount of €1.0 million was recorded in other reserves. This amount relates to the effects of the corporate reorganization as described in more detail in the notes to the consolidated financial statements.

The Company has adopted a share-based compensation plan (ESOP 2014), pursuant to which the Company's directors, selected employees and consultants are granted the right to acquire common shares of the Company (note 19 of the consolidated financial statements). The share-based payment expenses are recorded in the income statement. The ESOP 2014 plan is equity-settled. In case of an

equity-settled plan, there is no obligation to transfer economic benefits, therefore the credit entry should be recognized as an increase in equity. The Company uses “Other reserves” as the equity classification.

31. Payables to subsidiaries

These payables relate to Affimed GmbH and do not bear interest.

32. Other current payables

In € thousand	December 31, 2015	December 31, 2014
Trade payables	325	124
Social security and wage tax	182	137
Other liabilities	513	233
Total	1,020	494

33. Other result after taxation

In € thousand	January 1 until December 31, 2015	May 14 until December 31, 2014
Other income (service fee)	750	294
General and administrative expenses	(6,539)	(2,402)
Net result of net sales	(5,789)	(2,108)
Financial income	2,408	1,325
Financial expense	(239)	(1)
Net financial result	2,169	1,324
Result before taxation	(3,620)	(784)
Taxation	0	0
Result after taxation	(3,620)	(784)

Effective October 1, 2014 the Company formalized a service agreement with Affimed Therapeutics AG. The service fee includes the reimbursement of the net service expenses and a mark-up rate (at arms-length) on these net service expenses.

34. Employee benefits and number of employees

The average number of employees during 2015 was three employees and consisted of managing directors only. The managing director’s compensation is shown in note 35.

35. Related-party transactions

Director's remuneration 2015

Managing directors

(in € thousand)	Hoess	Fischer	Marschner	Total
Periodically paid compensation	424	319	319	1,062
Bonuses	149	83	83	315
Total cash compensation	**573**	**402**	**402**	**1,377**
2014 Plan share-based payment expense[4]	774	298	252	1,324
Total share-based payment expense	**774**	**298**	**252**	**1,324**

Supervisory directors

(in € thousand)	Grau[8]	Hecht	Modig	Stead	Verdonck	Total
Periodically paid compensation	24	120	51	40	61	296
Service fees	138	-	-	-	-	138
Total cash compensation	**162**	**120**	**51**	**40**	**61**	**434**
2014 Plan share-based payment expense[4]	47	167	88	88	88	478
Total share-based payment expense	**47**	**167**	**88**	**88**	**88**	**478**

Director's remuneration 2014

Managing directors

(in € thousand)	Hoess[1]	Fischer[2]	Marschner	Zhukovsky[3]	Total
Periodically paid compensation	122	92	254	50	518
Consulting service fees	163	129	-	-	292
Bonuses	175	98	98	22	393
Total cash compensation	**460**	**319**	**352**	**72**	**1,203**
2014 Plan share-based payment expense[4]	139	56	50	0	245
Other share-based payment expense/(credit) [5]	(3,021)	(916)	1,757	(1,318)	(3,498)
Total share-based payment expense/(credit)	**(2,882)**	**(860)**	**1,807**	**(1,318)**	**(3,253)**

Supervisory directors

(in € thousand)	Hecht[6]	Modig	Stead[7]	Verdonck	Total
Periodically paid compensation	36	16	13	20	85
Consulting service fees	49	-	25	-	74
Total cash compensation	**85**	**16**	**38**	**20**	**159**
2014 Plan share-based payment expense[4]	20	11	11	11	53
Other share-based payment expense[5]	32	-	642	-	674
Total share-based payment expense	**52**	**11**	**653**	**11**	**727**

[1] Dr. Adi Hoess received compensation for consulting services of €163,000 in 2014. The consulting contract with Dr. Adi Hoess was terminated following the IPO in 2014 and Dr. Adi Hoess is now directly employed by Affimed N.V.

[2] Dr. Florian Fischer is founder and Chief Executive Officer of MedVenture Partners, a Munich-based corporate finance and strategy advisory company focusing on the life sciences and health care industry. MedVenture Partners rendered services for a consideration of €129,000 in 2014. The service contract with MedVenture Partners was terminated following the IPO in 2014 and Dr. Florian Fischer is now directly employed by Affimed N.V.

[3] Dr. Eugene Zhukovsky served as CSO until March 31, 2014.

[4] Expense related to the issue of options under the 2014 Plan. Details of options granted are summarized in the table below.

[5] Expense/(credit) related to the re-measurement of the 2007 SOP and the carve-out plan described in Notes 2 and 18 to our consolidated financial statements 2014.

[6] Pursuant to a consulting agreement with Hecht Healthcare Consulting (HHC), whose managing director is our supervisory director Thomas Hecht, we received consulting services until September 2014.

[7] Pursuant to a consulting agreement with BioPharma Consulting Services LLC (BioPharma), whose principal is our supervisory director Richard B. Stead, we received consulting services until September 2014.

[8] Dr. Ulrich Grau is a significant shareholder and Chairman of the Board of Directors of i-novion Inc., which was engaged by the Company to conduct preclinical services. In 2015, i-novion Inc. received related payments of €138,000. Dr. Ulrich Grau was appointed by the general meeting of shareholders on June 9, 2015, and his term was effective as of July 1, 2015.

For further details and other information with regard to related-party transactions as well as Management and Supervisory Director's compensation reference is made to note 24 of the consolidated financial statements.

Stock options granted under the Equity Incentive Plan 2014

Awards granted in 2015

Managing directors

Beneficiary	Grant date	Number of options outstanding*	Strike price USD	Expiration date
Adi Hoess	September 4, 2015	290,000	9.42	September 4, 2025
Florian Fischer	September 4, 2015	105,000	9.42	September 4, 2025
Jens-Peter Marschner	September 4, 2015	80,000	9.42	September 4, 2025
Total		**475,000**		

Supervisory directors

Beneficiary	Grant date	Number of options outstanding*	Strike price USD	Expiration date
Ulrich Grau	July 1, 2015	20,000	13.47	July 1, 2025
Thomas Hecht	June 9, 2015	20,000	12.44	June 9, 2025
Berndt Modig	June 9, 2015	10,000	12.44	June 9, 2025
Richard Stead	June 9, 2015	10,000	12.44	June 9, 2025
Ferdinand Verdonck	June 9, 2015	10,000	12.44	June 9, 2025
Total		**70,000**		

Awards granted in 2014

Managing directors

Beneficiary	Grant date	Number of options outstanding*	Strike price USD	Expiration date
Adi Hoess	September 17, 2014	250,000	6.27	September 17, 2024
Florian Fischer	September 17, 2014	100,000	6.27	September 17, 2024
Jens-Peter Marschner	September 17, 2014	90,000	6.27	September 17, 2024
Total		**440,000**		

Supervisory directors

Beneficiary	Grant date	Number of options outstanding*	Strike price USD	Expiration date
Thomas Hecht	September 17, 2014	35,000	6.27	September 17, 2024
Berndt Modig	September 17, 2014	20,000	6.27	September 17, 2024
Richard Stead	September 17, 2014	20,000	6.27	September 17, 2024
Ferdinand Verdonck	September 17, 2014	20,000	6.27	September 17, 2024
Total		**95,000**		

* There are no exercised or forfeited options as of December 31, 2014 and 2015.

For further disclosure related to the share-options we refer to note 19 of the consolidated financial statements. The Company aims to meet its obligations by virtue of the granted option rights by issuing new shares (no purchase of treasury shares).

36. Audit fees

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. to the Company, its subsidiaries and other consolidated entities.

(in € thousand)	KPMG Accountants N.V. 2015	Other KPMG network 2015	Total KPMG 2015
Audit of the financial statements	36	106	142
Other audit engagements	0	180	180
Tax-related advisory services	0	0	0
Other non-audit services	0	14	14
	36	300	336

(in € thousand)	KPMG Accountants N.V. 2014	Other KPMG network 2014	Total KPMG 2014
Audit of the financial statements	27	425	452
Other audit engagements	0	238	238
Tax-related advisory services	0	0	0
Other non-audit services	0	0	0
	27	663	690

Signing of the financial statements

May 19, 2016

Originally signed by:

Management Board:

Dr. Adi Hoess, CEO

Dr. Florian Fischer, CFO

Dr. Jens-Peter Marschner, CMO

Dr. Jörg Windisch, COO

Supervisory Board:

Dr. Thomas Hecht, Chairman

Dr. Bernhard Ehmer

Dr. Ulrich Grau

Berndt Modig

Dr. Richard B. Stead

Ferdinand Verdonck

Other information

Provisions in the Articles of Association governing the appropriation of profit

The company's Articles of Association provide under chapter 10 provisions about the appropriation of profit, the full text is as follows:

Chapter 10
Profit and loss. Distributions on shares.

Article 10.1.

10.1.1. The management board will keep a share premium reserve and profit reserve for the common shares to which only the holders of the common shares are entitled.

10.1.2. The company may make distributions on shares only to the extent that its shareholders' equity exceeds the sum of the paid-up and called-up part of the capital and the reserves which must be maintained by law.

10.1.3. Distributions of profit, meaning the net earnings after taxes shown by the adopted annual accounts, shall be made after the adoption of the annual accounts from which it appears that they are permitted, entirely without prejudice to any of the other provisions of the articles of association.

10.1.4.
a. A dividend shall be paid out of the profit, if available for distribution, first of all on the cumulative preference shares in accordance with this paragraph.

b. The dividend paid on the cumulative preference shares shall be based on the percentage, mentioned immediately below, of the amount called up and paid-up on those shares. The percentage referred to in the previous sentence shall be equal to the average of the EURIBOR interest charged for cash loans with a term of twelve months as set by the European Central Bank - weighted by the number of days to which this interest was applicable - during the financial year for which this distribution is made, increased by a maximum margin of five hundred (500) basis points to be fixed upon issue by the management board; EURIBOR shall mean the Euro Interbank Offered Rate.

c. If in the financial year over which the aforesaid dividend is paid the amount called up and paid-up on the cumulative preference shares has been reduced or, pursuant to a resolution to make a further call on said shares, has been increased, the dividend shall be reduced or, if applicable, increased by an amount equal to the aforesaid percentage of the amount of such reduction or increase, as the case may be, calculated from the date of the reduction or, as the case may be, from the date when the further call on the shares was made.

d. If and to the extent that the profit is not sufficient to pay in full the dividend referred to under a of this paragraph, the deficit shall be paid to the debit of the reserves provided that doing so shall not be in violation of article 10.1.2. If and to the extent that the dividend referred to under a. of this article 10.1.4 cannot be paid to the debit of the reserves, the profits earned in subsequent years shall be applied first towards making to the holders of cumulative preference shares such payment as will fully clear the deficit, before the provisions of the following paragraphs of this article can be applied. No further dividends on the cumulative preference shares shall be paid than as stipulated in this article 10.1.4, in article 10.2 and in article 11.2. Interim dividends paid over any financial year in accordance with article 10.2 shall be deducted from the dividend paid by virtue of this article 10.1.4.

e. If the profit earned in any financial year has been determined and in that financial year one or more cumulative preference shares have been cancelled against repayment, the persons who

were the holders of those shares shall have an inalienable right to payment of dividend as described below. The amount of profit, if available for distribution, to be distributed to the aforesaid persons shall be equal to the amount of the dividend to which by virtue of the provision under a. of this paragraph they would have been entitled if on the date of determination of the profit they had still been the holders of the aforesaid cumulative preference shares, calculated on the basis of the period during which in the financial year concerned said persons were holders of said shares, such dividend shall be reduced by the amount of any interim dividend paid in accordance with article 10.2.

f. If in the course of any financial year cumulative preference shares have been issued, with respect to that financial year the dividend to be paid on the shares concerned shall be reduced pro rata to the day of issue of said shares.

g. If the dividend percentage has been adjusted in the course of a financial year, then for the purposes of calculating the dividend over that financial year the applicable rate until the date of adjustment shall be the percentage in force prior to that adjustment and the applicable rate after the date of adjustment shall be the altered percentage.

10.1.5. The management board may determine, with the approval of the supervisory board, that any amount remaining out of the profit, after application of article 10.1.4 shall be added to the reserves.

10.1.6. The profit remaining after application of article 10.1.4 and 10.1.5 shall be at the disposal of the general meeting, provided that no further distribution shall be made on the cumulative preference shares. The general meeting may resolve to carry it to the reserves or to distribute it among the holders of common shares.

10.1.7. On a proposal of the management board - which proposal must be approved by the supervisory board -, the general meeting may resolve to distribute to the holders of common shares a dividend in the form of common shares in the capital of the company.

10.1.8. Subject to the other provisions of this article 10.1 the general meeting may, on a proposal made by the management board which proposal is approved by the supervisory board, resolve to make distributions to the holders of common shares to the debit of one or several reserves which the company is not prohibited from distributing by virtue of the law.

10.1.9. No dividends on shares shall be paid to the company on shares which the company itself holds in its own capital or the depositary receipts issued for which are held by the company, unless such shares are encumbered with a right of use and enjoyment or pledge.

10.1.10. Any change to an addition as referred to in article 10.1.4 under b and g shall require the approval of the meeting of holders of cumulative preference shares. If the approval is withheld the previously determined addition shall remain in force.

10.1.11. The management board is authorised to determine how a deficit appearing from the annual accounts will be accounted for.

Interim distributions.
Article 10.2.

10.2.1. The management board may resolve with the approval of the supervisory board, to make interim distributions to the shareholders or to holders of shares of a particular class if an interim statement of assets and liabilities shows that the requirement of article 10.1.2 has been met.

10.2.2. The interim statement of assets and liabilities shall relate to the condition of the assets and liabilities on a date no earlier than the first day of the third month preceding the month in which the resolution to distribute is published. It shall be prepared on the basis of generally acceptable valuation methods. The amounts to be reserved under the law and the articles of

association shall be included in the statement of assets and liabilities. It shall be signed by the managing directors and supervisory directors. If one or more of their signatures are missing, this absence and the reason for this absence shall be stated.

10.2.3. In the event that all cumulative preference shares are cancelled against repayment, on the day of such repayment a dividend shall be paid, this dividend to be equal to the premium paid on the share concerned at its issue increased by a distribution to be calculated in accordance with the provisions of article 10.1.4 and over the period over which until the date of repayment no earlier distribution as referred to in the first sentence of article 10.1.4 has been made, all this provided that the requirement of article 10.1.2 has been met as demonstrated by an interim statement of assets and liabilities as referred to article 10.2.2.

10.2.4. Any proposal for distribution of a dividend on common shares and any resolution to distribute an interim dividend on common shares shall immediately be published by the management board in accordance with the applicable stock exchange regulations at the company's request. The notification shall specify the date when and the place where the dividend shall be payable or - in the case of a proposal for distribution of dividend - is expected to be made payable.

10.2.5. Dividends shall be payable no later than thirty (30) days after the date when they were declared, unless the body declaring the dividend determines a different date.

10.2.6. Dividends which have not been claimed upon the expiry of five (5) years and one (1) day after the date when they became payable shall be forfeited to the company and shall be carried to the reserves.

10.2.7. The management board may determine that distributions on shares shall be made payable either in euro or in another currency.

Proposal for result appropriation for the Financial Year 2015

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2015 loss for the period, amounting to EUR 20,239,000, to be added to the accumulated losses.

Branch offices

Affimed N.V. operates through the following branch offices (direct or indirect wholly owned subsidiaries):

- Affimed GmbH, Germany

- AbCheck s.r.o., Czech Republic

- Affimed Inc., USA

Other participation

- Amphivena Therapeutics Inc., USA (participation of 21%)

Independent auditor’s report

The independent auditor’s report is set forth on the following page.

Independent auditor's report

To: the General Meeting of Shareholders of Affimed N.V.

Report on the financial statements

We have audited the accompanying financial statements 2015 of Affimed N.V., Amsterdam, as set forth on pages 47 to 91. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2015, the company profit and loss account for the year then ended, and the notes, comprising a summary of the accounting policies and other explanatory information.

The Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore, the Board of Directors is responsible for such internal control as they determine it is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Affimed N.V. as at 31 December 2015 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Affimed N.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 20 May 2016

KPMG Accountants N.V.

J.G.R. Wilmink RA