Affimed N.V.

Amsterdam, The Netherlands

Annual Report 2016

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, with different dosing schemes being explored to allow for improved exposure in heavily pretreated patient populations. 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.

Focusing our efforts on antibodies specifically binding NK-cells through CD16A, a dominant activating receptor on innate immune cells, we have built a clinical and preclinical pipeline of NK-cell-engaging bispecific antibodies designed to activate both innate and adaptive immunity. Compared to a variety of T-cell-engaging technologies, our NK-cell engagers appear to have a better safety profile and have the potential to achieve more potent and deeper immune responses through enhancing crosstalk of innate to adaptive immunity. Their safety profiles also make our molecules suitable for development as combination therapies (e.g. with checkpoint inhibitors, or CPIs, or adoptive NK-cells). Building on our leadership in the NK-cell space, we are also developing tetravalent, bispecific alternative antibody formats (AAFs) for NK-cell engagement offering varying PK/PD profiles relevant to certain diseases.

As of today, we have focused our research and development efforts on four 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 studies 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 also see an opportunity in the clinical development of our TandAbs in combination with other agents that harness the immune system to fight cancer cells, such as CPIs. Such combinations of cancer immunotherapies may ultimately prove beneficial for larger patient populations in earlier stages of diseases, beyond the relapsed/refractory disease setting.

Our offices and laboratories are located at the Technology Park adjacent to the DKFZ in Heidelberg, where we employ 55 personnel, approximately 70% of whom have an advanced academic degree. Including AbCheck and Affimed Inc. personnel, our total headcount is 84 (75 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.

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.

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 different types of next-generation antibodies, bispecific and trispecific Abs, as well as tetravalent, bispecific alternative antibody formats (AAFs). 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. In the second quarter of 2015, a phase 2a proof of concept study 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. Due to delays in opening study sites and the availability of anti-PD-1 antibodies for the treatment of relapsed/refractory HL patients, we have experienced slower recruitment into the study than anticipated. We have worked with GHSG to revise the overall study design in order to adapt to the changing treatment landscape, namely the availability of anti-PD-1 antibodies. The study will now include HL patients relapsed or refractory to treatment with both brentuximab vedotin (Adcetris) and anti-PD-1 antibodies. Different dosing protocols of AFM13 are being explored to allow for improved exposure in more heavily pretreated patient populations. The study is expected to begin recruiting under the new study design in the first half of 2017 and we anticipate providing an update on the study in the second half of 2017. We are also planning a clinical study of AFM13 in patients with CD30+ lymphoma. In addition, we have expanded our development strategy to combination therapies. In the first half of 2016 we initiated a phase 1b clinical study to investigate AFM13 in combination with pembrolizumab (Keytruda) in HL patients that have relapsed after or are refractory to chemotherapy and Adcetris. The study is ongoing and no dose-limiting toxicities were observed in the first and second dose cohorts. Data read-out is ongoing and we intend to provide an update in the second half of 2017. For AFM11, we have initiated 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 amended study protocol was approved by the applicable regulatory authorities in the third quarter of 2015. We have opened new study sites to expedite recruitment into the study. A phase 1 dose-finding clinical study of AFM11 in patients with acute lymphocytic leukemia, or ALL, commenced in the third quarter of 2016 and is enrolling. We anticipate providing a progress update on both studies in the first half of 2017.

- ***Establish R&D and Commercialization Capabilities in Europe and in the United States*** While we plan to retain rights for our product candidates, 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 U.S. talent pool, to maintain a close relationship to the financial and pharmaceutical community and to continuously measure and adapt to our strategic position in the competitive landscape.

- ***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, trispecific Abs and AAFs. 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, Merck and MD Anderson.*** We have a research agreement with LLS under which LLS has committed to co-fund the development of AFM13, with the focus having been shifted towards combination therapy in June 2016 due to the recent changes within the rapidly evolving cancer immunotherapy treatment landscape. We believe that this collaboration will also allow us to expedite patient enrollment for future studies by leveraging the LLS's existing relationships with key U.S. investigators. 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. In January 2017, we entered into a clinical development and commercialization collaboration with The University of Texas MD Anderson Cancer Center, or MD Anderson, to evaluate AFM13 in combination with MD Anderson's NK-cell product. MD Anderson will be responsible for conducting preclinical research activities aimed at investigating its NK-cells derived from umbilical cord blood in combination with AFM13, which are intended to be followed by a phase 1 study. We will fund research and development expenses for this collaboration and hold an option to exclusive worldwide rights to develop and commercialize any product developed under the collaboration. 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 multiple collaborations with academic partners including the German Hodgkin Study Group, the Mayo Clinic, the Columbia University, MD Anderson Cancer Center, as well as the German Cancer Research Center (DKFZ). We finalized the establishment of a Scientific Advisory Board in 2015. We will continue to engage with key experts in our areas of interest with activities.

- ***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, trispecific Abs or AAFs. AbCheck's high-quality capabilities have been validated through multiple international collaborations including a clinical research partnership with globally active pharmaceutical companies, as well as 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 study 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. The Leukemia and Lymphoma Society, or LLS, has agreed to co-fund a portion of the development of AFM13. In addition, we are planning a clinical study of AFM13 in patients with CD30+ lymphoma. We initiated a clinical phase 1b study investigating the combination of AFM13 with Merck's Keytruda (pembrolizumab) in patients with relapsed/refractory HL in the first half of 2016. The study is designed to establish a dosing regimen for the combination therapy and assess its safety and efficacy. We have also entered into a clinical development and commercialization collaboration with MD Anderson to evaluate AFM13 in combination with MD Anderson's NK-cell product.

- ***Our T-cell-engaging Lead Product Candidate, AFM11.*** 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. Although the PK of TandAbs is longer as compared to Amgen's BiTEs such as Blincyto, we are exploring different dosing regimens in our clinical studies to address specific features relating to T-cell engagement, which may require longer infusion times. We have initiated 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 amended study protocol was approved by the applicable regulatory authorities in the third quarter of 2015. A phase 1 clinical study of AFM11 in patients with ALL commenced in the third quarter of 2016 and is enrolling. We anticipate providing a progress update on both studies in the first half of 2017.

- ***Growing Pipeline of Product Candidates Focused on Key Cancer Indications.*** A CD16A NK-cell TandAb, called AFM24, targeting EGFR-wild type, a validated solid tumor target has been engineered and characterized preclinically and expect to provide an update on the program in the first half of 2017. In addition, we are developing AFM26 preclinically, a CD16A NK-cell TandAb targeting another validated tumor target, B-cell maturation antigen (BCMA), in multiple myeloma.

- ***Retained Global Commercial Rights for our Four Candidates in our Product Pipeline***. Our four pipeline product candidates AFM13, AFM11, AFM24 and AFM26 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.

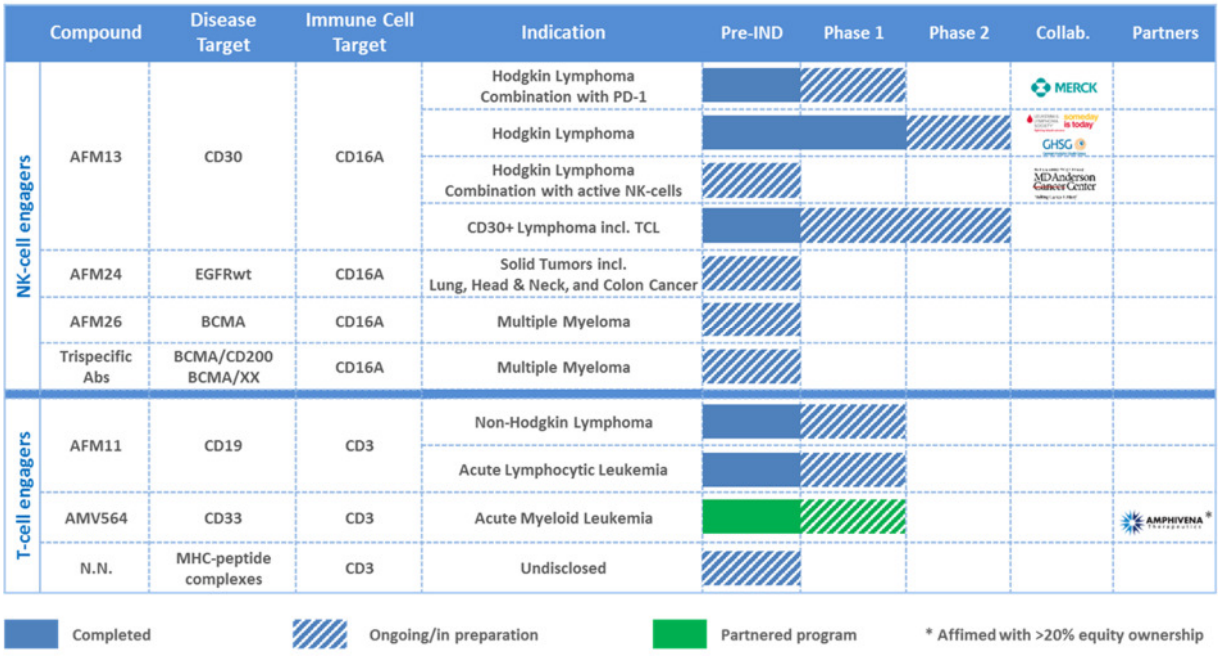
- ***Experienced Management Team with Strong Track Record in the Development and Commercialization of New Medicines.*** Members of our management team have extensive experience in the biopharmaceutical industry, and key members of our team have played an important role in the development and commercialization of approved drugs. Our Chief Executive Officer Adi Hoess was a member of the team that developed and commercialized

Firazyr®, 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 phase 1 dose-escalation clinical study, 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 to 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 study 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. We have worked with GHSG to revise the overall study design in order to adapt to the changing treatment landscape, namely the availability of anti-PD-1 antibodies. The study will now include HL patients relapsed or refractory to treatment with both brentuximab vedotin (Adcetris) and anti-PD-1 antibodies. Different dosing protocols of AFM13 are being explored to allow for improved exposure in more heavily pretreated patient populations. The study is expected to begin recruiting under the new study design in the first half of 2017 and we anticipate providing an update on the study in the second half of 2017.

In order to prepare for further clinical development, we performed preclinical studies investigating the combination of AFM13 with check-point modulators (CPM) with collaboration partners. 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. Based on the preclinical data, we 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 in the first half of 2016. The study is ongoing and no dose-limiting toxicities were observed in the first and second dose cohorts. Data read-out is ongoing and we intend to provide an update in the second half of 2017. The LLS has committed to co-fund the development of AFM13 with the focus having been shifted towards combination therapy in June 2016 following the greater focus of combination therapies in immunooncology. In addition, we are planning a clinical study of AFM13 in patients with CD30+ lymphoma. In January 2017, we entered into a clinical development and commercialization collaboration with MD Anderson to evaluate AFM13 in combination with MD Anderson's NK-cell product. MD Anderson will be responsible for conducting preclinical research activities aimed at investigating its NK-cells derived from umbilical cord blood in combination with AFM13, which are intended to be followed by a phase 1 study. We will fund research and development expenses for this collaboration and hold an option to exclusive worldwide rights to develop and commercialize any product developed under the collaboration.

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 and Acute Lymphocytic Leukemia, or ALL. 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. AFM11 has shown 100-fold higher affinity to CD3 resulting in up to 40-fold greater cytotoxic potency at low T-cell counts compared to blinatumomab. We therefore believe it may have an efficacy advantage, especially in immunocompromised patients. Although the PK of TandAbs is longer as compared to Amgen's BiTEs such as Blincyto, AFM11 might have a convenience advantage due to its half-life and we are exploring different dosing regimens in our clinical studies to address specific features relating to T-cell engagement, which may require longer infusion times. We have initiated 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 amended study protocol was approved by the applicable regulatory authorities in the third quarter of 2015. We have opened new study sites to expedite recruitment into the study. A phase 1 dose-finding clinical study of AFM11 in patients with acute lymphocytic leukemia, or ALL, commenced in the third quarter of 2016 and is enrolling. We anticipate providing a progress update on both studies in the first half of 2017.

We are developing AFM24, an NK-cell-engaging bispecific antibody 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 (HNSCC). Based on the preclinical efficacy and safety data in cynomolgus monkey, we expect to provide an update on the program in the first half of 2017. As planned, following the selection of AFM24 as a solid tumor candidate, we have deprioritized development of our preclinical solid tumor programs, AFM21 and AFM22, targeting Epidermal Growth Factor Receptor variant III, or EGFRvIII.

Amphivena's product candidate, AMV564, is a CD33/CD3-specific T-cell TandAb. In preclinical studies, AMV564, which was derived from our TandAb platform, has demonstrated potent and selective cytotoxic activity in AML patient samples as well as robust tumor growth inhibition and a complete elimination of leukemic blasts in xenograft models. Amphivena has recently initiated a first-in-human phase 1 dose escalation and expansion trial of AMV564 in patients with relapsed or refractory acute myeloid leukemia (AML)..

In addition, we have been exploring trispecific Abs for various undisclosed targets which are currently at a discovery stage to be developed for indications such as multiple myeloma (MM), as well as tetravalent, bispecific alternative antibody formats (AAFs) for NK-cell engagement offering varying PK/PD profiles relevant to certain diseases.

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, 2016, we have raised an aggregate of €176.2 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, 2016, we incurred a net loss of €32.2 million. As of December 31, 2016, we had an accumulated deficit of €152.4 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 a 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.

Amphivena separately entered into a warrant agreement with Janssen Biotech Inc. that gave Janssen the option to acquire Amphivena following IND acceptance by the FDA of such product candidate. Amphivena retains full rights to the product candidate following the decision by Janssen not to exercise its option to acquire Amphivena upon effectiveness of the product candidate's IND application in July 2016.

Pursuant to the July 2013 license and development agreement with Amphivena, we historically performed certain services for Amphivena related to the development of a product candidate for hematological malignancies, and granted Amphivena certain product and technology licenses, each of which included 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 that was performed prior to IND acceptance, Amphivena paid us service fees totaling approximately €14.3 million (net of our share in funding Amphivena) upon the achievement of milestones and phase

progressions as described under the license and development agreement. We do not expect to provide any additional significant services or generate significant additional revenues under the license and development agreement.

We recognized revenues of €4.4 million, €1.8 million, €4.8 million and €3.4 million in 2013, 2014, 2015 and 2016 respectively (net of our total investments of €1.7 million), €0.0 million was deferred as of December 31, 2016 (December 31, 2015: €2.8 million deferred).

We are paid in euros under the license and development agreement.

Although the license and development agreement with Amphivena expired when the IND became effective, we continue to provide services to complete the remaining deliverables (i.e. material transfer) required under the agreement, and are financially supporting the future clinical development of AMV564 with €1.6 million in financing, €1.0 million of which was invested in Amphivena in October 2016 and €0.6 million of which was invested in March 2017. As of March 15, 2017, the cash investments in relation to the July 2013 license and development agreement and cash investments made in October 2016 and March 2017 totaled $2.6 million (€2.3 million), and we owned approximately 23% of the outstanding equity of Amphivena on a fully diluted basis.

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 (€4.2 million) over two years to support the project. We have agreed to match LLS's contributions toward the project budget. Our receipt of the $4.4 million total that LLS has agreed to contribute is conditioned on the achievement of certain milestones in connection with the development of AFM13.

The research funding agreement was amended in June 2016 to reflect a shift in development focus of AFM13 due to recent changes within the rapidly evolving cancer immunotherapy treatment landscape resulting in a shift to development of combination therapeutic approaches. Having successfully established a collaboration with Merck in January 2016 to test AFM13 in combination with Keytruda in relapsed/refractory Hodgkin lymphoma patients, we have prioritized the development of AFM13 as a combination therapy. Consequently, we have agreed with LLS to amend the research funding agreement so that the milestones now relate primarily to the development of AFM13 as a combination therapy.

As of December 31, 2016 we have met five milestones and we recognized revenues of €1.1 million, €1.6 million and €0.4 million in 2014, 2015 and 2016, respectively. We must use the funding provided by LLS exclusively with the development program, and return any excess funding to LLS.

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.

Merck

In January 2016, we entered into a collaboration with Merck Sharp & Dohme B.V., or Merck, based in Haarlem, The Netherlands, to evaluate AFM13 in combination with Merck's anti PD-1 therapy, Keytruda (pembrolizumab). Under the terms of the agreement, Affimed will fund and conduct a phase 1b clinical trial to investigate the combination of Keytruda with Affimed's proprietary drug candidate AFM13 for the treatment of patients with relapsed/refractory HL. Merck will supply Affimed with Keytruda for the clinical trial. Each party is responsible for its own internal costs and expenses to support the clinical trial (including the costs for the respective trial compound), while we are bearing all other costs associated with the trial.

The purpose of the study is to establish a dosing regimen for this combination therapy and assess its safety and efficacy.

MD Anderson

In January 2017, we entered into a clinical development and commercialization collaboration with The University of Texas MD Anderson Cancer Center, or MD Anderson, to evaluate AFM13 in combination with MD Anderson's NK-cell product. MD Anderson will be responsible for conducting preclinical research activities aimed at investigating its NK-cells derived from umbilical cord blood in combination with AFM13, which are intended to be followed by a phase 1 trial. We will fund research and development expenses for this collaboration and hold an option to exclusive worldwide rights to develop and commercialize any product developed under the collaboration.

Financial Operations Overview

Revenue

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

Collaboration revenue. 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). Collaboration revenue of €3.8 million for the year ended December 31, 2016 was from research and development services under the license and development agreement with Amphivena (€3.4 million) and from the LLS collaboration (€0.4 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 €0.5 million, €1.3 million and €2.4 million of service revenue in 2014, 2015 and 2016, respectively. Service revenue of AbCheck is dependent from third party contracts as well as from the utilization of the Unit by Affimed. The increase or decrease of the use of AbCheck's service capabilities by Affimed has an impact on AbCheck's 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. The amount of future revenue is dependent on our ability to conclude new collaboration arrangements and the terms we are able to negotiate with our partners.

Other Income

Other Income in 2014, 2015 and 2016 primarily relates to 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 2017 will be in the range of €26 to €30 million. Our research and development expenses primarily relate to the following key programs:

- *AFM13.* We initiated a phase 1b study investigating the combination of AFM13 with Merck's anti-PD-1 antibody Keytruda (pembrolizumab) in patients with r/r HL in 2016. Different dosing protocols are being explored in the investigator-initiated monotherapeutic phase 2a clinical trial of AFM13 in relapsed/refractory Hodgkin Lymphoma, or r/r HL, to allow for improved exposure in more heavily pretreated patient populations. The study is expected to begin recruiting under the new study design in the first half of 2017. In addition, we are planning a clinical study of AFM13 in patients with CD30+ lymphoma. We anticipate that our research and development expenses in 2017 for AFM13 will be lower than in 2016 due to the reduced need to produce AFM13 clinical trial material and related lower costs.

- *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. A phase 1 clinical study of AFM11 in patients with ALL commenced in the third quarter of 2016 and is enrolling. Therefore, we anticipate that our research and development expense for the AFM11 program will increase in 2017.

- *Other development programs.* Our other research and development expenses relate to our preclinical studies of our solid tumor candidate, AFM24, our multiple myeloma program AFM26, our Amphivena collaboration (through the third quarter of 2016) and early stage development / discovery activities. We have allocated a material amount of our resources to such discovery activities. The expenses mainly consist of salaries and manufacturing costs for pre-clinical and clinical study material and are expected to increase in 2017.

- *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 €84.9 million on research and development. In the years ended December 31, 2014, 2015 and 2016, we spent €9.6 million, €22.0 million and €30.2 million on research and development; €4.2 million, €10.0 million and €11.8 million thereof on AFM13; and €1.2 million, €0.8 million and €2.5 million thereof 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 and broaden 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 2017 will be on approximately the same level compared to the expenses in 2016, and will 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, 2014, 2015 and 2016. 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, 2015 and 2016

	Year ended December 31,	
	2015	**2016**
	(in € thousand)	
Total Revenue:	7,562	6,314
Other income-net	651	145
Research and development expenses	(22,008)	(30,180)
General and administrative expenses	(7,548)	(8,323)

Operating income/(loss)	(21,343)	(32,044)
Finance income/(costs)-net	1,104	(230)
Income/(Loss) before tax	(20,239)	(32,274)
Income taxes	0	58
Income/(loss) for the period	(20,239)	(32,216)
Total comprehensive income/(loss)	(20,239)	(32,216)
Earnings/(loss) per common share in € per share	(0.71)	(0.97)

Revenue

Revenue decreased 17% from €7.6 million in the year ended December 31, 2015 to €6.3 million for the year ended December 31, 2016. In 2016 and 2015, €3.4 million and €4.8 million of revenue related to the Amphivena collaboration, net of funding Amphivena with €1.0 million (2015: funding of €0.3 million). Additional revenue of €2.4 million related to AbCheck services (2015: €1.1 million), and €0.4 million (2015: €1.6 million) to the LLS collaboration.

Research and development expenses

	Year ended December 31,		
R&D Expenses by Project	**2015**	**2016**	**Change %**
	(in € thousand)		
Project			
AFM13	10,004	11,847	18%
AFM11	800	2,471	209%
Other projects and infrastructure costs	10,593	14,684	39%
Share-based payment expense/(credit)	611	1,178	93%
Total	**22,008**	**30,180**	**37%**

Research and development expenses increased 37% from €22.0 million in the year ended December 31, 2015 to €30.2 million in the year ended December 31, 2016, mainly due to higher expenses for AFM13, AFM11 and other projects and infrastructure. For the year 2017, we anticipate research and development expenses to be on approximately the same level due to ongoing clinical trials with AFM13 (phase 1b combination trial of AFM13 with Merck's anti-PD-1 antibody Keytruda in patients with relapsed/refractory HL and phase 2a clinical trial of AFM13 in relapsed/refractory HL), the expected start of a clinical trial of AFM13 in patients with CD30+ lymphoma, 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, 2015 and the corresponding period in 2016 are mainly due to the following projects:

- *AFM13.* In the year ended December 31, 2016, we incurred higher expenses than in the year ended December 31, 2015 primarily due to the ongoing phase 2a study and our ongoing manufacturing activities for clinical trial material including material for our additional clinical trials with AFM13, as well as the conduct and preparation of the phase 1b combination trial of AFM13 with Merck's anti PD-1 antibody Keytruda in patients with r/r HL.
- *AFM11.* In the year ended December 31, 2016, research and development expenses were significantly higher than in the year ended December 31, 2015, primarily due to expenses inter alia of the opening of new sites in Central and Eastern Europe for our ongoing phase 1 study in NHL and additional expenses associated with the preparation and initiation of a phase 1 dose-finding study in ALL.
- *Other projects and infrastructure costs.* In the year ended December 31, 2016, expenses were significantly higher than in the year ended December 31, 2015

primarily due to higher expenses incurred in relation to our discovery/early stage development activities including manufacturing costs for pre-clinical and clinical study material and preclinical activities for AFM24 and AFM26. We also incurred higher costs associated with our research and development that are non-project specific, including intellectual property-related expenses, depreciation expenses and facility costs. Because these costs are less dependent on individual ongoing programs, they are not allocated to specific projects.

General and administrative expenses

General and administrative expenses increased 10% from €7.5 million in the year ended December 31, 2015 to €8.3 million in the year ended December 31, 2016. The increase is primarily related to higher expenses for share-based payments of €2.4 million (2015: €1.6 million).

Finance income / (costs)-net

Finance costs for the year ended December 31, 2016 were €0.2 million, compared with finance income of €1.1 million for the year ended December 31, 2015. Finance costs in the year ended December 31, 2016 include foreign exchange gains of €0.7 million while finance income for the year ended December 31, 2015 include foreign exchange gains of €1.8 million. Finance costs relate primarily to our loan facility with Silicon Valley Bank and our former loan facility with Perceptive.

Income tax expense

During the year ended December 31, 2016, we recorded a tax income of €58,000 due to changes in deferred taxes.

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/(expenses)—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/(costs)—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

R&D Expenses by Project	Year ended December 31, 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. 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 beginning of the phase 2a clinical trial and the manufacturing of clinical trial material for this study.

- *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.

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.

Liquidity and Capital Resources

Since inception, we have incurred significant operating losses. For the years ended December 31, 2014, 2015 and 2016, we incurred net losses of €0.3 million, €20.2 million and €32.2 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, 2016, we had cash and cash equivalents and financial assets, which we refer to as liquidity, of €44.9 million. We subsequently raised approximately $17.7 million from a public offering of our common shares in January and February 2017.

Our cash and cash equivalents and financial assets consist primarily of deposits in savings and deposit accounts with original maturities of three months or less and certificates of deposit with original maturities of six months which generate a small amount of interest income. We expect to continue this investment philosophy.

Cash Flows

Comparison of the years ended December 31, 2015 and 2016

The table below summarizes our consolidated statement of cash flows for the years ended December 31, 2015 and 2016:

	Year ended December 31,	
	2015	2016
	(in € thousand)	
Net cash used in operating activities	(18,535)	(32,127)
Net cash used for investing activities	(277)	(9,149)
Net cash generated from financing activities	53,498	(236)
Net changes to cash and cash equivalents	34,686	(41,512)
Cash and cash equivalents at the beginning of the year	39,725	76,740
Exchange-rate related changes of cash and cash equivalents	2,329	179
Cash and cash equivalents at the end of the year	76,740	35,407

The increase in net cash used in operating activities by 73% from €18.5 million in the year ended December 31, 2015 to €32.1 million in the year ended December 31, 2016 was mainly due to higher cash expenditure for research and development efforts.

The increase in net cash used for investing activities from €0.3 million in the year ended December 31, 2015 to €9.1 million in the year ended December 31, 2016 was due to net cash paid for investments in financial assets (certificates of deposit) amounting to €8.9 million (amount of cash paid for investments less cash received from maturity of investments).

Net cash generated from financing activities amounted to €53.5 million in the year ended December 31, 2015 while net cash used in financing activities was €0.2 million in the year ended December 31, 2016. The 2016 amount includes the early repayment of the Perceptive Credit Facility and the borrowing of funds under the SVB Credit Facility.

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.

Cash and Funding Sources

Our liquidity as of December 31, 2016 was €44.9 million and was €53.7 million as of March 31, 2017. Funding sources generally comprise proceeds from the issuance of equity instruments, loans, revenues from collaboration agreements and government grants.

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 Calibrium AG (formerly Aeris Capital AG), in a private placement exempt from registration, resulting in net proceeds to us of €19.1 million ($21.8 million).

In October 2015, we entered into an at-the-market sales agreement ("Sales Agreement") with Cowen & Company, LLC ("Cowen") pursuant to which we may from time to time, at our option, offer and sell our common shares having an aggregate offering price of up to $50 million through Cowen, acting as our sales agent. As of March 15, 2017, we had sold 32,211 of our common shares under the Sales Agreement at an average price of $2.11 per share for net proceeds of approximately $67,938. We plan to use proceeds from the Sales Agreement for general corporate purposes.

On November 30, 2016, our subsidiary Affimed GmbH entered into a loan agreement with Silicon Valley Bank, a California corporation ("SVB"), as lender, which we fully guarantee. The loan agreement

provides us with a senior secured term loan facility (the "SVB Credit Facility") for up to €10.0 million, available in two tranches, the availability of which is contingent on our satisfaction of certain conditions.

On December 8, 2016, we drew down the initial tranche of €5.0 million. We may draw up to an additional €5.0 million or €2.5 million on or before May 31, 2017, in the case of each tranche, contingent on the satisfaction by such date of certain conditions as set forth in the loan agreement. In connection with the initial drawdown, we issued SVB a warrant to purchase 166,297 of our common shares, at an exercise price of $2.00 per common share.

The interest rate on amounts borrowed under the SVB Credit Facility is calculated as the sum of (i) one-month EURIBOR plus (ii) an applicable margin of 5.5%, with EURIBOR deemed to equal zero percent if EURIBOR is less than zero percent. The SVB Credit Facility has a maturity date of (i) May 31, 2020, if we draw down only under Tranche 1 or under Tranche 2a as well, with an interest-only period through (a) June 1, 2017 if only Tranche 1 is drawn down, or (b) December 1, 2017 if Tranche 2a is drawn down as well, in each case with amortized payments of principal and interest thereafter in equal monthly installments; or (ii) November 30, 2020, if we draw down under Tranche 2b, with an interest only period through March 1, 2018, with amortized payments of principal and interest thereafter in equal monthly installments. Borrowings under the SVB Credit Facility are secured by a pledge of 100% of our shares in Affimed GmbH, all intercompany accounts receivables owed by our subsidiaries to us and a security assignment of essentially all our bank accounts, inventory, trade receivables and payment claims as specified in the loan agreement governing the facility.

On January 25, 2017, we sold 10,000,000 of our common shares at a price of $1.80 per share in an underwritten public offering and received approximately $16.6 million in net proceeds, after deducting underwriting discounts and commissions and other offering expenses. The underwriters partially executed an option to purchase additional shares and on February 9, 2017 we sold an additional 646,762 shares at a price of $1.80 per share and received approximately $1.1 million, after deducting underwriting discounts and commissions and other offering expenses.

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, AFM24 and AFM26. If we receive regulatory approval for AFM13, AFM11, AFM24 or AFM26, 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 at least until the end 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.

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 2016 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, 2017, 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 available liquidity (including cash and cash equivalents and certificates of deposit) 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, 2015 and 2016. 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. 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 and certificates of depost 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 the SVB loan pursuant to which the Company borrowed €5.0 million with a variable interest rate of an annual rate of 5.5% plus one-month EURIBOR, with EURIBOR deemed to equal zero percent if EURIBOR is less than zero percent. Affimed does not expect the EURIBOR to exceed the floor of 0% within the foreseeable future, and considers the interest risk to be low.

Our financial assets are exposed to interest rate risk. Certain financial institutions with whom we have allocated our financial assets have introduced or are planning to introduce a negative interest rate on financial assets held by them. We could be impaceted by these negative interest rates. However the introduction of negative interest rates or a shift in interest rates would have an immaterial impact on this 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 offerings and the private placement 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.

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 2016, if the Euro had weakened/strengthened by 10% against the US dollar with all other variables held constant, the loss would have been €1.9 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, 2015 and in the first quarter of 2017, Affimed raised significant funding that it estimates will enable the Group to fund operating expenses and capital expenditure requirements at least until the end of 2018:

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

In 2015, Affimed filed a “shelf registration statement” with the SEC in order to offer and sell securities to the public in multiple, future offerings and issued shares with proceeds of €6,000 in connection with its at-the-market sales agreement in 2016.

On November 30, 2016, the Company entered into a loan agreement with Silicon Valley Bank which provides the Company with a loan facility for up to €10.0 million contingent on the satisfaction of certain conditions, and drew the initial tranche of €5.0 million.

In January 2017, the Company issued 28,870 shares with proceeds of €58,000 in connection with its at-the-market sales agreement.

In January and February 2017, the Company issued 10,646,742 common shares in a public offering at a price of $1.80 per common share and received net proceeds of approximately €16.5 million ($17.7 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.

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 the initial public offering of common shares of Affimed, which 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 ("**Annual Report**"), 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 its Annual Report.

In the present Annual 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 Dutch home country corporate governance practices, including the Code, 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).

The Monitoring Committee Corporate Governance has published an amended version of the Code on 8 December 2016, which is applicable to the Company for the financial year starting on 1 January 2017.

II. MANAGING DIRECTORS AND SUPERVISORY DIRECTORS

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

Name	Age	Position
Adi Hoess	55	Chief Executive Officer
Florian Fischer	49	Chief Financial Officer
Jörg Windisch	46	Chief Operating Officer

Jens-Peter Marschner resigned as managing director and Chief Medical Officer as per 10 August 2016.

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 has served as our Chief Executive Officer since September 2011. 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 director 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.

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. In March 2017 we entered into a termination agreement with Dr. Windisch, who will be leaving the Company at the end of June 2017. He will continue to support Affimed as a consulting expert following his departure.

The following table lists the supervisory directors currently in office, all of whom have been 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/re-appointment	Term
Thomas Hecht	M	German	66	September 17, 2014	2017
Bernhard Ehmer	M	German	62	January 21, 2016	2019
Ulrich Grau	M	German/US	68	July 1, 2015	2018
Berndt Modig	M	Swedish/US	58	September 17, 2014	2017
Richard B. Stead	M	US	64	June 21, 2016	2019
Ferdinand Verdonck	M	Belgian	74	September 9, 2014	2017

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

Thomas Hecht, Chairman. Dr. Hecht has been the chairman of our supervisory board since 2014, and previously was the chairman of the supervisory board of our German operating subsidiary 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., Vaximm 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 and until June 2016, of Delenex AG. 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.

***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 has been a member of our supervisory board since July 2015. Prior to that, he served as an advisor to the management board of our German operating subsidiary our board from May 2013. 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 with a development pipeline which included Humira. The majority of his career was at Aventis Pharma (now Sanofi), where he last held the position of Senior Vice President of global late stage development. Sanofi's product Lantus ® for the treatment of type 2 and type 1 diabetes 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.

Berndt Modig, Director. Mr. Modig has been a member of our supervisory board since 2014. He has been CEO of Pharvaris B.V. since April 2016. Prior to this, 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 and as vice chairman of the supervisory board and chairman of the audit committee of Kiadis Pharma N.V. 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 2014, and previously was a member of the supervisory board of our German operating subsidiary 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 Repertory Theatre.

Ferdinand Verdonck, Director. Mr. Verdonck has been a member of our supervisory board since July 2014. He 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 biotechnology companies: uniQure N.V. in the Netherlands and Movetis and Galapagos in Belgium. 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 any other information as the supervisory board requires in 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 three 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, 2017, having a management board in which all three 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 appointment of a women to a key leadership position in 2016.

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 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 such information to the supervisory board 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 years. The Company's supervisory directors are appointed for overlapping terms. As a result of the terms of the Company’s current supervisory directors, only one to three supervisory directors will be subject to re-appointment in any one year. The staggered terms of the supervisory directors may deter an unsolicited takeover attempt.

The supervisory board meets as often as any supervisory director 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 qualified 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.

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 2016.

Supervisory Board Committees

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

Audit committee

The audit committee, which consists of Ferdinand Verdonck (Chairman), Berndt Modig and Bernhard Ehmer, assists the board in overseeing our accounting and financial reporting processes and the audits of our financial statements. 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 the selection of the registered public accounting firm that should serve as our independent auditor, and our supervisory board is responsible for recommending the appointment of the independent auditor to the general meeting of shareholders. In addition, the audit committee is responsible for the compensation, retention and oversight of the independent auditor appointed by the general meeting of shareholders; 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 auditor, without our management board being present. The audit committee held five meetings in person and three meetings by conference call in 2016.

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 the Company 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 making recommendations to the supervisory board for each managing director's compensation based on such evaluation and for any long-term incentive component of each managing director's compensation in line with the remuneration policy approved by the general meeting of shareholders. In addition, the compensation committee is responsible for reviewing our management board compensation and benefits policies generally, among other things.

The compensation committee held four meetings in person and three meetings by conference call in 2016.

Nomination and corporate governance committee

The nomination and corporate governance committee, which consists of Ulrich Grau (Chairman), Thomas Hecht 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 three meetings in person and one meeting by conference call in 2016.

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. The remuneration policy was amended where it concerns the attendance fee for meetings of the supervisory board by the general meeting of shareholders on 21 June 2016.

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. For other, including non-formal board meetings attended either in person or by phone the Company will pay each member of the supervisory board EUR 500 per meeting, provided that the duration of such meeting 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, with one third vesting on the first anniversary of the grant date, and the remainder vesting in equal instalments at the end of each three-month period following the first anniversary 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.

On 21 June 2016, the general meeting of shareholders resolved to award the chairman of the supervisory board a one-time additional grant of stock options to purchase 20,000 common shares and each member of the supervisory board a one-time additional grant of stock options to purchase 10,000 common shares. The additional stock options were awarded to compensate the supervisory directors for the exercise prices of the stock options exceeding the then current fair market value of the underlying shares. These additional stock options will vest in four quarterly installments and will be fully vested on the first anniversary of the date of the grant.

The aggregate cash compensation including termination benefits, including benefits in kind, accrued or paid to our managing directors and supervisory directors with respect to the year ended December 31, 2016, for services in all capacities was approximately €2.5 million. As of December 31, 2016, we have no amounts set aside or accrued to provide pension, retirement or similar benefits to our managing directors and supervisory directors. In 2016, awards for 1,250,500 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 35 to the Company only financial statements and Note 21 to the consolidated financial statements.

In accordance with Dutch law, we are not required to disclose information regarding third party compensation of our directors or director nominees. As a result, our practice varies from the third-party compensation disclosure requirements of Nasdaq Listing Rule 5250(b)(3).

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**"), our German operating subsidiary 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 two of the current 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 connection with our IPO. Any existing consulting agreements between supervisory directors and us prior to their appointment as supervisory director were terminated before their appointment.

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, 2016 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 2016, i-novion Inc. received related payments of €86,000.

Agreements with former Managing Directors

In 2016, we entered into a consulting agreement with our former Managing Director Jens-Peter Marschner consisting of services for the support of clinical trials and other activities in the field of clinical development. In 2016, Dr. Marschner received related payments of €29,000. Dr. Marschner has terminated the consulting agreement as of May 31, 2017.

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 also assigned and licensed certain technology to Amphivena and provided it with funding. Although the license and development agreement with Amphivena expired when the product candidate's IND became effective in July 2016, we continue to provide services to complete the deliverables required under the agreement, and are supporting the future clinical development of AMV564 with €1.6 million in financing, €1.0 million of which was invested in Amphivena in October 2016 and €0.6 million of which was invested in March 2017.

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 management 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, 2016, 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 2016. 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, 2016.

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 21, 2016, our management board was granted the authority, for a period of 18 months, with effect from the same date (*i.e.*, until December 21, 2017) 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.

Independent Auditor

The general meeting of shareholders appoints the independent auditor. The audit committee was closely involved in the evaluation of Affimed's independent auditor and has recommended to the supervisory board the independent 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 independent auditors. On June 21, 2016, the general meeting of shareholders appointed KPMG Accountants N.V. as independent auditor for the Company for the financial year 2016.

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 described in more detail in the annual report (20-F) filed with the Securities and Exchange Commission on March 30, 2017 (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. We have opted out of the director independence requirements under applicable Nasdaq rules.

May 21, 2017

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 2016.

We had a number of highlights and corporate updates in 2016 and early 2017.

In May 2016, we initiated a Phase 1b combination trial of our lead NK-cell engager AFM13 with Merck's Keytruda. We are the sole sponsor of this trial, while Merck provides Keytruda for the study. In September 2016, we initiated a Phase 1 monotherapy trial of our T-cell engager AFM11 in acute lymphocytic leukemia, or ALL.

In addition to the collaboration with Merck, we entered into an exclusive collaboration with the University of Texas MD Anderson Cancer Center to evaluate AFM13 with MD Anderson's proprietary NK-cell product, which we announced in early January 2017. Also announced in January 2017, our wholly owned subsidiary AbCheck achieved the first clinical milestone in its collaboration with Eli Lilly. The milestone is the commencement of patient enrollment for a Phase 1 study of an antibody discovered under the collaboration agreement. It has triggered an undisclosed milestone payment to AbCheck from Eli Lilly and represents an important validation of AbCheck's technology suite and its capability to reliably deliver high-quality antibodies suitable for clinical development.

In November 2016 we repaid the existing loan facility with Perceptive and entered into a new loan agreement with Silicon Valley Bank of up to €10 million. In addition, we raised €16.5 million (or $17.7 million) in net proceeds in an underwritten follow-on financing in January and February 2017.

In August 2016 we announced the departure of our CMO Dr. Jens-Peter Marschner. In the interim, Dr. Anne Kerber, is serving as acting CMO.

We recently entered into a termination agreement with Dr. Jörg Windisch, COO, who will be leaving the Company at the end of June 2017. Dr. Windisch has accepted a position on the executive committee of a non-competing company focusing on the large-scale manufacturing of biologics and the development of biosimilars. He will continue to support Affimed as a consulting expert following his departure.

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 2016. 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 2016 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/re-appointment	Term	Age	Gender	Nationality
Thomas Hecht	September 17, 2014	2017	66	M	German
Bernhard Ehmer	January 21, 2016	2019	62	M	German
Ulrich Grau	July 1, 2015	2018	68	M	German/US
Berndt Modig	September 17, 2014	2017	58	M	Swedish/US
Richard B. Stead	June 21, 2016	2019	64	M	US
Ferdinand Verdonck	September 9, 2014	2017	74	M	Belgian

Meeting and activities

The Supervisory Board held four meetings in person in 2016. The Management Board attended these meetings. During these meetings, key areas of discussion were 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.

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 2016 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.

During the financial year 2016 no 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	chairman
Thomas Hecht		chairman	member
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 2016, 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 and discussion of the financing situation.

The financial statements of the company for 2016 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 three meetings by conference call in 2016.

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.

The Nomination and corporate governance committee held three meetings in person and one meeting by conference call in 2016.

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. 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 four meetings in person and three meetings by conference call in 2016.

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.

An overview of the implementation and planning of the remuneration of supervisory and managing directors and in addition the remuneration policy is given in more detail in section “Item 6. Directors, Senior Management and Employees – Compensation” in the annual report (20-F) filed with the Securities and Exchange Commission on March 30, 2017 (available on our website http://www.affimed.com.sec).

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. Two of our Supervisory Board members, Dr. Thomas Hecht and Dr. Ulrich Grau, 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 2016, 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 2016. In particular, the Supervisory Board would very much like to thank our shareholders for their continued support.

May 21, 2017

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	2014	2015	2016
Revenue	6	**3.382**	**7.562**	**6.314**
Other income - net	7	381	651	145
Research and development expenses	8	(9.595)	(22.008)	(30.180)
General and administrative expenses	9	(2.346)	(7.548)	(8.323)
Operating loss		**(8.178)**	**(21.343)**	**(32.044)**
Finance income / (costs) - net	11	**7.753**	**1.104**	**(230)**
Loss before tax		**(425)**	**(20.239)**	**(32.274)**
Income taxes	12	166	0	58
Loss for the period		**(259)**	**(20.239)**	**(32.216)**
Total comprehensive loss		**(259)**	**(20.239)**	**(32.216)**
Loss per share in € per share (undiluted = diluted)		**(0,01)**	**(0,71)**	**(0,97)**

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

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

	Note	December 31, 2015	December 31, 2016
ASSETS			
Non-current assets			
Intangible assets		72	55
Leasehold improvements and equipment		915	822
		987	877
Current assets			
Inventories		228	197
Trade and other receivables	13	915	2.255
Other assets		452	516
Financial assets	14	0	9.487
Cash and cash equivalents		76.740	35.407
		78.335	47.862
TOTAL ASSETS		**79.322**	**48.739**
EQUITY AND LIABILITIES			
Equity			
Issued capital		333	333
Capital reserves		187.169	190.862
Accumulated deficit		(120.228)	(152.444)
Total equity	15	**67.274**	**38.751**
Non current liabilities			
Borrowings	17	3.104	3.617
Total non-current liabilities		**3.104**	**3.617**
Current liabilities			
Trade and other payables		4.444	5.323
Borrowings	17	1.472	973
Deferred revenue	6	3.028	75
Total current liabilities		**8.944**	**6.371**
TOTAL EQUITY AND LIABILITIES		**79.322**	**48.739**

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

Affimed N.V.
Unaudited condensed consolidated statement of cash flows
(in € thousand)

	Note	2014	2015	2016
Cash flow from operating activities				
Loss for the period		(259)	(20.239)	(32.216)
Adjustments for the period:				
- Income taxes	12	(166)	0	(58)
- Depreciation and amortisation		441	336	369
- Loss from disposal of leasehold improvements and equipment		3	0	0
- Share based payments	16	(4.891)	2.220	3.545
- Finance income / costs - net	11	(7.753)	(1.104)	230
		(12.625)	(18.787)	(28.130)
Change in trade and other receivables	13	62	24	(1.311)
Change in inventories		(59)	(29)	31
Change in other assets		0	(452)	(64)
Change in trade, other payables and deferred revenue	18	2.275	1.253	(2.177)
Cash used in operating activities		(10.347)	(17.991)	(31.651)
Interest received		2	10	102
Paid interest		(202)	(554)	(578)
Net cash used in operating activities		**(10.547)**	**(18.535)**	**(32.127)**
Cash flow from investing activities				
Purchase of intangible assets		(45)	(28)	(21)
Purchase of leasehold improvements and equipment		(260)	(249)	(238)
Cash paid for investments in financial assets	14	0	0	(27.037)
Cash received from maturity of financial assets	14	0	0	18.147
Proceeds from sale of equipment		7	0	0
Net cash used for investing activities		**(298)**	**(277)**	**(9.149)**
Cash flow from financing activities				
Proceeds from issue of common shares	15	43.213	56.615	6
Transactions costs related to issue of common shares		(5.343)	(3.117)	0
Proceeds from issue of preferred shares		2.999	0	0
Proceeds from borrowings	17	4.020	0	5.000
Transaction costs related to borrowings	17	0	0	(105)
Repayment of borrowings	17	0	0	(5.137)
Cash flow from financing activities		**44.889**	**53.498**	**(236)**
Net changes to cash and cash equivalents		**34.044**	**34.686**	**(41.512)**
Cash and cash equivalents at the beginning of the period		**4.151**	**39.725**	**76.740**
Exchange-rate related changes of cash and cash equivalents		**1.530**	**2.329**	**179**
Cash and cash equivalents at the end of the period		**39.725**	**76.740**	**35.407**

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, 2014		**63**	**469**	**(25)**	**(99.730)**	**(99.223)**
Exchange of preferred shares		97	84.907	25		85.029
Issue of common shares		80	37.791			37.871
Modification of cash-settled share based payment awards			7.648			7.648
Equity-settled share based payment awards			299			299
Issue of warrant note (Perceptive loan)	17		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		91	52.463			52.554
Exercise of share based payment awards	16	2	942			944
Equity-settled share based payment awards	16		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**
Balance as of January 1, 2016		**333**	**187.169**	**0**	**(120.228)**	**67.274**
Issue of common shares[1]	15	0	6			6
Equity-settled share based payment awards	16		3.545			3.545
Issue of warrant note (loan Silicon Valley Bank)	17		142			142
Loss for the period					(32.216)	(32.216)
Balance as of December 31, 2016		**333**	**190.862**	**0**	**(152.444)**	**38.751**

[1] Issue of 3,341 shares

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 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 in 2014.

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 21, 2017.

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, cash and cash equivalents and financial assets 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

Notes to the consolidated financial statements
(in € thousand)

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 results 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 results 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, 2015 and 2016 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.

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.

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.

Notes to the consolidated financial statements
(in € thousand)

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 including gains or losses from early extinguishment of debt. Borrowing costs are recognized in profit or loss using the effective interest method.

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 non-derivative financial assets include trade and other receivables, certificates of deposit at banks with original maturities of more than three months and cash and cash equivalents.

Loans and 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. 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 and trade and other payables. 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 certain loan agreements pursuant to which it issued warrants to purchase common shares of the Company at the option of the respective holders (see note 17). The number of

Notes to the consolidated financial statements
(in € thousand)

shares to be issued does not vary with changes in their fair value.

The liability component of the loans were 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.

Impairment

(vi) 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 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 2014, 2015 or 2016.

(vii) 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.

Notes to the consolidated financial statements
(in € thousand)

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:

- 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, certificates of deposit, 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 17).

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.

The Company has granted warrants under certain loan agreements (see note 17) and options under share-based payment programs (see note 16) which potentially have a dilutive effect; 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.

Notes to the consolidated financial statements
(in € thousand)

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 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 after January 1, 2016, and have been applied in preparing these 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 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

Notes to the consolidated financial statements
(in € thousand)

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

The Group has reduced the scope of notes disclosure according to the amendment of IAS 1 Disclosure Initiative. None of the other 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, 2016, and have not been applied in preparing these consolidated financial statements.

Standard/interpretation	Effective Date [1]
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 9 Financial Instruments (2014)	January 1, 2018
Amendments to IAS 7 Disclosure Initiative	January 1, 2017
IFRS 16 Leases	January 1, 2019
Clarifications to IFRS 15 Revenue from Contracts with Customers	January 1, 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	January 1, 2018

[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.

Notes to the consolidated financial statements
(in € thousand)

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.

	2014	2015	2016
Revenues:			
Germany	111	125	6
Europe	367	711	1,397
USA	2,904	6,725	4,911
	3,382	7,562	6,314
Non-current assets as of December 31:			
Germany		692	618
Czech Republic		295	259
		987	877

(iii) Major Customers

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%. In 2016, the Group's revenue with three customers exceeded 10%.

6. Revenue

Collaboration agreement Amphivena

Until July 2016, Affimed was party to a collaboration with Amphivena Therapeutics Inc., San Francisco, USA (in the following Amphivena). The purpose of the collaboration was the development of a product candidate for hematological malignancies. The collaboration included a License and Development Agreement between Amphivena and Affimed, which expired when Amphivena obtained the approval of an investigational new drug application (IND) from the FDA in July 2016.

Pursuant to the license and development agreement between Affimed and Amphivena, Affimed granted 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 that was performed, Amphivena was required to pay to Affimed service fees totaling approximately €16 million payable according to the achievement of milestones and phase progressions as described under the license and development agreement. Since the expiration of the agreement, the parties have been closing out the collaboration by exchanging documentation and transferring materials and third party contracts.

During the years 2014, 2015 and 2016, the Company recognized revenue upon achievement of milestones and for the performance of research and development services. Revenue in 2016 amounted to €3.4 million, net of Affimed's share in funding Amphivena (2015: €4.8 million, 2014: €1.8 million).

Notes to the consolidated financial statements
(in € thousand)

Amphivena has obtained funding solely by issuing preferred stock to investors. Investors provide financing in exchange for preferred stock issued by Amphivena under the terms of certain stock purchase agreements. Through December 31, 2016, Affimed participated in the financing of Amphivena with cash investments of €1.7 million.

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.

In June 2016, the research funding agreement with LLS was amended to reflect a shift to the development of combination therapeutic approaches so that the milestones now relate primarily to the development of a combination therapy.

The Company achieved several milestones and recognized revenue for related payments of €1.1 million in 2014, €1.6 million in 2015 and €0.4 million in 2016 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 €478 in 2014, €1,126 in 2015 and of €2,442 in 2016.

7. Other income and expenses - net

Other income and expenses, net mainly comprises income from government grants for research and development projects of €171 (2015: €716, 2014: €381).

8. Research and development expenses

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

Notes to the consolidated financial statements
(in € thousand)

	2014	2015	2016
	€	€	€
Third-party services	5,558	15,386	20,170
Personnel expenses	292	3,637	6,648
Legal, consulting and patent expenses	1,549	902	758
Cost of Materials	844	902	1,028
Amortisation and depreciation	428	308	322
Operating lease expenses	243	267	297
Other expenses	681	606	957
	9,595	22,008	30,180

In 2014, personnel expenses and Legal, consulting and patent expenses include a net gain of €1,480 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 2).

9. General and administrative expenses

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

	2014	2015	2016
Personnel expenses	-2,836	3,658	4,729
Legal, consulting and audit fees	4,391	2,468	2,210
Operating lease expenses	81	89	111
Other expenses	710	1,333	1,273
	2,346	7,548	8,323

In 2014, personnel expenses and Legal, consulting and audit fees include a net gain of €3,412 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 2).

Notes to the consolidated financial statements
(in € thousand)

10. Employee benefits

The following table shows the items of employee benefits:

	2014	2015	2016
Wages and salaries	3,176	5,066	7,445
Social security costs	470	583	807
	3,646	5,649	8,252

The employer's contributions to pension insurance plans of €362 (2015: €269, 2014: €242) are classified as payments under a defined contribution plan, and are recognized as an expense.

11. Finance income and finance costs

	2014	2015	2016
Gain from exchange of Preferred Shares of Affimed AG into Common Shares of Affimed N.V. (see note 2)	4,835	0	0
Changes in fair value of derivative conversion feature	6,094	0	0
Interest Preferred Shares	-3,617	0	0
Interest Convertible Loan	-402	0	0
Interest Perceptive Loan Agreement (see note 17)	-260	-703	-762
Other finance cost Perceptive Loan Agreement (see note 17)	0	0	-242
Interest SVB Loan Agreement (see note 17)	0	0	-41
Foreign exchange differences	1,106	1,808	691
Interest certificates of deposit (see note 14)	0	0	122
Other finance income/finance costs	-3	-1	2
Finance income/costs - net	7,753	1,104	-230

Notes to the consolidated financial statements
(in € thousand)

12. Income taxes

The Company did not incur any material income tax in the periods presented. As of December 31, 2016 deferred tax liabilities from temporary differences result mainly from borrowings (€129; 2015: €142) and other assets (€121; 2015: €45). Deferred tax assets from differences resulting from trade and other receivables (€292; 2015: €338), intangible assets (€49; 2015: €44) and trade and other payables (€31; 2015: €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:

	2014	2015	2016
Loss before tax	-425	-20,239	-32,274
Income tax benefit at tax rate of 29.825 %	127	6,036	9,626
Adjustments due to impairment of deferred tax assets	2,787	-6,251	-8,747
Permanent differences	-2,837	199	-948
Adjustments for local tax rates	119	18	12
Non deductible expenses	0	163	154
Other	-30	-165	-39
Income taxes	166	0	58

In Germany, Affimed has tax losses carried forward of €117.6 million (2015: €89.2 million) for corporate income tax purposes and of €117.3 million (2015: €89.0 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, all tax losses incurred in prior years (2015: €0.3 million) were used in the fiscal year 2016.

Notes to the consolidated financial statements
(in € thousand)

13. Trade and other receivables

The trade receivables as of December 31, 2016 of €970 (2015: €105) are all due in the short-term, do not bear interest and are not impaired. As of December 31, 2016 trade receivables of €219 (2015: €0) were overdue. Other receivables are all due short-term and mainly comprise receivables for research and development grants and other government subsidies of €14 (2015: €68), value-added tax receivables of €642 (2015: €607) and receivables related to refunding of research and development costs €385 (2015: €0).

14. Financial assets

Financial assets include certificates of deposit denominated in U.S. dollars ($10 million) due in March 2017. In 2016, the Group recognized foreign exchange gains of €597 and interest income of €122 related to certificates of deposit.

15. Equity

At December 31, 2016 the share capital of €333 (2015: €333) is divided into 33,262,745 (2015: 33,259,404) common shares with a par value of €0.01.

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.

In December 2016, the Company issued 3,341 common shares in connection with its at-the-market sales agreement and received proceeds of €6.

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, 2016, 33,262,745 (December 31, 2015: 33,259,404) common shares have been issued and are outstanding. Preferred shareholders are entitled to receive a fixed dividend yield prior to common shareholders, unpaid preferred dividends accumulate. As of December 31, 2016 no preferred shares have been issued.

16. Share based payments

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 795,000 awards in 2015 and 1,778,095 awards in 2016 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. All outstanding share-based payment awards issued prior to the corporate reorganization were modified and exchanged for equity-settled awards (see note 2).

Notes to the consolidated financial statements
(in € thousand)

As of December 31, 2016, 3,044,345 ESOP 2014 awards were outstanding (December 31, 2015: 1,350,000), 952,458 awards (December 31, 2015: 259,583) were vested. 83,750 ESOP 2014 awards forfeited due to termination of employment, and no options were exercised. The options outstanding at December 31, 2016 had an exercise price in the range of $2.51 to $13.47 (2015: $5.18 to $13.47) and weighted average remaining contractual life of 8.9 years (2015: 9.2 years)

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 2016, an expense of €3,545 was recognized affecting research and development expenses (€1,178) and general and administrative expenses (€2,367). 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 previously issued awards under ESOP 2007 and the carve-out plan as of September 17, 2014, the modification date.

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 are as follows (weighted average):

	2015	2016
Fair value at grant date	$4.99	$1.99
Share price at grant date	$8.72	$3.55
Exercise price	$8.74	$3.57
Expected volatility	65%	69%
Expected life	5.90	5.90
Expected dividends	0.00	0.00
Risk-free interest rate	0.17%	-0.32%

Expected volatility is estimated based on the observed daily share price returns of a peer group measured over a historic period equal to expected life. In the second quarter of 2016 Affimed was introduced to the peer group as sufficient trading data became available to use the share price returns of Affimed to estimate volatility over a historic period equal to expected life.

17. Borrowings

Perceptive

In July 2014, the Company entered into a credit facility agreement with an affiliate of Perceptive

Notes to the consolidated financial statements
(in € thousand)

Advisors LLC (the "Perceptive loan") of $14 million and drew an amount of $5.5 million as of July 31, 2014. Repayment started in April 2016 in monthly installments of $200, with the final balance due in August 2018. Finance costs included 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. In 2016 the Company repaid all outstanding amounts under the Perceptive loan. The group recognized early repayment fees of €110 and extinguishment losses of the debt of €132.

The loan was measured at amortized cost using the effective interest method. Interest costs of €762 (2015: €703; 2014: €258) and foreign exchange losses of €86 (2015: €527; 2014: €424) were recognized in profit or loss. As of December 31, 2015 the fair value of the liability amounted to €4,978 whereas the carrying amount was €4,576. In 2015, according to the repayment schedule €1,472 were classified as current liabilities.

Silicon Valley Bank

On November 30, 2016, the Company entered into a loan agreement with Silicon Valley Bank (the "SVB loan") which provides the Company with a senior secured term loan facility for up to €10.0 million available in two tranches. As of December 31, 2016 the Company has drawn the initial tranche of €5.0 million.

Finance costs comprise the interest rate of one-month EURIBOR plus an applicable margin of 5.5%, with a floor of 5.5%, related one-time legal and arrangement fees of €226 and a final payment fee equal to 10% of the total principal amount to be paid with the last instalment. Pursuant to the loan agreement, the Group also granted 166,297 warrants to SVB to purchase Affimed's common shares with a per-share exercise price of $2.00. The Group recognized the fair value of the warrant of €142 in equity, net of tax of €60 and net of transaction costs of €7. Fair value was determined using the Black-Scholes-Merton formula, with an expected volatility of 80% and an expected time of five years to exercise of the warrant. The contractual maturity of the warrant is ten years.

Up to an additional €5.0 million may be drawn by the Company until May 31, 2017, contingent on the satisfaction of certain conditions and the issue of additional warrants exercisable for the Company's shares in an amount equal to 9.5% of the additional amount drawn, subject to a maximum aggregate number of shares equal to 0.5% of the outstanding share capital of the Company at the time of the drawdown of the relevant tranche.

The loan is secured by a pledge of 100% of Company's shares in Affimed GmbH, all intercompany claims owed by Affimed's subsidiaries to Affimed and a security assignment of all of the Company's and Affimed GmbH bank accounts, inventory, trade receivables and payment claims recognized in the consolidated financial statements with the following book values:

Notes to the consolidated financial statements
(in € thousand)

	Book value as of December 31, 2016	
	Consolidated financial statements	thereof assets pledged
Leasehold improvements and equipment	822	542
Inventories	197	177
Trade and other receivables	2,255	1,217
Financial assets	9,487	9,487
Cash and cash equivalents	35,407	34,674
	48,168	46,097

As of December 31, 2016 the Company believes that the fair value of the liability did not differ significantly from its carrying amount (€4,590). The loan has a maturity date of May 31, 2020 with an interest-only period through June 1, 2017 with amortized payments of principal and interest thereafter in equal monthly installments. As of December 31, 2016, €973 were classified as current liabilities.

18. Trade and other payables

Trade and other payables comprise trade payables of €4,506 (2015: €3,743) 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 €471 (2015: €444) and payables due to employees for outstanding bonus, unused holidays and other accruals. Other payables are normally settled within 30 days.

19. 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).

	2014	2015	2016
Net loss	(259)	(20,239)	(32,216)
Weighted number of common shares outstanding	17,632,825	28,477,438	33,259,505
Loss per share in € per share	(0.01)	(0.71)	(0.97)

Notes to the consolidated financial statements
(in € thousand)

No instruments had a dilutive effect.

20. Operating leases and other commitments and contingencies

(viii) 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 2016, lease expenses of €409 and license fees of €405 have been recognized in consolidated statement of comprehensive income (2015: €356 and €278; 2014: €324 and €248).

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

	2015	2016
Within one year	642	700
Between one and five years	990	541
	1,632	1,241

(ix) 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.

21. Related parties

(i) Shareholders

As of December 31, 2016 and December 31, 2015 one shareholder holds more than 20% of the voting rights (2014 two shareholders).

(ii) Transactions with key management personnel

Notes to the consolidated financial statements
(in € thousand)

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

	2014	2015	2016
Short-term employee benefits	911	1,633	1,879
Termination benefits	0	0	430
Share-based payments	-3,253	1,474	2,292
	-2,342	3,107	4,601

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 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 €350 (2015: €296), 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 2016, the Group recognized expenses for share-based payments for supervisory board members of €381 (2015: €478, 2014: €727).

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. The contract with MedVenture Partners was terminated following the IPO in 2014.

Dr. Adolf Hoess received compensation for consulting services of €163 in 2014. 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 2014, he rendered services amounting to €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 2014, he rendered services amounting to €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 2016, i-novion Inc. received

Notes to the consolidated financial statements
(in € thousand)

related payments of €86 (2015: €138).

Jens-Peter Marschner rendered consulting services amounting to €29 in 2016 (€0 in 2015).

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

	Outstanding balances	
	December 31, 2015	December 31, 2016
Thomas Hecht	19	23
Richard Stead	6	14
Berndt Modig	9	8
Ferdinand Verdonck	11	10
Ulrich Grau	13	17
Bernhard Ehmer	0	11
Jens-Peter Marschner	0	2

22. Financial risk management

(x) Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, certificates of deposit at commercial banks 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.

(xi) Credit risk

The Company's financial assets comprise to a large extent cash and cash equivalents. In addition financial assets include certificates of deposit and trade and other receivables. The total carrying amount of cash and cash equivalents (€35.4 million, 2015: €76.7 million), certificates of deposit (€9.5 million, 2015: €0 million) and trade and other receivables (€2.3 million, 2015: €0.9 million) represents the maximum credit exposure of €47.2 million (2015: €77.6 million).

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

(xii) Interest rate risk

Notes to the consolidated financial statements
(in € thousand)

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

Affimed entered into the SVB loan pursuant to which the Company borrowed €5.0 million with a variable interest rate of an annual rate of 5.5% plus one-month EURIBOR, with EURIBOR deemed to equal zero percent if EURIBOR is less than zero percent. The group does not expect the EURIBOR to exceed the floor of 0% within the foreseeable future, and considers the interest risk to be low.

Market interest rates on cash and cash equivalents were low in 2016, resulting in interest income of €9 in 2016. A shift in interest rates (increase or decrease) would not have a material impact on the loss of the group.

(xiii) 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, 2016 was €18,974 (2015: €27,423) and mainly relates to US Dollars.

In 2016, if the Euro had weakened/strengthened by 10% against the US dollar with all other variables held constant, the loss would have been €1,897 (2015: €2,794) 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.

Loss is less sensitive to movement in exchange rates shifts in 2016 than in 2015 because of the decreased volume of US dollar-denominated transactions.

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

	2014 CZK or USD/EUR	2015 CZK or USD/EUR	2016 CZK or USD/EUR
CZK - Average Rate	0.03632	0.03666	0.03699
CZK - Spot rate	0.03606	0.03701	0.03701
USD - Average Rate	0.75273	0.90190	0.90404
USD - Spot rate	0.82366	0.91853	0.94868

(xiv) 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.

Notes to the consolidated financial statements
(in € thousand)

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 2015, 2016 and at the beginning of 2017, Affimed raised significant funding that it estimates will enable the group to fund operating expenses and capital expenditure requirements at least until the end of 2018:

In 2015, the issue of new common shares and the exercise of stock options resulted in net proceeds of €53,498 (see note 15).

In 2015, Affimed filed a “shelf registration statement” with the SEC in order to offer and sell securities to the public in multiple, future offerings and issued shares with proceeds of €6 in connection with its at-the-market sales agreement in 2016.

On November 30, 2016, the Company entered into a loan agreement with Silicon Valley Bank which provides the Company with a loan facility for up to €10.0 million contingent on the satisfaction of certain conditions, and drew the initial tranche of €5.0 million.

In January 2017, the Company issued 28,870 shares with proceeds of €58 in connection with its at-the-market sales agreement.

In January and February 2017, the Company issued 10,646,742 common shares in a public offering at a price of $1.80 per common share and received net proceeds of approximately €16.5 million ($17.7 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.

(xv) Capital management

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.

23. Subsequent events

In January and February 2017, the Company issued 10,646,742 common shares in a public offering at a price of $1.80 per common share and received net proceeds of approximately €16.5 million ($17.7 million).

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, 2016

(before appropriation of result of the year)

In € thousand	Note	December 31, 2015	December 31, 2016
Assets			
Non current assets			
Financial fixed assets	26	1.602	1.158
Total non current assets		**1.602**	**1.158**
Current assets			
Other receivables		180	409
Financial assets	27	0	9.487
Cash and cash equivalents	28	73.711	28.797
Total current assets		**73.891**	**38.693**
Total assets		**75.493**	**39.851**
Equity and liabilities			
Shareholders' equity	29		
Issued capital		333	333
Other reserves		94.754	98.447
Accumulated deficit		(27.813)	(60.029)
Total equity		**67.274**	**38.751**
Current liabilities			
Payables to subsidiaries	30	7.199	188
Other current payables	31	1.020	912
Total current liabilities		**8.219**	**1.100**
Total liabilities		**8.219**	**1.100**
Total equity and liabilities		**75.493**	**39.851**

Company income statement

In € thousand	Note	For the year ended December 31, 2015	For the year ended December 31, 2016
Share in results from participating interests after taxation	26	(16.619)	(25.976)
Other result after taxation	33	(3.620)	(6.240)
Net result		**(20.239)**	**(32.216)**

Notes to the Company financial statements for the year ended 31 December 2016

24. General information

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

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.

The Company financial statements are part of the 2016 financial statements of Affimed N.V.

25. 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.

26. 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. We refer to note 32 for the pledge of the shares in Affimed GmbH.

Movements in the financial fixed assets were as follows:

In € thousand	Affimed GmbH	Total
Opening Net asset value January 1, 2016	**1,602**	**1,602**
Capital contribution	25,390	25,390
Fair value of warrant note (net of taxes)	142	142
Share in result of participating interest	(25,976)	(25,976)
Net asset value at December 31, 2016	**1,158**	**1,158**

The Company has issued a warrant note in consideration of the loan agreement between Affimed GmbH and SVB (see note 29).

27. Financial assets

Financial assets include certificates of deposit denominated in U.S. dollars ($10 million) due in March 2017. We refer to note 32 for the pledge of all amounts of financial assets.

28. Cash and cash equivalents

Cash and cash equivalents have been pledged. We refer to note 32.

29. Equity

As of December 31, 2016 the number of issued common shares is 33,262,745 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
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**
January 1, 2016	**333**	**94,754**	**(27,813)**	**67,274**
Issue of common shares	-	6	-	6
Issue of warrant note	-	142	-	142
Net result	-	-	(32,216)	(32,216)
Share-based payments	-	3,545	-	3,545
December 31, 2016	**333**	**98,447**	**(60,029)**	**38,751**

Issued capital

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.

In December 2016, the Company issued 3,341 common shares in connection with its at-the-market sales agreement and received proceeds of €6,000.

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, 2016 no preferred shares have been issued.

Other reserves

In 2016, the Company granted 166,297 warrants to Silicon Valley Bank to purchase Affimed's common shares as part of the loan agreement entered into by the Company's subsidiary Affimed GmbH (see note 32). Affimed recognized the fair value of the warrant of €142,000 in equity, net of tax of €60,000

and net of transaction costs of €7,000. Fair value was determined using the Black-Scholes-Merton formula, with an expected volatility of 80% and an expected time of five years to exercise of the warrant. The contractual maturity of the warrant is ten years.

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 16 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.

30. Payables to subsidiaries

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

31. Other current payables

In € thousand	December 31, 2016	December 31, 2015
Trade payables	305	325
Social security and wage tax	187	182
Other liabilities	420	513
Total	912	1,020

32. Off balance sheet commitments

On November 30, 2016, the Company's subsidiary Affimed GmbH entered into a loan agreement with Silicon Valley Bank (SVB) which provides the subsidiary with a senior secured term loan facility for up to €10.0 million available in two tranches. As of December 31, 2016 Affimed GmbH has drawn the initial tranche of €5.0 million. Pursuant to the loan agreement, the Company granted 166,297 warrants to SVB to purchase Affimed's common shares.

Up to an additional €5.0 million may be drawn by the subsidiary until May 31, 2017, contingent on the satisfaction of certain conditions and the issue of additional warrants exercisable for the Company's shares in an amount equal to 9.5% of the additional amount drawn, subject to a maximum aggregate number of shares equal to 0.5% of the outstanding share capital of the Company at the time of the drawdown of the relevant tranche.

The loan is secured by a pledge of 100% of Company's shares in Affimed GmbH, all intercompany claims owed by Affimed's subsidiaries to the Company and a security assignment of all of the Company's and Affimed GmbH's bank accounts, inventory, trade receivables and payment claims recognized in the financial statements (total value of €39.9 million in the Company's financial statements at December 31, 2016).

33. Other result after taxation

In € thousand	2016	2015
Other income (service fee)	1,408	750
General and administrative expenses	(8,381)	(6,539)
Other gains/(losses) – net	(8)	0
Net operating result	(6,981)	(5,789)
Financial income	2,148	2,408
Financial expense	(1,407)	(239)
Net financial result	741	2,169
Result before taxation	(6,240)	(3,620)
Taxation	0	0
Result after taxation	(6,240)	(3,620)

The Company has entered into a service agreement with Affimed Therapeutics AG (now Affimed GmbH). 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 2016 was 3.5 employees and consisted of managing directors only. The managing director's compensation is shown in note 35.

35. Related-party transactions

Director's remuneration 2016

Managing directors

(in € thousand)	Hoess	Fischer	Marschner[1]	Windisch	Total
Periodically paid compensation	434	327	210	324	1,295
Consulting service fees	0	0	29	0	29
Bonuses	110	60	37	110*	317
Termination benefits	0	0	430	0	430
Total cash compensation	**544**	**387**	**706**	**434**	**2,071**
2014 Plan share-based payment expense[2]	1,228	464	184	162	2,038
Total share-based payment expense	**1,228**	**464**	**184**	**162**	**2,038**

*Including sign on bonus of €50,000

Supervisory directors

(in € thousand)	Hecht	Ehmer	Grau[3]	Modig	Stead	Verdonck	Total
Periodically paid compensation	117	40	47	50	38	58	350
Service fees	0	0	86	0	0	0	86
Total cash compensation	**117**	**40**	**133**	**50**	**38**	**58**	**436**
2014 Plan share-based payment expense[2]	94	47	93	49	49	49	381
Total share-based payment expense	**94**	**47**	**93**	**49**	**49**	**49**	**381**

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[2]	774	298	252	1,324
Total share-based payment expense	**774**	**298**	**252**	**1,324**

Supervisory directors

(in € thousand)	Grau[3]	Hecht	Modig	Stead	Verdonck	Total
Periodically paid compensation	24	120	51	40	61	296
Service fees	138	0	0	0	0	138
Total cash compensation	**162**	**120**	**51**	**40**	**61**	**434**
2014 Plan share-based payment expense[2]	47	167	88	88	88	478
Total share-based payment expense	**47**	**167**	**88**	**88**	**88**	**478**

[1] Dr. Jens-Peter Marschner served as CMO until August 10, 2016.

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

[3] 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 2016, i-novion Inc. received related payments of €86,000.

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 21 of the consolidated financial statements.

Stock options granted under the Equity Incentive Plan 2014

Awards granted in 2016

Managing directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Adi Hoess	July 6, 2016	600,000	2.67	July 6, 2026
Florian Fischer	July 6, 2016	245,000	2.67	July 6, 2026
Jörg Windisch	October 19, 2015*	150,000	7.06	October 19, 2025
Jörg Windisch	July 6, 2016	95,500	2.67	July 6, 2026
Total		**1,090,500**		

* Jörg Windisch was granted 150,000 stock options on signing the management service agreement. The management service agreement and the stock option grant became effective upon his appointment by the general meeting of shareholders on January 21, 2016.

Supervisory directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Thomas Hecht	June 21, 2016	40,000	3.05	June 21, 2026
Bernhard Ehmer	January 21, 2016	20,000	3.34	January 21, 2026
Bernhard Ehmer	June 21, 2016	20,000	3.05	June 21, 2026
Ulrich Grau	June 21, 2016	20,000	3.05	June 21, 2026
Berndt Modig	June 21, 2016	20,000	3.05	June 21, 2026
Richard Stead	June 21, 2016	20,000	3.05	June 21, 2026
Ferdinand Verdonck	June 21, 2016	20,000	3.05	June 21, 2026
Total		**160,000**		

Awards granted in 2015

Managing directors

Beneficiary	Grant date	Number of options	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	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**		

For further disclosure related to the share-options we refer to note 16 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. 2016	Other KPMG network 2016	Total KPMG 2016
Audit of the financial statements	36	90	126
Other audit engagements	0	90	90
Tax-related advisory services	0	0	0
Other non-audit services	0	7	7
	36	187	223

(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

Signing of the financial statements

May 21, 2017

Originally signed by:

Management Board:

Dr. Adi Hoess, CEO

Dr. Florian Fischer, CFO

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 2016

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2016 loss for the period, amounting to EUR 32,216,000, 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 23%)

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 accompanying financial statements

Our opinion

We have audited the financial statements 2016 of Affimed N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of Affimed N.V. as at 31 December 2016 and of its result and its cash flows 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;

— the accompanying company financial statements give a true and fair view of the financial position of Affimed N.V. as at 31 December 2016 and of its result 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2016;

2 the following consolidated statements 2016: the statement of comprehensive loss, changes in equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the company balance sheet as at 31 December 2016;

2 the company income statement 2016; and

3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Affimed N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

— Report by Affimed's Management Board;

— Report by Affimed's Supervisory Board;

— other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements;

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

Description of the responsibilities for the financial statements

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

— identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

— evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

— evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

— evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

Utrecht, 23 May 2017

KPMG Accountants N.V.

J.G.R. Wilmink RA