Affimed N.V.

Amsterdam, The Netherlands

Annual Report 2018

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 innate immune cells (Natural Killer cells, or NK cells and macrophages), and T cells. Leveraging our fit-for-purpose ROCK® (Redirected Optimized Cell Killing) platform, we focus on the development of proprietary, next-generation bispecific antibodies, so-called innate cell engagers, which are designed to direct and establish a bridge between innate immune cells and cancer cells, bringing them into close proximity and triggering a signal cascade that leads to the destruction of cancer cells. The ROCK® platform can also be applied to the development of T cell engagers. Due to their novel tetravalent architecture (which provides for four binding domains), our immune cell engagers bind to their targets with high affinity and have half-lives that support regular intravenous administration on convenient dosing schedules to achieve potent antitumor efficacy. Antibodies developed from our ROCK® platform include molecules which we refer to as immune cell engagers. We are also developing novel tetravalent, bispecific antibody formats with the potential to tailor immune-engaging therapy to different indications and settings. Based on their mechanism of action and the preclinical and clinical data to date, we believe that our product candidates, when used alone or in combination, may improve clinical outcomes and survival in cancer patients and could eventually become a cornerstone of cancer therapy.
Affimed was founded in 2000 based on technology developed by the group led by Professor Melvyn Little at Deutsches Krebsforschungszentrum (DKFZ), the German Cancer Research Center, in Heidelberg, Germany.

Focusing our efforts on antibodies specifically binding innate immune cells through CD16A, a key activating receptor, we have built a clinical and preclinical pipeline of innate cell-engaging bispecific antibodies designed to activate both innate and adaptive immunity. Compared to a variety of T cell-engaging technologies, our innate cell engagers appear to have a better safety profile and have the potential to achieve more potent and deeper immune responses potentially 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, adoptive NK cells or cytokines).

As of today, we have focused our research and development efforts on three programs, two for which we retain global commercial rights and one licensed program. Because our tetravalent bispecific antibodies can be engineered to bind to different antigens that are known to be present on a number of types of cancer cells, our product candidates could be developed for the treatment of different cancer indications. We intend to initially develop our clinical stage product candidate 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 also see an opportunity in the clinical development of our tetravalent bispecific antibodies in combination with other agents that harness the immune system to fight cancer cells, such as CPIs, adoptive NK cells and cytokines. 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 main offices and laboratories are located at the Technology Park adjacent to the German Cancer Research Center (DKFZ) in Heidelberg, where we employ 75 personnel, approximately 60% of whom have an advanced academic degree. Including AbCheck (see description below) and Affimed Inc.

personnel, our total headcount is 116 (109 full time equivalents). We are led by experienced executives with a track record of successful product development, approvals and launches, specifically in the area of biologics and biopharmaceuticals. Our supervisory board is made up of highly experienced experts from the pharmaceutical and biotech industries, including individuals with a background and expertise in hematological malignancies.

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 naïve human antibody library combined with phage and yeast display antibody library, a proprietary algorithm to optimize affinity, stability and manufacturing efficiency and a 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 and biotechnology companies such as Tusk Therapeutics, bluebird bio, Eli Lilly, Daiichi Sankyo, Pierre Fabre and others. In 2018 AbCheck formed AbCheck Inc., a 100% owned subsidiary.

Business Overview

Our Strategy

Our goal is to engineer targeted immunotherapies, seeking to cure patients by harnessing the power of innate immunity (NK cells, macrophages). We are developing single and combination therapies to treat a variety of cancers. Our novel proprietary antibody platform, ROCK® (Redirected Optimized Cell Killing), delivers several unique types of next-generation tetravalent antibody formats, including bispecific and trispecific Abs and immune cell engagers. Based on the distinctive properties and mechanism of action of these products, which have demonstrated preclinical and clinical activity, we believe that our product candidates, alone or in combination, could eventually become a key element of cancer therapy by improving clinical outcomes in cancer patients. 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 Agents and Immunotherapies***. Our product development strategy initially focuses on cancer patients with relapsed or refractory disease. Such patients have limited therapeutic alternatives, and we believe that the results from clinical studies in these patient groups would support expedited regulatory approval paths. In the second quarter of 2015, a phase 2a investigator-sponsored study (IST) 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 brentuximab vedotin (Adcetris®). Due to the availability of anti-PD-1 antibodies for the treatment of relapsed/refractory HL patients that emerged during the conduct of the study, we experienced slower recruitment than anticipated. Consequently, the overall study design was revised in order to adapt to the changing treatment landscape, namely, the availability of anti-PD-1 antibodies. The study is now recruiting HL patients relapsed or refractory to treatment with both Adcetris® and anti-PD-1 antibodies to explore the efficacy of AFM13 as a single agent in these heavily pretreated HL patients. We are also supporting a phase 1b/2a study of AFM13 as an IST in patients with relapsed or refractory CD30+ lymphoma led by investigators at Columbia University in New York that was initiated in the third quarter of 2017. In addition to evaluating clinical efficacy, this is also a translational study in patients with cutaneous manifestations of their disease and is designed to evaluate serial peripheral blood and tumor samples, thereby enabling assessment of NK cell biology and tumor cell killing within the tumor microenvironment. Interim data were recently presented at ASH2018. Furthermore, we are conducting a phase 1b clinical study of AFM13 in combination with Merck's anti-PD-1 antibody pembrolizumab (Keytruda®) in HL patients who are relapsed /refractory to chemotherapy and Adcetris® and who have not received prior anti-PD-1 antibody therapy. In this study, enrollment was completed and 6-month data were recently presented at ASH2018. In addition, we initiated two phase 1 clinical studies of AFM11, one in patients with relapsed/refractory non-Hodgkin Lymphoma (NHL), and the other in patients with

relapsed/refractory acute lymphocytic leukemia (ALL). During the fourth quarter of 2018, both trials were placed on clinical hold and recruitment stopped after the occurrence of two life-threatening and one fatal SAEs. In line with the strategic focus on our innate immunity portfolio, we decided to terminate the Phase 1 clinical program of AFM11 in May 2019. This decision took into consideration the competitive landscape of B-cell directed therapies currently in development and associated resources needed for further development of AFM11. In addition, in May 2019, the FDA notified us that additional data would be needed to determine whether the AFM11 clinical hold may be lifted.

- ***Establish R&D and Commercialization Capabilities in Europe and in the United States*** While we plan to retain rights to 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 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, build our clinical development capabilities and maintain a close relationship to the financial and pharmaceutical community to ensure our strategy can adapt 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 ROCK® antibody engineering technology platform. We plan to continue to leverage our platform to develop new pipeline product candidates. We believe we can utilize our platform 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 Genentech, LLS, Merck and MD Anderson.*** We have a research agreement with the Leukemia and Lymphoma Society (LLS) under which LLS has committed to co-fund the development of AFM13. 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. clinical investigators. In January 2016, we entered into a clinical research collaboration with Merck & Co to investigate the combination of AFM13 with Merck's anti-PD-1 therapy, Keytruda® (pembrolizumab) for the treatment of patients with relapsed/refractory HL. In December 2016, 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 derived from umbilical cord blood. MD Anderson is responsible for conducting preclinical research activities, investigating this combination in preclinical models of CD30 positive lymphoma, which are intended to be followed by a phase 1 clinical study of the combination in patients with CD30 positive, relapsed/refractory lymphomas. We 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. In addition, in August 2018, we entered into a research collaboration and license agreement with Genentech, a member of the Roche Group, for the development and commercialization of certain product candidates that contain novel NK cell engager-based immunotherapeutics to treat multiple cancers. 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 GHSG, the Mayo Clinic, Washington University in St. Louis, the Columbia University and MD Anderson Cancer Center, amongst others. We will continue to engage with key experts in our areas of interest.

- ***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 bi- and trispecific immune cell engagers. AbCheck's high-quality capabilities have been validated through multiple international collaborations with globally active pharmaceutical and biotechnology companies such as Tusk Therapeutics, bluebird bio, Eli Lilly, Daiichi Sankyo, Pierre Fabre and others.

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 Innate Cell Engager***. AFM13 is an innate cell engager that is currently in development for HL and CD30-positive lymphoma in relapsed/refractory patients. To engage and activate innate immune 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 which is expressed on the surface of neutrophils. Neutrophils exist in such large amounts that most AFM13 would bind to this cell type and only a small part would be available for binding to CD16+ innate immune cells. We believe that AFM13 is the only antibody in development that can specifically engage CD16A+ cells, in particular NK cells and macrophages, with very high affinity. The LLS has agreed to co-fund a portion of the development of AFM13. In the second quarter of 2015, a phase 2a proof of concept study of AFM13 was initiated by the GHSG in HL patients that have received all standard therapies and have relapsed after or are refractory to Adcetris®. The study is now recruiting HL patients who have relapsed or are refractory to treatment with both Adcetris® and anti-PD-1 antibodies to explore the efficacy of AFM13 as a single agent in these heavily pretreated HL patients. We are also supporting a phase 1b/2a study of AFM13 in patients with relapsed or refractory CD30+ lymphoma as an IST led by Columbia University in New York that was initiated in the third quarter of 2017. In addition to determining clinical efficacy and safety, this is a translational study in patients with cutaneous manifestations of their disease and is designed to allow for serial peripheral blood and tumor biopsies, thereby enabling assessment of immunobiology and tumor cell killing within the tumor microenvironment. 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 cord-blood derived NK cell product.

- ***Our Innate Cell Engager Preclinical Candidate, AFM24.*** We are developing AFM24, an innate cell engager targeting EGFR. AFM24 is designed to treat patients with different EGFR expressing solid tumors with the potential for better efficacy and safety as compared to currently used therapeutic anti-EGFR standard of care that are associated with significant toxicities and resistance to treatment. We have successfully completed a toxicology study in cynomolgus monkeys at a range of dose levels up to 75mg/kg over 4 weeks with no observed toxicities even at high dose levels. In contrast, Cetuximab an approved anti-EGFR antibody, revealed significant toxicity in the same dose-range. We anticipate completing IND-enabling studies for AFM24 by mid-year 2019 and plan to initiate a first-in-human study in the second half of 2019.

- ***Our Fit-for-Purpose ROCK® (Redirected Optimized Cell Killing) Platform.*** We have developed our fit-for-purpose ROCK® platform to enable the generation of first-in-class tetravalent, multi-specific immune cell engagers. It supports innate and adaptive drug development and enables us to tailor tetravalent, bispecific innate cell engagers with high avidity and affinity, and variable PK profiles to different indications and settings, including generation of molecules against validated oncology targets to address the limitations of existing standard treatments.

- ***Retained Global Commercial Rights for our two Product Candidates in our Pipeline***. Our pipeline product candidates AFM13 and AFM24 are unencumbered. We retain all options to derive

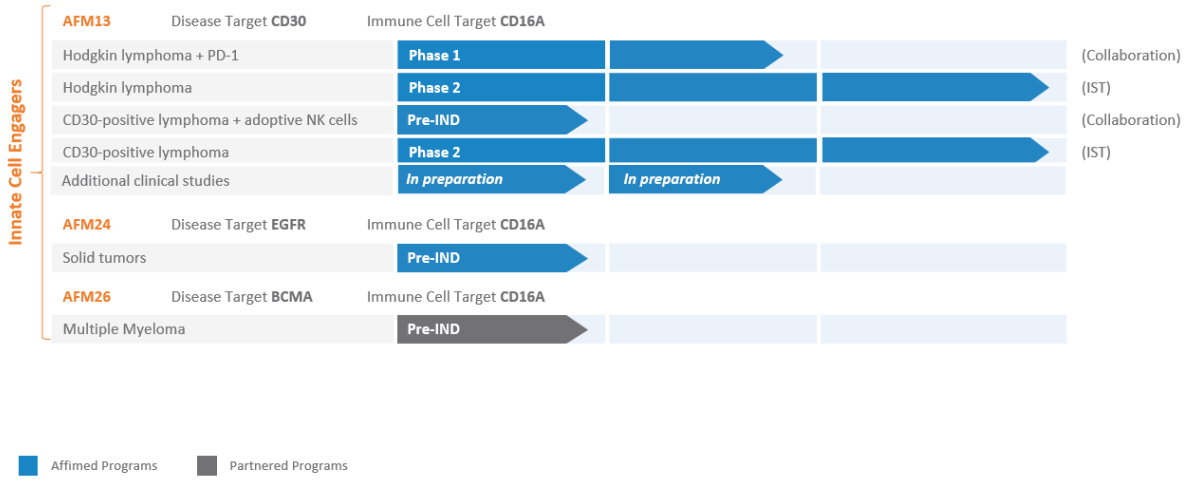
value from these product candidates, including commercialization in all or select markets when and if they are approved. To maximize the value of our platform, we will continue to explore partnerships to support the development or commercialization of our programs in certain territories.

- ***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 Wolfgang Fischer played a leading role in the development of Myfortic®, Certican®, Tasigna®, Zarzio®, Erelzi® and Rixathon®. Our Chief Medical Officer Leila Alland has played key roles in the development and approval of Tagrisso®, Opdivo®, Tasigna® and Caelyx®/Doxil®.

- ***Strong Technology Base and Solid Patent Portfolio in the Field of Targeted Immuno-Oncology***. We are a leader in the field of bispecific antibody therapeutics for the treatment of cancer. We have a patent portfolio that includes the ROCK® platform itself. Further, we have a proprietary position in innate 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 innate cell engager designed for the treatment of certain CD30-positive (CD30+) B- and T cell malignancies. AFM13 selectively binds to CD30, a clinically validated target, and CD16A, an integral membrane glycoprotein receptor expressed on the surface of NK cells and macrophages, triggering a signal cascade that leads to the destruction of CD30-positive tumor cells. In contrast to conventional full-length antibodies, AFM13 does not bind to CD16B, which prevents binding to other cell types, e.g. neutrophils, and binds with equal affinity to CD16A polymorphisms at position 158. Furthermore, AFM13 binds CD16A with an approximately 1000-fold higher affinity than monoclonal antibodies thereby significantly increasing potency and efficacy as preclinically demonstrated.

We are currently investigating AFM13 as monotherapy and as combination therapy in relapsed/refractory CD30-positive lymphoma patients and relapsed/refractory HL patients.

In the completed first-in-human 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 demonstrated tumor shrinkage in patients who had relapsed after, or were 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® experienced disease progression in less than half a year after initiation of therapy. 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.

Affimed is also currently supporting an IST led by GHSG. This phase 2a clinical study of AFM13 in patients with relapsed/refractory HL started recruitment in the second quarter of 2015. Under the original protocol, seventeen patients were recruited that were relapsed/refractory to Adcetris® and naïve to anti-PD-1 antibodies and two of these patients experienced a partial response Due to the availability of anti-PD-1 antibodies for the treatment of relapsed/refractory HL patients, the overall study design was revised to recruit HL patients relapsed or refractory to treatment with brentuximab vedotin and anti-PD-1 antibodies. The study is open and recruiting under the new study design.

Furthermore, we are conducting a phase 1b clinical study of AFM13 with Merck's anti-PD-1 antibody Keytruda® (pembrolizumab) in HL. In this study, the combination was well-tolerated with most of the adverse events observed mild to moderate in nature and manageable with standard of care. Best response assessment data from 24 patients treated at the highest AFM13 dose level (7 mg/kg) as reported by central read, showed an ORR of 88% (21 of 24 patients), including complete metabolic responses (CmR) in 46% (11 of 24 patients) and partial metabolic responses (PmRs) in 42% (10 of 24 patients). One patient experienced stable disease (SD).

We are also supporting a phase 1b/2a IST of AFM13 in patients with relapsed or refractory CD30+ lymphoma led by investigators at Columbia University in New York. In addition to determining clinical efficacy, this is also a translational study in patients with cutaneous manifestations and is designed to allow for serial biopsies, thereby enabling assessment of immunobiology and tumor cell killing within the tumor microenvironment. An interim analysis of 9 treated patients was recently presented. AFM13 could be safely administered and showed therapeutic activity as a single agent, with an objective response rate (ORR) of 44% (4/9). In detail, one complete response (CR), three partial responses (PRs) and two stable diseases (SDs) were observed. An analysis of biomarker correlatives showed a decrease in circulating NK cells (CD56+ CD3- , CD56+ CD16+, NKp46+) during therapy, with post-therapy recovery. In addition, increased CD69 expression on circulating NK cells pre-therapy in responders vs. non-responders was demonstrated. Tumor biopsies showed increased infiltration of CD56+ NK cells in responders compared to nonresponders, while circulating CD4+ CD25+ T cells (Tregs) decreased in responders compared to nonresponders.

In order to prepare for further clinical development, we performed preclinical studies investigating the combination of AFM13 with check-point modulators (CPMs) with collaboration partners. We believe that AFM13 and CPMs administered together could lead to greater tumor cell killing because these molecules may have a synergistic anti-tumor effect, involving both innate and adaptive immune cells. Based on 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 addition, 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 immuno-oncology.

In December 2016, we entered into a clinical development and commercialization collaboration with MD Anderson to evaluate AFM13 in combination with MD Anderson's NK cell product. On

December 3, 2018, we presented preclinical data at the American Society of Hematology Annual Meeting, outlining the successful approach of a novel premixed product, comprising of expanded cord-blood derived NK cells loaded with AFM13 to redirect their specificity against CD30+ tumor cells. MD Anderson is responsible for conducting preclinical research activities, investigating cord-blood derived NK cells in combination with AFM13, followed by a clinical phase 1 study. Data were recently published at ASH2018 and showed that AFM13 can enhance efficacy on cord blood derived NK cells both *in vitro* and *in vivo*. We 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.

Together with the German Cancer Research Center (DKFZ), we published data presenting evidence of AFM13, modulating NK cells by sensitizing them to IL-2 and/or IL-15 stimulation. In this study, after exposure to AFM13, NK cells showed improved IL-2- and IL-15-mediated proliferation and cytotoxicity. These data support the strategy of combining our innate cell engagers with IL-2- or IL-15 to potentially achieve stronger clinical responses.

Our second candidate, AFM24, is an innate cell-engaging bispecific antibody targeting EGFR. AFM24 is designed to treat patients with different EGFR expressing solid tumors with the potential for better efficacy and safety as compared to current therapeutic anti-EGFR monoclonal antibodies that are associated with significant toxicities and treatment resistance. We have successfully completed a toxicology study in cynomolgus monkeys at a range of dose levels up to 75mg/kg over 4 weeks with no observed toxicities even at high dose levels. In contrast, Cetuximab an approved anti-EGFR antibody revealed significant toxicity in the same dose-range. We anticipate completing IND-enabling studies for AFM24 by mid-year 2019 and plan to initiate a first-in-human study in the second half of 2019.

We have also developed AFM26, an innate cell-engaging bispecific antibody targeting B cell maturation antigen (BCMA) to address the medical need for a novel approach to treat multiple myeloma. AFM26 employs a unique mechanism of action through high affinity engagement of NK cells which in vitro demonstrates efficacy against cells expressing even very low levels of BCMA. NK cell binding of AFM26 is largely unaffected by IgG competition. In addition, AFM26 offers the opportunity for a combination with adoptive NK cell transfer, as it appears to have a favorable safety profile with lower cytokine release as compared to BiTE. In the third quarter of 2018, we successfully partnered AFM26 and no longer control its development.

In addition, we have been exploring the generation of novel bispecific ROCK®-based innate cell engagers and trispecific Abs for various undisclosed targets which are currently at a discovery stage to be developed for different indications.

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 payments for collaborative research and development services. Through December 31, 2018, we have raised an aggregate of €227.1 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, 2018, we incurred a net loss of €19.5 million. As of December 31, 2018, we had an accumulated deficit of €202.1 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 €14.5 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 €3.4 million, €0.2 million and €0.0 million in 2016, 2017 and 2018 respectively (net of our investments of €1.6 million in 2016 and 2017).

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

The license and development agreement with Amphivena expired when the IND became effective. Following the expiration, we continued to provide services on a smaller scale to complete the remaining deliverables (i.e. material transfer) required under the agreement, and have been financially supporting the future clinical development of AMV564 with €2.8 million in financing, €1.0 million, €0.6 million, €0.3 million and €0.9 million of which was invested in Amphivena in October 2016, March 2017, December 2017 and June 2018, respectively. As of December 31, 2018, the cash investments in relation to the July 2013 license and development agreement and cash investments made in October 2016, March 2017, December 2017 and June 2018 totaled $4.0 million (€3.5 million), and we owned approximately 7% 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 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, 2018 we have met seven milestones and we recognized revenues of €0.4 million, €0.2 million and €0.2 million in 2016, 2017 and 2018, 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 has been supplying 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 December 2016, 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.

Genentech

On August 24, 2018 we entered into a research collaboration and license agreement with Genentech, a member of the Roche Group, for the development and commercialization of certain product candidates that contain novel NK cell engager-based immunotherapeutics to treat multiple cancers. Under the terms of the agreement, in the fourth quarter of 2018 we received $96 million in initial upfront payments and other funding.

We recognized revenues of €21.8 million in 2018.

Financial Operations Overview

Revenue

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

Collaboration revenue. 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). Collaboration revenue of €0.4 million for the year ended December 31, 2017 was from research and development services under the license and development agreement with Amphivena (€0.2 million) and from the LLS collaboration (€0.2 million). Collaboration revenue of €22.0 million for the year ended December 31, 2018 was from the Genentech collaboration (€21.8 million) and from the LLS collaboration (€0.2 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 €2.4 million, €1.6 million and €1.7 million of service revenue in 2016, 2017 and 2018, 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 Genentech. The amount of future revenue is dependent on the services performed and

milestones reached for our existing collaborations and on our ability to conclude new collaboration arrangements and the terms we are able to negotiate with our partners.

Other Income

Other Income in 2016 and 2017 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 immune cell engager technology in various indication areas.

Other income in 2018 relates primarily to foreign exchange gains.

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.

Based on our current budget we expect that our total research and development expenses in 2019 will be in the range of €50 to €60 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 relapsed/refractory HL in 2016. In this study, enrollment is complete and interim data were recently presented. Different dosing protocols are being explored in the investigator-initiated monotherapeutic phase 2a clinical trial of AFM13 in relapsed/refractory Hodgkin Lymphoma, or relapsed/refractory HL, to allow for improved exposure in more heavily pretreated patient populations. The study is open and recruiting under the new study design. In addition, we are conducting a clinical study of AFM13 in patients with CD30+ lymphoma. We anticipate that our research and development expenses in 2019 for AFM13 will be significantly higher than in 2018 due to the initiation of additional clinical studies, pre-clinical studies with collaboration partners and the preparation of the production of AFM13 for commercial purposes.
- *AFM11*. The phase 1 clinical trial of AFM11 in patients with non-Hodgkin Lymphoma, or NHL, was recruiting until the beginning of October 2018. A phase 1 clinical study of AFM11 in patients with ALL commenced in the third quarter of 2016 and was enrolling until the beginning of October 2018. During the fourth quarter of 2018, both trials were placed on clinical hold and recruitment stopped after the occurrence of two life-threatening and one fatal SAEs. In line with the strategic focus on our innate immunity portfolio, we decided to terminate the Phase 1 clinical program of AFM11 in May 2019. This decision took into consideration the competitive landscape of B-cell directed therapies currently in development and associated resources needed for further development of AFM11. In addition, in May 2019, the FDA notified us that additional data would be needed to determine whether the AFM11 clinical hold may be lifted.

- *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 (through the third quarter of 2018), 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, costs for pre-clinical services and manufacturing costs for pre-clinical and clinical study material and will be significantly higher in 2019.

- *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 in 2019 will be higher due to additional rental space.

Since January 1, 2012, we have cumulatively spent €141.5 million on research and development. In the years ended December 31, 2016, 2017 and 2018, we spent €30.2 million, €21.5 million and €35.1 million on research and development; €11.8 million, €5.6 million and €8.7 million thereof on AFM13; and €2.5 million, €2.8 million and €5.8 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 certain of our other product candidates 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, AFM24 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 2019 will be higher compared to the expenses in 2018, and will further increase in the future as our business expands. These 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, 2016, 2017 and 2018. 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, 2017 and 2018

	Year ended December 31,	
	2017	2018
	(in € thousand)	
Total Revenue:	**2,010**	**23,735**
Other income/(expenses)—net	205	1,515
Research and development expenses	(21,489)	(35,148)
General and administrative expenses	(7,986)	(9,638)
Operating income/(loss)	**(27,260)**	**(19,536)**
Finance income/(costs)—net	**(2,983)**	**60**
Income/(Loss) before tax	(30,243)	(19,476)
Income taxes	20	(1)
Income/(loss) for the period	**(30,223)**	**(19,477)**
Total comprehensive income/(loss)	**(30,223)**	**(24,208)**
Earnings/(loss) per common share in € per share	**(0.69)**	**(0.32)**

Revenue

Revenue significantly increased from €2.0 million in the year ended December 31, 2017 to €23.7 million for the year ended December 31, 2018, mainly due to the revenue from the Genentech collaboration. Revenue for the year ended December 31, 2018 mainly consisted of revenue from the

Genentech collaboration of €21.8 million and service revenues at AbCheck of €1.7 million (December 31, 2017: €1.6 million).

Research and development expenses

R&D Expenses by Project	Year ended December 31, 2017	2018	Change %
	(in € thousand)		
Project			
AFM13	5,608	8,711	55 %
AFM11	2,829	5,776	104 %
Other projects and infrastructure costs	12,530	19,809	58 %
Share-based payment expense	522	852	63 %
Total	**21,489**	**35,148**	**64 %**

Research and development expenses increased 64% from €21.5 million in the year ended December 31, 2017 to €35.1 million in the year ended December 31, 2018, due to higher expenses for AFM13, AFM11 and for other projects and infrastructure. The variances in project related expenses between the year ended December 31, 2017 and the corresponding period in 2018 are mainly due to the following projects:

- *AFM13.* In the year ended December 31, 2018, we incurred higher expenses than in the year ended December 31, 2017 primarily due to increased expenses for manufacturing activities for clinical trial material.

- *AFM11.* In the year ended December 31, 2018, clinical expenses were significantly higher than in the year ended December 31, 2017 primarily due to higher expenses for clinical trial material.

- *Other projects and infrastructure costs.* In the year ended December 31, 2018, expenses increased compared to the year ended December 31, 2017 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 (through the third quarter of 2018). 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 21% from €8.0 million in the year ended December 31, 2017 to €9.6 million in the year ended December 31, 2018. In 2018, general and administrative expenses were largely affected by personnel expenses (€4.9 million) and legal, consulting and audit costs (€2.9 million).

Finance income / (costs)-net

We recognized finance income net for the year ended December 31, 2018 of €60,000 compared with finance costs of €3.0 million for the year ended December 31, 2017. The year ended December 31, 2018 was primarily affected by foreign exchange gains of €0.7 million and interest expenses of €0.8 million.

Income tax expense

During the year ended December 31, 2018, we recorded income tax expense of €1,000 due to changes in deferred taxes.

Liquidity and Capital Resources

Since our inception, we have incurred significant operating losses. For the years ended December 31, 2016, 2017 and 2018, we incurred net losses of €32.2 million, €30.2 million and €19.5 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, 2018, we had cash and cash equivalents and current financial assets, which we refer to as liquidity, of €108.8 million.

Our cash and cash equivalents and current financial assets as of December 31, 2018 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 more than three 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, 2017 and 2018

The table below summarizes our consolidated statement of cash flows for the years ended December 31, 2017 and 2018:

	Year ended December 31,	
	2017	2018
	(in € thousand)	
Net cash from/(used) in operating activities	(25,549)	49,438
Net cash from/(used) for investing activities	8,050	(15,610)
Net cash generated from financing activities	23,797	20,495
Net changes to cash and cash equivalents	6,297	54,323
Cash and cash equivalents at the beginning of the year	35,407	39,837
Exchange-rate related changes of cash and cash equivalents	(1,867)	669
Cash and cash equivalents at the end of the year	39,837	94,829

Net cash used in operating activities amounted to €25.5 million in the year ended December 31, 2017, whereas net cash from operating activities amounted to €49.4 million in the year ended December 31, 2018. The amount received in 2018 includes an initial upfront payment and committed funding of €83.2 million from the Genentech collaboration.

Net cash from investing activities amounted to €8.1 million in the year ended December 31, 2017, while we used cash for investing activities of €15.6 million in the year ended December 31, 2018. The investing activities primarily relate to investments in and proceeds from the sale or maturity of financial assets.

Net cash generated from financing activities in the year ended December 31, 2018 amounted to €20.5 million and relate to primarily the proceeds from the public offering in February 2018 and the issuance of shares in connection with our at-the-market sales agreement.

Cash and Funding Sources

Our liquidity (cash and cash equivalents and current financial assets) as of December 31, 2018 was €108.8 million. Funding sources generally comprise proceeds from the issuance of equity instruments, loans, payments from collaboration agreements and government grants.

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 originally

up to €10.0 million, which agreement was amended in May 2017 to provide that such amount would be available in three tranches.

On December 8, 2016, we drew down the initial tranche of €5.0 million, and on May 31, 2017 we drew down the second tranche of €2.5 million; the availability of the third tranche expired in September 2017 with such amount remaining undrawn. In connection with such drawdowns, we issued SVB warrants to purchase 219,692 of our common shares, at a weighted-average exercise price of $2.07 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 May 31, 2020 with an interest-only period through December 1, 2017 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 $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 $1.1 million, after deducting underwriting discounts and commissions and other offering expenses.

On February 15, 2018, we sold an additional 13,225,000 of our common shares at a price of $2.00 per share in an underwritten public offering and received $24.5 million in net proceeds, after deducting underwriting discounts and commissions and other offering expenses.

In October 2018, we entered into an at-the-market sales agreement (“Sales Agreement”) with 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, 2019, we have not made any sales under the Sales Agreement.

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 and AFM24. If we receive regulatory approval for AFM13 or AFM24, and if we choose not to grant any licenses to partners, we expect to incur significant commercialization expenses related to product manufacturing, sales, marketing and distribution, depending on where we choose to commercialize. We also expect to incur additional costs associated with operating as a public company. Additional funds may not be available on a timely basis, on favorable terms, or at all, and such funds, if raised, may not be sufficient to enable us to continue to implement our long-term business strategy. If we are not able to raise capital when needed, we could be forced to delay, reduce or eliminate our product development programs or commercialization efforts.

We believe that our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements into 2021. 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).

We have been, and continue to be, an “emerging growth company” for a period of five years following the completion of our initial public offering (2019), but will no longer be an “emerging growth company” as of December 31, 2019.

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 2018 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 27, 2019, and a copy of which is available from Affimed's website.

Strategic and Operational Risks

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 cash and cash equivalents and current financial assets 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. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act of 2002, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also 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.

We are required to disclose changes made in our internal controls and procedures and our management is required to assess the effectiveness of these controls annually. However, for as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. We will continue to be an "emerging growth company" until our fiscal year ending December 31, 2019. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

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 deposit 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 Group borrowed €7.5 million with an outstanding balance of €4.8 million as at December 31, 2018, 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 as well as on term deposits were low in 2018, resulting in interest income of €264,000 thousand in 2018. A shift in interest rates (increase or decrease) would not have a material impact on the loss of the Group.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. We use the euro as our functional and reporting currency. The Group's entities are exposed to Czech Koruna (CZK) and US Dollars (USD). As a result, we are exposed to foreign currency exchange movements. Our material budgeted future expenses are in euros and US dollar. We have converted into euros only the portion of the IPO proceeds, the proceeds from our follow-on offerings and the private placement and cash received from the Genenetech collaboration 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 2018, if the Euro had weakened/strengthened by 10% against the US dollar with all other variables held constant, the loss would have been €4.8 million (2017: €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.

Loss is more sensitive to movement in exchange rates shifts in 2018 than in 2017 because of the increased volume of US dollar-denominated transactions.

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 2016, 2017 and February 2018, Affimed raised significant funding that it estimates will enable the Group to fund operating expenses and capital expenditure requirements into 2021.

In 2015, the Company has entered into an at-the-market sales agreement with Cowen & Group, LLC under which €5.1 million in net proceeds has been raised in 2017.

In 2017, the Company issued 10,646,762 common shares in a public offering at a price of $1.80 per common share for net proceeds of €16.4 million.

In 2018, Affimed issued 13,225,000 common shares in a public offering at a price of $2.00 per common share for net proceeds of approximately €19.7 million and 2,373,716 common shares in connection with its at-the-market sales agreement for net proceeds of €3.8 million (see note 15).

The Company expects to require additional funding to complete the development of the existing product candidates. In addition, the Company 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 applies 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	57	Chief Executive Officer
Florian Fischer	51	Chief Financial Officer
Wolfgang Fischer	55	Chief Operating Officer

Adi Hoess and Florian Fischer were reappointed as managing director with the title of Chief Executive Officer and Chief Financial Officer, respectively, on 20 June 2017. Wolfgang Fischer was appointed as managing director with the title of Chief Operating Officer on 20 June 2017.

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

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

Florian Fischer, Chief Financial Officer. Dr. Fischer joined us in 2005 as Chief Financial Officer on a part-time basis, which has increased over time to a full time position since September 2014. Dr. Fischer is founder and Chief Executive Officer of MedVenture Partners, a Munich-based corporate finance and strategy advisory company focusing on the life sciences and health care industry. Dr. Fischer was the Chief Financial Officer of Activaero GmbH from 2002 until 2011 and has been involved with corporate development since 2011. He also served as the Chief Financial Officer of Vivendy Ltd. from 2008 until 2013 and as a managing director of AbCheck in 2009. Prior to founding MedVenture Partners, Dr. Fischer worked with KPMG for more than six years until 2002, where he was responsible for biotech and healthcare assignments. Before joining KPMG, he worked for Deutsche Bank AG. Dr. Fischer was also a director of Amphivena until the fourth quarter of 2018. He holds a graduate degree in business administration from Humboldt University, Berlin and a Ph.D. in public health from the University of Bielefeld.

Wolfgang Fischer, Chief Operating Officer. Dr. Fischer joined us in 2017 from Sandoz Biopharmaceuticals (Novartis Group). He has 20 years of experience in research and drug development with a focus on oncology, immunology and pharmacology. At Sandoz he managed the development and registration of Sandoz' biosimilar pipeline assets since 2012 and served as Global Head of Program and Project Management since 2014. Prior to joining Sandoz, he held various positions of increasing responsibility within the Novartis Group since 2003, including Medical Director Oncology for Novartis Pharma Switzerland AG as well as Regional Medical Director Hematology (Emerging Growth Markets), where he was responsible for the Hematology Medical Affairs program and supported the launch of several products in various countries. Dr. Fischer holds a Ph.D. in Cancer Research from the Swiss Federal Institute of Technology (ETH), Zurich, Switzerland. Thereafter, he completed postdoctoral fellowships at the Swiss Institute of Experimental Cancer Research, Lausanne, Switzerland and at the Scripps Research Institute, Department of Immunology, La Jolla, CA, USA, followed by a state doctorate (Habilitation) in Pharmacology and Toxicology at the Medical School of the University of Würzburg in Germany in 2003.

The following table lists the supervisory directors currently in office. Thomas Hecht is the chairman of our supervisory board. The term of each of our supervisory directors will end 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	68	June 20, 2017	2020
Bernhard Ehmer	M	German	64	January 21, 2016	2019
Ulrich Grau	M	German/US	70	June 19, 2018	2021
Berndt Modig	M	Swedish/US	60	June 20, 2017	2020
Mathieu Simon	M	French/US	62	June 19, 2018	2021
Ferdinand Verdonck	M	Belgian	76	June 20, 2017	2020

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 had been 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 member of the board of directors of Cell Medica Ltd. and as chairman of the board of directors of Vaximm AG and Aelix Therapeutics S.L. 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. Since September 1, 2018 he serves as chairman of the board of directors at Symphogen A/S, Denmark. 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 beginning in May 2013. He has over 30 years of experience in the biotechnology and pharmaceutical industries including in 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 as member of the audit committee of 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.

Mathieu Simon, Director. Dr. Simon has been a member of our supervisory board since 2018. He also serves as Senior Strategic Advisor at Messier Maris, an M&A advisory firm in the healthcare sector, located in New York, London and Paris. He is an independent director on the Board of Vaximm, a Swiss-based biotechnology company headquartered in Basel, Switzerland. Dr. Simon has served as Cellectis' Executive Vice-President since 2012 and as Chief Operating Officer since 2013. Dr. Simon also served as Chief Executive Officer of a former subsidiary of Cellectis. He has been instrumental to the development of Cellectis and its CAR Allogenic T-Cell platform. He also served as Chief Executive Officer of Ectycell in 2012. He served as Chairman of the Board of Celleartis AB until 2014 before its acquisition by Takara Bio. Prior to joining Cellectis, Dr. Simon was Managing Director, Head of Global Pharma at Pierre Fabre SA, the third largest French Pharma Company. Beginning in 1994, he served at Wyeth Pharmaceuticals in both general management roles (President Managing Director of Wyeth SMA) and senior corporate role in Philadelphia, United States (SVP / Head of International Marketing and Medical Affairs).

Ferdinand Verdonck, Director. Mr. Verdonck has been a member of our supervisory board since July 2014. He is a director of Laco Information Services. In recent years he was director and member of the audit committee of Virtus Funds and J.P. Morgan European Investment Trust, director of Groupe SNEF, and director and chairman of the audit committee of biotechnology companies: uniQure N.V. in the Netherlands, of which he was also the chairman, 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 strategy, financial control, supervision of executive management and corporate governance, including board participation in publicly-traded and privately-held affiliated 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. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in Affimed, as of April 30, 2019, 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 Dr. Leila Alland, the Company's new Chief Medical Officer, early 2018 and the promotion of Denise Mueller to Chief Business Officer in December 2018.

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 supervisory directors.

The composition of the supervisory board has changed in 2018. Dr. Richard Stead left the supervisory board and Dr. Mathieu Simon was appointed as member of the supervisory board in the annual general meeting on June 19, 2018. Dr. Ulrich Grau was re-appointed as member of the supervisory board in the annual general meeting on June 19, 2018.

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. Under the DCGC a supervisory director may be appointed for a term of four years and may then be reappointed for another four-year period. The supervisory director may then subsequently be reappointed for a period of two years, which may be extended by at most two years. The Company's supervisory directors are appointed for overlapping terms.

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.

Diversity policy

In line with best practice provision 2.1.5 of the Code, the supervisory board has adopted a diversity policy for the composition of the supervisory board, the management board and key leadership positions (the "Diversity Policy"). The Diversity Policy contains specific diversity objectives to improve the diversity within the supervisory board and the management board:

- Using best efforts to increase the gender diversity within the supervisory board whenever one of the supervisory board members will be replaced or the supervisory board will be extended;
- Using best efforts to increase the gender diversity within the management board whenever one of the management board members will be replaced or the management board will be extended.

In order to increase gender diversity, we pay close attention to gender diversity in the process of recruiting and appointing new supervisory board or management board candidates.

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 2.7.5 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 2018.

Supervisory Board Committees

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

<u>Audit committee</u>

The audit committee, which consists of Ferdinand Verdonck (Chairman), Berndt Modig and Bernhard Ehmer, 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 three meetings in person and five meetings by conference call in 2018.

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 adopted 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 five meetings by conference call in 2018.

Nomination and corporate governance committee

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

The nomination and corporate governance committee held four meetings in person and two meetings by conference call in 2018.

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 award of stock options to the supervisory board by the general meeting of shareholders on 19 June 2018.

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 3.3.2 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 €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 vested 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, as amended in 2018, provides that each supervisory director is entitled to an annual grant of 20,000 stock options, with the chairman of the supervisory board entitled to an annual grant of 35,000 stock options. These annual awards will vest in four quarterly instalments and will be fully vested on the first anniversary of the grant date. Initial awards and annual awards will be granted automatically on the respective dates of issuance based on the approval by the shareholders of the remuneration policy and will not require any further approval by the supervisory board or the company. Supervisory directors are also entitled to be reimbursed for their reasonable expenses incurred in attending meetings of the supervisory board and its committees.

The aggregate cash compensation including benefits in kind, accrued or paid to our managing directors and supervisory directors with respect to the year ended December 31, 2018, for services in all capacities was approximately €2.2 million. As of December 31, 2018, we have no amounts set aside or accrued to provide pension, retirement or similar benefits to our managing directors and supervisory directors. In 2018, awards for approximately 1.2 million 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 33 to the Company only financial statements and Note 20 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 approximately 1.7 million common shares. On January 1 of any calendar year thereafter (including January 1, 2019), an additional 5% of the total outstanding common shares on that date becomes available for issuance under the 2014 Plan. As of January 1, 2019, we had approximately 7.0 million common shares available for issuance, and approximately 6.6 million common shares subject to issuance under outstanding awards. 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, provided this falls within the framework set by the remuneration policy for the management board and the 2014 Plan.

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 certain managing directors and certain of our supervisory directors and consultants that grant the beneficiaries the right to receive common shares of the company. In 2019 these agreements were transferred from the pre-IPO shareholders to an independent Trust company ("Trust GmbH"). The 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 now owned by the Trust GmbH, 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. The management services agreements of Adi Hoess and Florian Fischer became effective upon the consummation of our initial public offering in September 2014. The management services agreement of Wolfgang Fischer became effective upon his appointment by the general meeting of shareholders on June 20, 2017. 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. Adi Hoess and Florian Fischer were reappointed as managing directors by the general meeting of shareholders on June 20, 2017, which prolonged their management services agreements until 2020.

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 management services agreements following a change of control, the aforementioned severance is increased to 185% (Adi Hoess) and to 150% (Florian Fischer and Wolfgang Fischer) of the managing director's gross annual compensation.

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 occurred in 2017 and 2018 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

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 2018, i-novion Inc. did not receive any related payments.

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 2017, Dr. Marschner received related payments of €11,000. The consulting agreement with Dr. Marschner was terminated end of May 2017.

In 2017, we entered into a consulting agreement with our former Managing Director Jörg Windisch consisting of high level consultancy and strategic guidance in the field of clinical manufacturing. In 2018, Dr. Windisch provided no services and received no payments. The consulting agreement with Dr. Windisch was terminated in May 2019.

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 South 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. The license and development agreement with Amphivena expired when the product candidate's IND became effective in July 2016. Following the expiration, we continued to provide services on a smaller scale to complete the deliverables required under the agreement, and have been financially supporting the future clinical development of AMV564 with €2.8 million in financing, €1.0 million of which was invested in Amphivena in October 2016, €0.6 million of which was invested in March 2017, €0.3 million of which was invested in December 2017 and €0.9 million of which was invested in June 2018.

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. RISK MANAGEMENT AND CONTROL SYSTEMS

Risk Management: general methods

Affimed's management board has implemented an Enterprise Risk Management System (ERM) to ensure that corporate risks, including strategic and operational risks, financial and compliance risks are managed effectively and efficiently and are aligned with the Company's strategy.

The framework used for our Enterprise Risk Management is based on guidance issued by COSO (the Committee of Sponsoring Organizations of the Treadway Commission). The dimensions of the ERM method and their implementation at Affimed are as follows:

- Internal Environment, including ethical values, management philosophy, operating style and governance (stated within Code of Conduct and respective policies)
- Objective settings: company strategy and corresponding company goals are the starting points within the top-down approach for risk definition. Supporting by the bottom-up processes, objectives find the appropriate consideration within the model.
- Risk assessment is conducted by the management board bi-annually and is based on the FMEA (Failure Mode and Effect Analysis) method, which implicates the principle of early identification and valuation of potential failures as well as mitigating actions. The FMEA method allows to prioritise risks and define the risk appetite of the company.
- Risk response follows the risk assessment and defines the strategy for respective risks: accept, reduce or avoid.
- Control activities on regular basis
- Information and communication of mitigating plans
- Monitoring of ongoing mitigating actions and reporting from Risk Manager to the management board and the audit committee.

Implementation effectiveness

The effectiveness of risk management is implemented by the three-lines-of-defence model: 1st line: Business – management board owns, implements and operates business controls to ensure compliance with laws, regulations and policies (including supervisory controls). 2nd line: Compliance, Risk Management and Internal Control System functions, which identify exposed areas and manage mitigation activities; perform monitoring to gain assurance that compliance controls operate effectively; and report upon such activities as well as significant findings to the management board and to the supervisory board, which present the 3rd defence lines together with external auditors as additional control functions.

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."

Internal Control System: general methods

Affimed's management board 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.

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

- Framework for Internal Control System: Integrated Framework (2013) by the COSO
- Scoping of key business processes according to SOX Sec. 404a and continuing monitoring status of SOX Sec. 302 process due to the listing of Affimed's shares on NASDAQ

- 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
- IT considerations
- Risk and control assessment (testing of control design and effectiveness)
- Evaluation of testing results, remediation action
- Continuing monitoring status of SOX Sec. 302 process
- Reporting the conclusions about the adequacy and effectiveness of internal controls incl. any significant deficiency or material weakness over financial reporting to the audit committee on a regular basis

Further, 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.

Monitoring of effectiveness

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, 2018, 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 2018. We conclude that these systems provide a reasonable assurance that the financial report does not contain any errors of material importance. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

VII. STATEMENT BY THE MANAGEMENT BOARD

The management board states in accordance with best practice provision 1.4.3 of the DCGC that the management report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems. The implemented systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies.

Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report are disclosed.

It should be noted that these systems cannot provide absolute assurance that internal risk management and control systems can prevent or detect all inaccuracies or errors.

VIII. CODE OF CONDUCT

Any action, business, and scientific goal we pursue must be consistent with our core values which consist of:

- Integrity
- Respect
- Excellence and
- Responsibility and Accountability

Our core values serve as a basis for our 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 of the Company and its subsidiaries.

Affimed has established suitable processes and devoted sufficient personnel resources for the enforcement of this Code, subject to the supervision of the CEO and the Audit Committee of the supervisory board, and the Company supports its supervisory directors, managing directors and employees to maintain a culture of accountability and to facilitate compliance with this Code. These processes also include a regular external "Compliance Health Check" to make sure the Compliance Management System is working effectively and efficiently.

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 shareholders.

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. On June 19, 2018 the articles of association of the Company were amended whereby the authorized capital was increased to EUR 3,119,500 divided into 155,975,000 common shares and 155,975,000 cumulative preference shares. The amendment also resulted in the authorisation to the management board to issue shares to increase up to the maximum number of shares which can be issued under the current authorized share capital.

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 19, 2018, our management board was granted the authority, for a period of 18 months, with effect from the same date (*i.e.*, until December 19, 2019) 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 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 19, 2018, the general meeting of shareholders appointed KPMG Accountants N.V. as independent auditor for the Company for the financial year 2018.

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 preference shares and grant rights to subscribe for cumulative preference shares, up to the amount of our authorized share capital. Our cumulative preference 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 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 management board. These options provide for vesting conditions which allow exercise of one third of the options after the first anniversary of the grant date, which qualifies as a deviation from best practice provision 3.1.2 of the DCGC. Such vesting conditions are 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 management board members.

- 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 3.3.2 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 compensation committee of the Supervisory Board has not prepared a remuneration report, which qualifies as a deviation from best practice provision 3.4.1 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 27, 2019 (available on our website: http://www.affimed.com/sec).

- In the event of a termination of the management services agreement following a change of control, the severance payment is increased to 185% for Adi Hoess and 150% for Florian Fischer of the managing director's annual compensation. Given that such a resignation is specifically linked to a change of control, Affimed does not consider this provision a deviation from best practice provision 3.2.3 of the DCGC.

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 4.3.3 of the DCGC. Although a deviation from the provision 4.3.3 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.

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 2.3.4 of the DCGC. We have opted out of the director independence requirements under applicable Nasdaq rules.

On behalf of the Management Board,

Dr. Adi Hoess, CEO,

Dr. Florian Fischer, CFO

Dr. Wolfgang Fischer, COO

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 the establishment and monitoring of the strategy of the Company. The Supervisory Board is guided by the interests of the Company and will also take into consideration the relevant interests of all the Company's stakeholders. We report on the activities of the Supervisory Board in 2018.

The Company had a number of highlights and corporate updates in 2018 and early 2019.

In February 2018, Affimed completed an underwritten public offering on the Nasdaq Global Market, raising a total of approximately $24.5 million (€19.7 million) in net proceeds.

In March 2018, Leila Alland, M.D. joined Affimed as CMO. Dr. Leila Alland brings to the Company more than 18 years of oncology experience, having held leadership roles in drug development at Tarveda Therapeutics, AstraZeneca, Bristol-Myers Squibb and Novartis.

In May 2018, Affimed introduced its ROCK® (Redirected Optimized Cell Killing) platform. The Company’s proprietary, unique and fit-for-purpose ROCK® platform enables the generation of first-in-class, tetravalent, multi-specific immune cell engagers. Based on its modularity, ROCK® allows for antibody engineering of highly customizable innate and T cell engagers to generate clinical candidates tailored to multiple disease indications and settings, including generation of molecules against validated oncology targets, to address the limitations of existing treatments.

In August 2018, Affimed entered into a research collaboration and license agreement with Genentech, a member of the Roche Group, to develop and commercialize novel NK cell engager-based immunotherapeutics based on Affimed’s ROCK® platform to treat multiple cancers. Affimed received $96 million in upfront and committed funding, and may be eligible to receive up to an additional $5 billion including payments on achievement of certain development, regulatory and commercial milestones, plus royalties on sales.

In October 2018, Affimed placed AFM11 on clinical hold after the occurrence of Serious Adverse Events (SAEs) in three patients, which included a death in the ALL study and two life-threatening events in the NHL study. In line with the strategic focus on its innate immunity portfolio, in May 2019 Affimed has made the decision to terminate the clinical program of AFM11. This decision took into consideration the competitive landscape of B-cell directed therapies currently in development and associated resources needed for further development of AFM11. In May 2019, Affimed received notification from the FDA that additional data would be needed to determine whether the AFM11 clinical hold may be lifted.

The Company presented data from an investigator-sponsored translational Phase 1b/2a study of AFM13 in patients with relapsed or refractory CD30-positive lymphoma with cutaneous manifestation led by Columbia University at the 60th American Society of Hematology (ASH) Annual Meeting and Exposition in December 2018. The data confirmed single-agent activity of AFM13 in CD30-positive lymphoma patients. In addition, an analysis of biomarker correlatives showed a temporary decrease in circulating NK cells during therapy, with post therapy recovery. Tumor biopsies showed increased infiltration of CD56+ NK cells in responders compared to non-responders.

Affimed provided an update on its Phase 1b trial of AFM13 in combination with pembrolizumab in patients with HL. Data from 24 patients showed that the combination of AFM13 and pembrolizumab could be safely administered and achieved objective response and complete response (CR) rates that compare favorably to the historical data of pembrolizumab in a similar patient population, with the CR rate approximately double that of pembrolizumab. The data was presented at the ASH Annual Meeting 2018.

In April 2019, Affimed has received a payment in an undisclosed amount triggered by the achievement of a preclinical milestone under its collaboration with Genentech.

In May 2019, Dr. Martin Treder informed Affimed that he intends to step down from his position as Chief Scientific Officer to pursue new opportunities. Dr. Treder will continue as a consultant to the Company.

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 has changed in 2018. Dr. Richard Stead left the Supervisory Board and Dr. Mathieu Simon was appointed as member of the Supervisory Board in the Annual General Meeting on June 19, 2018. Dr. Ulrich Grau was re-appointed as member of the Supervisory Board in the Annual General Meeting on June 19, 2018. The Supervisory Board profile was amended in 2018 and the Supervisory Board is of the opinion that its composition is currently in accordance with such profile and the Supervisory Board has sufficient experience and expertise in various fields to fulfil its statutory obligations as Supervisory Board members of the Company.

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 Board 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	June 20, 2017	2020	68	M	German
Bernhard Ehmer	January 21, 2016	2019	64	M	German
Ulrich Grau	June 19, 2018	2021	70	M	German/US
Berndt Modig	June 20, 2017	2020	60	M	Swedish/US
Mathieu Simon	June 19, 2018	2021	62	M	French/US
Ferdinand Verdonck	June 20, 2017	2020	76	M	Belgian

Meeting and activities

The Supervisory Board held four meetings in person in 2018. 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, business development activities and the implementation and monitoring of the business strategy.

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.

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 Supervisory Board also held several non-formal Supervisory Board meetings which are attended by the Management Board. In addition, 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 in the previous year, in 2018 the Supervisory Board conducted an evaluation through a self-assessment and was positive about the performance of its committees and the collaboration with 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.

The Supervisory Board has also reviewed the performance of the Management Board as a whole and each Management Board member for the year 2018.

During the financial year 2018 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		member
Ulrich Grau		member	chairman
Thomas Hecht		chairman	member
Berndt Modig	member	member	
Mathieu Simon			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 2018, the audit committee's main areas of focus were review of quarterly financial statements, the Company's system of internal controls and risk management, auditing approach and auditing timelines of quarterly and annual financial statements, discussion of the financing situation and the tax policy.

The financial statements of the Company for 2018 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 three meetings in person and five meetings by conference call in 2018.

Nomination and corporate governance committee

The nomination and corporate governance committee assists the Supervisory Board in identifying individuals qualified to become members of the Supervisory Board and Management Board consistent with criteria established by the Supervisory Board and in developing our corporate governance principles. In 2018, the nomination and corporate governance committee's main areas of focus where the selection of a new board member to replace Dr. R. Stead, reviewing and updating the profile of the Supervisory Board, and analysing the impact of the revised Dutch corporate governance code on the Company's governance.

The nomination and corporate governance committee held four meetings in person and two meeting by conference call in 2018.

Compensation committee

The compensation committee assists the Supervisory Board in determining Management and Supervisory Board compensation. The main responsibilities of the compensation committee are preparing proposals for the Supervisory Board on the remuneration policy for the Management Board, to be adopted by the general meeting of shareholders, and preparing proposals on the remuneration of individual members of the Management Board. In its meetings in 2018, the compensation committee mainly discussed the remuneration of the individual members of the Management Board, pre-determined and pre-approved the corporate goals and objectives and reviewed their progress regularly. For more information on the remuneration policy, and the work by the compensation committee, 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 five meetings by conference call in 2018.

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 27, 2019 (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. One of our Supervisory Board members, Dr. Ulrich Grau, does 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 2018, 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 2018. In particular, the Supervisory Board would very much like to thank our shareholders for their continued support.

May 31, 2019

On behalf of the Supervisory Board,

Dr. Thomas Hecht,

Chairman of the Supervisory Board

Consolidated Financial Statements

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

	Note	2018	2017	2016
Revenue	5	**23,735**	**2,010**	**6,314**
Other income – net	6	1,515	205	145
Research and development expenses	7	(35,148)	(21,489)	(30,180)
General and administrative expenses	8	(9,638)	(7,986)	(8,323)
Operating loss		**(19,536)**	**(27,260)**	**(32,044)**
Finance income / (costs) - net	10	**60**	**(2,983)**	**(230)**
Loss before tax		**(19,476)**	**(30,243)**	**(32,274)**
Income taxes	11	(1)	20	58
Loss for the period		**(19,477)**	**(30,223)**	**(32,216)**
Other comprehensive income Items that will not be reclassified to profit or loss				
Equity investments at fair value OCI – net change in fair value	12	(4,731)	—	—
Other comprehensive loss		**(4,731)**	**—**	**—**
Total comprehensive loss		**(24,208)**	**(30,223)**	**(32,216)**
Loss per share in € per share (undiluted = diluted)		**(0.32)**	**(0.69)**	**(0.97)**
Weighted number of common shares outstanding		**60,514,407**	**43,746,073**	**33,259,505**

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

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

	Note	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Intangible assets		56	65
Leasehold improvements and equipment		1,414	1,113
Long term financial assets	12	3,825	—
		5,295	1,178
Current assets			
Cash and cash equivalents		94,829	39,837
Financial assets	13	13,974	—
Trade and other receivables	14	1,429	1,102
Inventories		260	241
Other assets		387	800
		110,879	41,980
TOTAL ASSETS		**116,174**	**43,158**
EQUITY AND LIABILITIES			
Equity			
Issued capital		624	468
Capital reserves		239,055	213,778
Fair value reserves		2,594	—
Accumulated deficit		(202,144)	(182,667)
Total equity	15	40,129	31,579
Non current liabilities			
Borrowings	17	1,690	4,086
Contract liabilities	5	37,512	—
Total non-current liabilities		39,202	4,086
Current liabilities			
Trade and other payables	18	9,425	4,180
Borrowings	17	3,083	3,083
Contract liabilities	5	24,335	230
Total current liabilities		36,843	7,493
TOTAL EQUITY AND LIABILITIES		**116,174**	**43,158**

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

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

	Note	2018	2017	2016
Cash flow from operating activities				
Loss for the period		(19,477)	(30,223)	(32,216)
Adjustments for the period:				
- Income taxes	11	1	(20)	(58)
- Depreciation and amortisation		403	351	369
- Gain from disposal of leasehold improvements and equipment		25	(19)	—
- Share based payments	16	2,035	1,943	3,545
- Finance income / (costs) - net	10	(60)	2,983	230
		(17,073)	(24,985)	(28,130)
Change in trade and other receivables	14	(322)	1,140	(1,311)
Change in inventories		(19)	(44)	31
Change in other assets		121	(399)	(64)
Change in trade, other payables and contract liabilities	18	66,856	(1,018)	(2,177)
Cash from / (used in) operating activities		49,563	(25,306)	(31,651)
Interest received		218	106	102
Paid interest		(342)	(349)	(578)
Paid income tax		(1)	—	—
Net cash from / (used in) operating activities		**49,438**	**(25,549)**	**(32,127)**
Cash flow from investing activities				
Purchase of intangible assets		(30)	(43)	(21)
Purchase of leasehold improvements and equipment		(691)	(625)	(238)
Cash received from the sale of leasehold improvements and equipment		1	35	—
Cash paid for investments in convertible note and warrants		—	(296)	—
Cash paid for investments in financial assets	13	(14,029)	(13,084)	(27,037)
Cash received from maturity of financial assets		—	22,063	18,147
Cash paid for investments in long term financial assets	12	(861)	—	—
Net cash from / (used for) investing activities		**(15,610)**	**8,050**	**(9,149)**
Cash flow from financing activities				
Proceeds from issue of common shares	15	25,113	23,123	6
Transaction costs related to issue of common shares	15	(1,701)	(1,648)	—
Proceeds from borrowings		—	2,500	5,000
Transaction costs related to borrowings		—	(11)	(105)
Repayment of borrowings	17	(2,917)	(167)	(5,137)
Cash flow from / (used for) financing activities		**20,495**	**23,797**	**(236)**
Exchange-rate related changes of cash and cash equivalents		**669**	**(1,867)**	**179**
Net changes to cash and cash equivalents		**54,323**	**6,297**	**(41,512)**
Cash and cash equivalents at the beginning of the period		**39,837**	**35,407**	**76,740**
Cash and cash equivalents at the end of the period		**94,829**	**39,837**	**35,407**

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

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

	Note	Issued capital	Capital reserves	Fair value reserves	Accumulated deficit	Total equity
Balance as of January 1, 2016		**333**	**187,169**	**—**	**(120,228)**	**67,274**
Issue of common shares[1]		—	6	—	—	6
Equity-settled share based payment awards		—	3,545	—	—	3,545
Issue of warrant note (Perceptive loan)		—	142	—	—	142
Loss for the period		—	—	—	(32,216)	(32,216)
Balance as of December 31, 2016		**333**	**190,862**	**—**	**(152,444)**	**38,751**
Balance as of January 1, 2017		**333**	**190,862**	**—**	**(152,444)**	**38,751**
Issue of common shares		135	20,922	—	—	21,057
Equity-settled share based payment awards		—	1,943	—	—	1,943
Issue of warrant note (loan Silicon Valley Bank)		—	51	—	—	51
Loss for the period		—	—	—	(30,223)	(30,223)
Balance as of December 31, 2017		**468**	**213,778**	**—**	**(182,667)**	**31,579**
Revaluation shares Amphivena (first time adoption IFRS 9)		—	—	7,325	—	7,325
Balance as of January 1, 2018		**468**	**213,778**	**7,325**	**(182,667)**	**38,904**
Issue of common shares	15	156	23,171	—	—	23,327
Exercise of share based payment awards	16	—	71	—	—	71
Equity-settled share based payment awards	16	—	2,035	—	—	2,035
Loss for the period		—	—	—	(19,477)	(19,477)
Other comprehensive loss	12	—	—	(4,731)	—	(4,731)
Balance as of December 31, 2018		**624**	**239,055**	**2,594**	**(202,144)**	**40,129**

[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. is a Dutch company with limited liability (*naamloze vennootschap*) and has its corporate seat in Amsterdam, the Netherlands. Affimed N.V. is registered in the Trade Register of the Chamber of Commerce under the number 60673389.

The consolidated financial statements are comprised of Affimed N.V., and its controlled (and wholly owned) subsidiaries Affimed GmbH, Heidelberg, Germany, AbCheck s.r.o., Plzen, Czech Republic, Affimed Inc., Delaware, USA and AbCheck Inc., Delaware, USA (together "Affimed" or the "Group").

Affimed is a clinical-stage biopharmaceutical company focused on discovering and developing highly targeted cancer immunotherapies. The Group's product candidates are 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. Affimed has its own research and development programs, strategic collaborations and service contracts, where the Group is performing research services for third parties.

2. 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 the Netherlands Civil Code.

With reference to the profit and loss account 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 31, 2019.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value (see note 12) and monetary assets and liabilities denominated in foreign currencies which are translated at period-end exchange rates. The Group did not opt for a valuation of liabilities at fair value through profit or loss.

The consolidated financial statements have been prepared on the basis of the going concern assumption.

Consolidation

The Group controls an entity when it 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 obtained by the Group. 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

The 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 statements of comprehensive loss

As a clinical-stage biopharmaceutical company with a primary focus on research and development activities, cost of sales and gross profit are not considered meaningful measures for Affimed and therefore are not presented. See note 3 for the Group's accounting policies related to revenue recognition and research and development expenses.

These consolidated financial statements cover the year 2018, which ended at December 31, 2018.

Foreign currency transactions

Transactions denominated in currencies other than the euro are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the euro are translated at the exchange rate at the date of the consolidated statement of financial position.

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.

Foreign currency gains or losses that relate to borrowings, cash and cash equivalents and financial assets, except for financial instruments at fair value through other comprehensive income 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 – net'.

3. Significant accounting policies

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

Revenue recognition

The Group generates revenues from the provision of research and development services to third parties based on both Group and third party owned intellectual property. Such services are performed on a "best efforts" basis without a guarantee of technological or commercial success. For some research programs, Affimed entered into collaborations with other companies that provides the Group with funding or other resources such as access to technologies. From time to time, the Group also licenses its intellectual property to third parties who use it to develop product candidates.

Collaboration and license agreements are evaluated to determine whether they involve multiple promises that represent separate performance obligations. Such agreements may comprise more than one research program, platform licenses or intellectual property licenses originally generated by the Group. Usually each of those promises is considered to meet the definition of a separate performance obligation.

The total consideration is generally allocated to separate performance obligations based on relative stand-alone selling prices. Usually sales prices for research and development activities and licenses are not directly observable or highly variable across customers. Therefore, we use estimation techniques to determine stand-alone selling prices for such services and licenses. The stand-alone selling prices for research activities are determined based on an expected cost plus a margin approach. For licenses of intangible assets where little or no incremental costs are incurred in providing such licenses a residual approach is used.

Notes to the consolidated financial statements
(in € thousand)

Performance obligations from research programs are satisfied over time because the work performed by the Group either enhances a license that the customer already controls or because the work does not result in an asset with an alternative use for the Group due to contractual restrictions.

Therefore, revenue for such performance obligations is recognized according to the stage of completion measured by reference to costs incurred in relation to anticipated total costs of the research program.

Platform licenses or intellectual property licenses originally generated by the Group are recognized at a point in time if their nature is a right to use the intellectual property as it exists at the point in time at which the license is granted. This is usually the case when there is no significant continuing involvement by the Group. In these cases, revenue is recognized when control of the license is transferred. Control is considered to be transferred when the customer received all necessary documents and information to begin to use and benefit from the license.

Platform licenses or intellectual property licenses originally generated by the Group are recognized over time if their nature is to access the intellectual property as it exists throughout the license period. This might be the case when there is significant continuing involvement by the Group. In these cases, revenue is recognized on a straight line basis until the use of the license by the customer ends.

Payments received from customers commonly include non-refundable upfront payments that are initially recognized as a contract liability, and subsequently recognized as revenue as the related performance obligation is fulfilled. The Group concluded that non-refundable upfront payments do not include financing components because the advance payments arise for reasons other than the provision of financing.

In addition, payment terms may also include payments to be received from customers at a later point in time upon the achievement of certain milestones.

Milestone payments are contingent upon the achievement of contractually stipulated targets. The achievement of these targets or milestones depends largely on meeting specific requirements laid out in the respective agreement. Milestone payments are included in the transaction price when it is highly probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the milestone is subsequently resolved. In the Group's view uncertainty is sufficiently resolved only when the milestone is reached. Reaching a milestone will result in a cumulative catch up of revenue for the performance to date.

The Group distinguishes development and registration milestones and sales based milestones. Whereas development and registration milestone payments are generally recognized on reaching the defined milestones, revenues for sales based milestones are recognized on achievement of contractually stipulated underlying revenues.

Research and development

Costs incurred related to research activities are expensed in the period when they are incurred. Costs incurred on development projects are recognized as intangible assets beginning on the date 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 candidates and technologies, no development expenditures have been capitalized in any of the periods presented in these consolidated financial statements. Intellectual property-related costs for patents are part of the expenditure for the research and development projects. Therefore, registration costs for patents are recognized as 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)

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 (a) the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and (b) the obligation can be estimated reliably.

(ii) Share-based payment transactions

The Group's share-based payment awards outstanding as of December 31, 2017 and 2018, are classified as equity-settled share-based plans. The fair value of share-based equity-settled awards granted to employees is measured at grant date and compensation cost is recognized over the vesting period with a corresponding increase in equity. Share-based payment awards with non-employees are measured and recognized when services are received. 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, the expected forfeiture 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 specific projects. These grants are generally provided in the form of 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 statement of profit or loss over the period necessary to match them with the costs they are intended to compensate. When the cash in relation to recognized government grants is not yet received the amount is included as a receivable on the statement of financial position.

The Group recognizes income from government grants under 'Other income - net' 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 using the effective interest method.

Finance costs comprise interest expense on borrowings and, in 2016, includes losses from early extinguishment of debt.

Notes to the consolidated financial statements
(in € thousand)

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.

(i) Non-derivative financial assets

The Group's non-derivative financial assets include preferred shares in Amphivena, trade and other receivables, cash and cash equivalents and certificates of deposit at banks with original maturities of more than three months.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Those debt instruments are hold to collect solely payments of principal and interest. The Group decided to not apply the fair value through OCI option for those instruments. They are included in current assets and are subsequently carried at amortized cost.

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

The Group holds preferred shares in Amphivena designated at fair value through other comprehensive income (see note 12).

(ii) 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.

(iii) Compound financial instruments

The Group entered into certain loan agreements pursuant to which it issued warrants to purchase common shares of the Group at the option of the respective holders (see note 17). The number of shares to be issued does not vary with changes in their fair value.

The liability component of the loans was recognized initially at the fair value of a similar liability without 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.

In 2017, the Group held a convertible note agreement (see note 12). The Group designated the combined contract consisting of the loan component and the conversion feature embedded in the loan agreement at fair value through profit and loss and recognized changes of fair value re-measured on a recurring basis in 'Finance income / (costs) – net.' In December 2018, the notes were converted into shares.

As at December 31, 2017, in connection with the convertible note described above, the Group received warrants to purchase common shares of Amphivena Therapeutics Inc., South San Francisco, USA ("Amphivena") at a specified price (see note 12). Initially, the warrants were recognized at fair value. Subsequently, the fair value was re-measured on a recurring basis with changes recognized in 'Finance income / (costs) – net.' In 2018, the warrants were cancelled.

Notes to the consolidated financial statements
(in € thousand)

Impairment

(i) Trade and other receivables

Trade and other receivables at amortized cost are subject to the expected credit loss model according to IFRS 9. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

Affimed determines the counterparties' lifetime expected credit losses that result from all possible default events over the expected life of a financial instrument based on an estimated rating and corresponding probability of default rates according to the Bloomberg database.

In addition, 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 such loss event had a negative effect on the estimated future cash flows of that receivable that can be estimated reliably. Loss events include indications that a debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization.

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 2016, 2017 or 2018.

(ii) Intangible assets and leasehold improvements and equipment

Assets that are subject to depreciation or 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 an 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 and deferred taxes 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 adjustments to taxes payable in respect of previous years.

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

Deferred tax is measured at 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.

Notes to the consolidated financial statements
(in € thousand)

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 classified 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 measurement of the fair value of the shares held by the group and note disclosure for the fair value of a loan (financial liability) is based on level 2 measurement procedures (see notes 12 and 17).

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.

The Group 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 EU-IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

(i) Share-based payments

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

Notes to the consolidated financial statements
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vesting period with a corresponding increase in equity. The number of stock options expected to vest is estimated at each measurement date.

On April 20, 2018, Affimed issued 240,000 options under its share-based-payment program, the vesting of which deviates from the standard 3-year vesting scheme and depends upon a market parameter, which is the average price of Affimed shares during a certain period of time as described in Note 16. Incorporating the market condition in the fair value estimate requires the use of a simulation technique, which implies a higher uncertainty with regard to the estimated fair value. The Group determined the fair value of the awards at grant date to be €133.

(ii) Revenue recognition

The Group's contracts with customers contain multiple performance obligations. Judgment is required in determining whether a good or service is considered a separate performance obligation. If standalone selling prices are not directly observable, the Group allocates the transaction price to the performance obligations by reference to the expected cost plus a margin. In doing so, observable input data such as internal project plans and margins are used.

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 initially recognized as a contract liability, and the related revenues are subsequently recognized as the related performance obligation is fulfilled. Technology access fees are generally initially recognized as a contract liability and subsequently 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 as then the uncertainty is resolved. If the research service is cancelled due to technical failure, the remaining contract liability from non-refundable upfront payments, if any, is recognized as revenue.

The determination of whether a performance obligation is satisfied at a point in time versus over time might also requires judgment.

(iii) Accrued expenses

The Group obtains services from third parties who do not always invoice their (partial) performance as per the balance sheet date. If the Group is not invoiced or otherwise notified of the actual accrued cost for the services as of the reporting date, the amount of the services performed as of the balance sheet date has to be estimated. For this purpose, the Group periodically confirms the accuracy of its estimates with the service providers.

(iv) Financial instruments

The Group recognized its preferred shares in Amphivena at fair value (level 2) as a long-term financial asset. As Amphivena is not a public company substantial judgment was required in estimating the fair value as at December 31, 2018 (see note 12). The Group based its judgment on information available for the valuation of the shares of Amphivena in its latest private financing in December 2018.

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(v) Contractual liabilities

The Group is a clinical-stage biopharmaceutical group of companies and has not yet established a sales, marketing or product distribution infrastructure because the lead product candidate is still at an early stage in clinical development.

Given this early development stage of the Group, management has concluded that the Group's normal operating cycle is not clearly identifiable. Conclusively, it is assumed to be twelve months.

A liability is classified as current if it meets any of the following conditions:

- it is expected to be settled in the entity's normal operating cycle;
- it is held primarily for trading purposes;
- it is due to be settled within 12 months of the reporting date; or
- it is not subject to an unconditional right of the entity at the reporting date to defer settlement of the liability for at least 12 months after the reporting date.

Consequently, the Group determined the amounts of contract liabilities that are expected to be settled within 12 months of the reporting date vs. after 12 months from the reporting date, respectively. The amounts that are expected to be settled within 12 months are classified as current liabilities, whereas the amounts that are expected to be settled after 12 months from the reporting date are classified as non-current.

New standards and interpretations applied for the first time

The following amendments to standards and new or amended interpretations are effective for annual periods beginning on or after January 1, 2018, and have 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 IFRS 2: Classification and Measurement of Share- based Payment Transactions	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (IFRS 1, IAS 28)	January 1, 2018

1. Shall apply for periods beginning on or after the date shown in the effective date column.

The nature and effect of the application of IFRS 9 and IFRS 15 are summarized below. The other amendments had no effect on the interim consolidated financial statements of the Group.

IFRS 9 (Financial Instruments)

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively with any differences in the carrying amounts arising from the transition being recognized in equity as at January 1, 2018.

Classification

The standard contains a new classification and measurement approach for financial instruments that reflects the business model in which assets are managed and their cash flow characteristics. Based on the new measurement requirements, Affimed recognized its shares in Amphivena at fair value, which were previously recognized at amortized cost according to IAS 39. The transition effect increased other comprehensive income by €7.3 million as of January 1, 2018 (see note 12). The Group classified the shares as at fair value through other comprehensive income (FVOCI). Future changes in fair value

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will be recognized in other comprehensive income, dividends will be recognized as income in profit or loss.

Combined financial instruments are measured at fair value with changes therein recognized as finance income / (costs).

Impairment

The newly introduced impairment rules replace the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' ("ECL") model. This requires considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. Under IFRS 9, the Group has decided to measure loss allowances on the following basis:

- Cash and cash equivalents and financial assets: The Group determines the counterparties' 12-month ECLs that result from possible default events within the 12 months after the reporting date based on the probability of default according to the Bloomberg database.

- Trade receivables: The Group determines the counterparties' lifetime ECLs that result from all possible default events over the expected life of a financial instrument based on an estimated rating and corresponding probability of default rates according to the Bloomberg database.

Based on this methodology, incurred losses on cash and cash equivalents and on trade and other receivables as of January 1, 2018 had no material impact on the consolidated financial statements.

IFRS 15 (Revenue from contracts with customers)

IFRS 15 (Revenue from contracts with customers) establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

The Group analyzed its collaboration agreements and service contracts in the scope of IFRS 15 to identify performance obligations and an appropriate revenue recognition pattern. The Group concluded that IFRS 15 has no impact on the revenue recognition policy and revenue from current collaboration and service agreements which is recognized according to the stage of completion. No differences between the previously applied IASs and IFRS 15 for all open contracts as of December 31, 2017 were noted. Therefore, no transition effect as of January 1, 2018 was recorded.

New standards and interpretations not yet adopted

The following new standards and amendments to standards are effective for annual periods beginning after December 31, 2018, and have not been applied in preparing these consolidated financial statements.

Standard/Amendment	Effective Date [1]
IFRS 16 Leases	January 1, 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	January 1, 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	January 1, 2019
IFRIC 23: Uncertainty over Income Tax Treatments	January 1, 2019
Amendments to IAS 1 and IAS 8: Definition of Material	January 1, 2020

1. Shall apply for periods beginning on or after the date shown in the effective date column.

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IFRS 16 (Leases)

The new standard specifies how to recognize, measure, present and disclose lease agreements. Affimed will be required to recognize “right-of-use” assets related to its premises rented and certain equipment leased.

The Group has completed an assessment of the impact of IFRS 16 on its consolidated financial statements and has identified the Group’s leases including contractual payments, renewal options, and other terms. The most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases of office space and research and development facilities. Based on the information currently available, the Group estimates that it will recognize right-of-use assets and corresponding lease liabilities of approximately €0.7 million as at January 1, 2019. In accordance with the standard, the Group makes use of recognition exemption on transition for lessee. On transition, the Group elects to not apply the lessee accounting model to short-term leases and leases of low-value items.

The Group plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 – if any – will be recognised as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information. For periods beginning on January 1, 2019, the Group will recognise depreciation expense for right-of-use assets and interest cost related to future lease liabilities instead of operating lease expenses. In addition, repayments of lease liabilities will be shown separately within the statements of cash flow.

The other amended standards are not expected to have a significant effect on the consolidated financial statements of the Group.

4. Segment reporting

(i) Information about reportable segment

The Group is active in the discovery, pre-clinical and clinical development of antibodies based on its core technology. The activities are either conducted as own project development or for third party companies. Management of resources and reporting to the chief operating 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 country. In presenting the following information, segment revenue has been based on the geographic location of the customers and segment assets were based on the geographic location of the assets.

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

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	2018	2017	2016
Revenue:			
Germany	31	80	6
Europe	1,175	1,236	1,397
USA	22,529	694	4,911
	23,735	2,010	6,314
Non-current assets as of December 31:			
Germany	1,224	957	618
Czech Republic	246	221	259
USA	3,825	—	—
	5,295	1,178	877

(iii) Other revenue information

	2018	2017	2016
Major service lines:			
Collaboration revenue	22,018	390	3,866
Service revenue	1,717	1,620	2,448
	23,735	2,010	6,314
Revenue:			
Point in time	21,863	233	1,191
Over time	1,872	1,777	5,123
	23,735	2,010	6,314

(iv) Major Customers

For the years ended December 31, 2016 and 2017, the Group's revenue with three and four customers, respectively, exceeded 10% of total revenues. In 2018, the Group's revenue with Genentech Inc. exceeded 10% of total revenues.

5. Revenue

Collaboration agreement with Amphivena

Until July 2016, Affimed was party to a collaboration with 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 U.S. Food and Drug Administration (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 ended December 31, 2016 and 2017, the Company recognized revenue upon achievement of milestones and for the performance of research and development services (net of Affimed's share in funding Amphivena) totaling €3.4 million and €0.2 million, respectively.

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Collaboration agreement The Leukemia & Lymphoma Society (LLS)

Affimed is party to a collaboration with LLS to fund the development of a specific product candidates (immune cell engagers). 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.

During the years ended December 31, 2016, 2017 and 2018, the Group achieved several milestones and recognized revenue totaling €0.4 million, €0.2 million and €0.2 million, respectively.

Collaboration with Genentech Inc.

In August 2018, Affimed entered into a strategic collaboration agreement with Genentech Inc., headquartered in South San Francisco, USA. Under the terms of the agreement Affimed will develop novel NK cell engager-based immunotherapeutics to treat multiple cancers. The Genentech agreement became effective at the beginning of October 2018. Under the terms of the agreement, Affimed received $96.0 million (€83.2 million) in an initial upfront payment and committed funding on October 31, 2018. The Group recognized €21.8 million as revenue in 2018 and €61.4 million under contract liabilities, which will be recognized as revenue in subsequent periods.

Under the terms of the agreement, Affimed is eligible to receive up to an additional $5.0 billion over time, including payments upon achievement of specified development, regulatory and commercial milestones. Affimed is also eligible to receive royalties on any potential sales.

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 €2.4 million, €1.6 million and €1.7 million during the years ended December 31, 2016, 2017 and 2018, respectively.

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	December 31, 2017	December 31, 2018
Receivables	210	580
Contract liabilities	230	61,847

The total amount of €230 recognized in contract liabilities at the beginning of the period has been recognized as revenue for the year ended December 31, 2018.

The remaining performance obligations at December 31, 2018 are approximately €61.8 million and are expected to be recognized as revenue to a large extent over the next two years.

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6. Other income and expenses - net

Other income and expenses, net mainly comprises income from government grants for research and development projects of €10 (2017: €195, 2016: €171) and foreign exchange gains of €1,523 (2017: losses of €7, 2016: losses of €29).

7. Research and development expenses

The following table shows the different types of expenses allocated to research and development costs for the years ended December 31:

	2018	2017	2016
Third-party services	22,127	12,299	20,170
Personnel expenses	8,055	5,639	6,648
Legal, consulting and patent expenses	1,672	890	758
Cost of materials	1,140	994	1,028
Amortisation and depreciation	351	309	322
Operating lease expenses	401	345	297
Other expenses	1,402	1,013	957
	35,148	21,489	30,180

8. General and administrative expenses

The following table shows the different types of expenses allocated to general and administrative costs for the years ended December 31:

	2018	2017	2016
Personnel expenses	4,929	4,521	4,729
Legal, consulting and audit fees	2,881	1,945	2,210
Operating lease expenses	162	126	111
Other expenses	1,666	1,394	1,273
	9,638	7,986	8,323

9. Employee benefits

The following table shows the items of employee benefits for the years ended December 31:

	2018	2017	2016
Wages and salaries	10,027	7,475	7,445
Social security costs	1,092	931	807
	11,119	8,406	8,252

The employer's contributions to pension insurance plans of €502 (2017: €438, 2016: €362) are classified as payments under a defined contribution plan, and are recognized as an expense.

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10. Finance income and finance costs

The following table shows the items of finance income and costs for the years ended December 31:

	2018	2017	2016
Interest Perceptive Loan Agreement (see note 17)	—	—	(762)
Other finance cost Perceptive Loan Agreement (see note 17)	—	—	(242)
Interest SVB Loan Agreement (see note 17)	(847)	(690)	(41)
Foreign exchange differences	651	(2,378)	691
Interest on certificates of deposit with maturities of more than three months (see note 13)	5	77	122
Other finance income/finance costs	251	8	2
Finance income/costs - net	60	(2,983)	(230)

11. Income taxes

The Group did not incur any material income tax in the periods presented. As of December 31, 2018 deferred tax liabilities from temporary differences result mainly from borrowings (€75; 2017: €152) and long term financial assets (€774). Deferred tax assets from differences resulting from trade and other receivables (€334; 2017: €259), intangible assets (€415; 2017: €405) and trade and other payables (€27; 2017: €17) 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 Group's applicable tax rate is presented below for the years ended December 31:

	2018	2017	2016
Loss before tax	(19,476)	(30,243)	(32,274)
Income tax benefit at tax rate of 29.825 %	5,809	9,020	9,626
Adjustments due to impairment of deferred tax assets	(5,318)	(9,036)	(8,747)
Permanent differences	(462)	(93)	(948)
Adjustments for local tax rates	(34)	195	12
Non deductible expenses	(53)	16	154
Other	57	(82)	(38)
Income taxes	(1)	20	58

In Germany, Affimed has tax losses carried forward of €163.8 million (2017: €146.8 million) for corporate income tax purposes and of €163.4 million (2017: €146.4 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 in case of a change of control of ownership in Affimed were mitigated by the enactment of the Economic Growth Acceleration Act (*Wachstumsbeschleunigungsgesetz 2009*). 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 Group. 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.

Tax losses of Abcheck amount to €423 as at December 31, 2018.

12. Long term financial assets

As of January 1, 2018, the Group held preferred shares in Amphivena, which were previously recognized at amortized costs according to IAS 39. Due to the first-time adoption of IFRS 9 these shares are recognized at fair value through other comprehensive income. The initial recognition as of

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January 1, 2018 amounted to €7.3 million. As at December 5, 2018, following a reverse stock-split, the preferred shares were converted into 831,071 preferred shares at a conversion price of $3.59.

On December 27, 2017, the Group signed a note purchase agreement with Amphivena (the "2017 note purchase agreement") pursuant to which Amphivena issued to the Group a convertible note with a principal amount of $0.35 million (the "2017 note") and warrants to purchase 46,667 common shares of Amphivena with an exercise price of $0.01 per common share.

On June 22, 2018, the Group signed a second note purchase agreement with Amphivena (the "2018 note purchase agreement") pursuant to which Amphivena issued to the Group a new convertible note with a principal amount of $1.0 million, and cancelled all warrants previously issued to the Group under the 2017 note purchase agreement. In December 2018, the principal amount of the convertible notes plus accrued interest totaling $1.4 million was converted at a conversion rate of $3.59 per share into 389,484 Class C preferred shares of Amphivena.

As at December 31, 2018 the Group holds 1,220,555 preferred shares in Amphivena with a fair value of €3.8 million. The Group recognized losses from the change in fair value of €4.7 million including €32 exchange rate losses in other comprehensive income (OCI). Interest gains of €13 and exchange rate gains of €39 related to the convertible notes were recognized in profit and loss.

13. Financial assets

As of December 31, 2018, financial assets consisted of U.S. Dollar denominated certificates of deposit with original maturities of more than three months.

14. Trade and other receivables

The trade receivables as of December 31, 2018 and 2017, of €210 and €580, respectively, are all due in the short-term, do not bear interest and are not impaired. As of December 31, 2017, receivables of €219 were overdue. Other receivables are all due short-term and mainly comprise value-added tax receivables of €839 (2017: €186).

15. Equity

As of December 31, 2018, the share capital of €624 (2017: €468) is composed of 62,430,106 (2017: 46,791,352) common shares with a par value of €0.01.

In the first quarter of 2018, the Group issued 2,373,716 common shares in connection with its at-the-market sales agreement for net proceeds of €3.75 million.

On February 15, 2018, the Group issued 13,225,000 common shares in a public offering at a price of $2.00 per common share resulting in aggregate net proceeds of €19.65 million.

On June 19, 2018, the authorized share capital was increased from €2,196 to €3,120 to consisting of 155,975,000 common shares and 155,975,000 cumulative preference shares, each with a par value of €0.01 per share.

16. Share based payments

In 2014, an equity-settled share-based payment program was established by Affimed N.V. (ESOP 2014).

Under this program, the Group granted awards to certain members of the Management Board, the Supervisory Board, non-employee consultants and employees.

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Share based payments with service condition

The majority of the awards vest in installments over three years and can be exercised up to 10 years after the grant date. The Group granted 1,436,075 awards in 2017 and 2,332,296 awards in 2018 to employees, the Management Board and others providing similar services (certain consultants).

In 2018, 424,688 ESOP 2014 awards were cancelled or forfeited due to termination of employment or termination of consulting agreements with non-employees (2017: 399,552), and 40,038 ESOP 2014 awards were exercised in 2018 at an average exercise price of $1.98.

As of December 31, 2018, 5,948,438 ESOP 2014 awards were outstanding (December 31, 2017: 4,080,868), 2,814,547 awards (December 31, 2017: 2,001,264) were vested. The options outstanding at December 31, 2018 had an exercise price in the range of $1.30 to $13.47 (2017: $1.80 to $13.47) and weighted average remaining contractual life of 9.3 years (2017: 8.4 years). In 2018, the Group estimated an annual forfeiture rate of 4.0% for unvested options.

Share based payments with market condition

On April 20, 2018, Affimed issued 240,000 options, of which each grant consists of three tranches that vest when the volume-weighted average share price (measured based on Affimed closing share prices over the preceding fifteen trading days) reaches a certain hurdle ($6.15, $8.20 and $10.25). Fair value of the awards at grant date amounts to €133 ($164 thousand) and the contractual life time of the options is two years. As at December 31, 2018 no options were exercisable.

Share based payment expense

In 2018, an expense of €2,035 was recognized affecting research and development expenses (€852) and general and administrative expenses (€1,183). In 2017, an expense of €1,943 was recognized affecting research and development expenses (€522) and general and administrative expenses (€1,421). In 2016, an expense of €3,545 was recognized affecting research and development expenses (€1,178) and general and administrative expenses (€2,367).

Fair value measurement

The fair value of options was determined using the Black-Scholes valuation model. The significant inputs into the valuation model of share based payment grants with service conditions are as follows (weighted average):

	2018	2017
Fair value at grant date	$ 1.20	$ 1.10
Share price at grant date	$ 1.91	$ 2.00
Exercise price	$ 1.92	$ 2.03
Expected volatility	72 %	70 %
Expected life	5.90	5.90
Expected dividends	0.00	0.00
Risk-free interest rate	0.34 %	(0.23)%

Expected volatility is estimated based on the observed daily share price returns of a peer group measured over a historic period equal to the expected life of the awards.

17. Borrowings

Silicon Valley Bank

On November 30, 2016, the Group entered into a loan agreement with Silicon Valley Bank (the “SVB loan”) which provides the Group with a senior secured term loan facility originally for up to €10.0

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million, which agreement was amended in May 2017 to provide that such amount would be available in three tranches. In December 2016, the Group drew an initial tranche of €5.0 million and in May 2017, a second tranche of €2.5 million; the availability of a third tranche of €2.5 million expired in September 2017 with such amount remaining undrawn.

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 €236 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 the lender 166,297 and 53,395 warrants with an exercise price of $2.00 and $2.30 per share, respectively. Each warrant can be used to purchase common shares of Affimed at the respective exercise price for a period of ten years from the grant date. The fair value of the warrants of €192 less deferred taxes and transaction costs of €81 and €8, respectively, was recorded as an addition to capital reserves in equity. The fair value of the warrants was determined using the Black-Scholes-Merton valuation model, with an expected volatility of 75-80% and an expected exercise period of five years to exercise of the warrant. The contractual maturity of the warrants is ten years.

The loan is secured by a pledge of 100% of Group's ownership interest in Affimed GmbH, all intercompany claims owed to Affimed N.V. by its subsidiaries, and collateral agreements for all bank accounts, inventory, trade receivables and other receivables of Affimed N.V. and Affimed GmbH recognized in the consolidated financial statements with the following book values:

	Book value as of December 31, 2018		Book value as of December 31, 2017	
	Consolidated financial statements	thereof assets pledged	Consolidated financial statements	thereof assets pledged
Leasehold improvements and equipment	1,414	1,174	1,113	891
Inventories	260	235	241	219
Trade and other receivables	1,429	1,007	1,102	328
Other assets	387	—	800	292
Financial assets	13,974	13,974	—	—
Cash and cash equivalents	94,829	92,933	39,837	38,726
	112,293	109,323	43,093	40,456

As of December 31, 2018 and 2017, the fair value of the liability did not differ significantly from its carrying amount (€4,773 and €7,169). The loan has a maturity date of May 31, 2020, repayment started in December 2017 with amortized payments of principal and interest in equal monthly installments. As of December 31, 2018, €3,083 (2017: €3,083) were classified as current liabilities.

18. Trade and other payables

Trade and other payables comprise trade payables of €8,482 (2017: €3,380). Other payables mainly comprise payroll and employee related liabilities for withholding taxes and social security contributions of €885 (2017: €514) and payables due to employees for outstanding bonus, unused holidays and other accruals. Other payables are normally settled within 30 days.

19. Operating leases and other commitments and contingencies

(i) 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 agreements have an average non-cancellable term of between one and four years with renewal options included in some contracts. In 2018, lease expenses of €562 and license fees of €124 have been recognized in consolidated statement of comprehensive loss (2017: €472 and €174; 2016: €409 and €405).

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

	2018	2017
Within one year	637	470
Between one and five years	517	363
	1,154	833

(ii) 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.

20. Related parties

(i) Shareholders

As of December 31, 2018 and 2017, no shareholder holds more than 20% of the voting rights.

(ii) Transactions with key management personnel

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

	2018	2017	2016
Short-term employee benefits	2,683	1,538	1,879
Termination benefits	—	—	430
Share-based payments	1,229	1,379	2,292
	3,912	2,917	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. received compensation for their services on the supervisory board of €382 (2017: €375; 2016: €350). In 2018, the Group recognized expenses for share-based payments for supervisory board members of €117 (2017: €144, 2016: €381).

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

Dr. Ulrich Grau is a significant shareholder and Chairman of the Board of Directors of i-novion Inc., which was engaged by the Group to conduct preclinical services. In 2016, i-novion Inc. received related payments of €86.

Jens-Peter Marschner rendered consulting services amounting to €29 in 2016.

Notes to the consolidated financial statements
(in € thousand)

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

	Outstanding balances	
	December 31, 2018	December 31, 2017
Martin Treder	9	—
Leila Alland	40	—
Thomas Hecht	21	19
Richard Stead	—	12
Berndt Modig	10	9
Ferdinand Verdonck	11	10
Ulrich Grau	21	17
Bernhard Ehmer	17	10

21. Financial risk management

(i) Financial risk management objectives and policies

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

(ii) Credit risk

The Group's financial assets comprise to a large extent cash and cash equivalents. In addition, financial assets include shares, certificates of deposit, trade and other receivables and in 2017, a convertible loan and warrants. The total carrying amount of shares (€3.8 million), cash and cash equivalents (€94.8 million, 2017: €39.8 million), trade and other receivables (€1.4 million, 2017: €1.1 million), certificates of deposit (€14.0 million) and in 2017, convertible notes and warrants of Amphivena (€0.3 million), represents the maximum credit exposure of €114.1 million (2017: €41.2 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.

(iii) Interest rate risk

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 Group borrowed €7.5 million with an outstanding balance of €4.8 million as at December 31, 2018, 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 as well as on term deposits were low in 2018, resulting in interest income of €264 in 2018. A shift in interest rates (increase or decrease) would not have a material impact on the loss of the Group.

Notes to the consolidated financial statements
(in € thousand)

(iv) Other price risks

The fair value of the shares in Amphivena depends on the share price. The total exposure of the Group amounts to €3.8 million.

(v) 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) and British Pound (GBP). The net exposure as of December 31, 2018 was €47,524 (2017: €18,768) and mainly relates to US Dollars.

In 2018, if the Euro had weakened/strengthened by 10% against the US dollar with all other variables held constant, the loss would have been €4,787 (2017: €1,887) 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 more sensitive to movement in exchange rates shifts in 2018 than in 2017 because of the increased volume of US dollar-denominated transactions.

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

	2018 CZK or USD/EUR	2017 CZK or USD/EUR	2016 CZK or USD/EUR
CZK - Average Rate	0.03899	0.03799	0.03699
CZK - Spot rate	0.03887	0.03916	0.03701
USD - Average Rate	0.84674	0.88519	0.90404
USD - Spot rate	0.87336	0.83382	0.94868

(vi) 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 2016, 2017 and February 2018, Affimed raised significant funding that it estimates will enable the Group to fund operating expenses and capital expenditure requirements into 2021.

In 2015, the Group has entered into an at-the-market sales agreement with Cowen & Group, LLC under which €5.1 million in net proceeds has been raised in 2017.

In 2017, the Group issued 10,646,762 common shares in a public offering at a price of $1.80 per common share for net proceeds of €16.4 million.

In 2018, the Group issued 13,225,000 common shares in a public offering at a price of $2.00 per common share for net proceeds of approximately €19.7 million and 2,373,716 common shares in connection with its at-the-market sales agreement for net proceeds of €3.8 million (see note 15).

Notes to the consolidated financial statements
(in € thousand)

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.

(vii) 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.

22. Subsequent events

In March 2019, Affimed has announced the achievement of a preclinical milestone under its ongoing strategic collaboration with Genentech. This triggered a milestone payment which amount may not be disclosed under the regulations of the Genentech collaboration.

In line with the strategic focus on the Company's innate immunity portfolio, Affimed made the decision to terminate the Phase 1 clinical program of AFM11, a CD19/CD3-targeting bispecific T cell engager, in May 2019. This decision took into consideration the competitive landscape of B-cell directed therapies currently in development and associated resources needed for further development of AFM11. In May 2019, the Company received notification from the FDA that additional data would be needed to determine whether the AFM11 clinical hold may be lifted. Affimed has informed the FDA of its intention to terminate the clinical program.

Company Financial Statements

Balance sheet of Affimed N.V.

Profit and loss account of Affimed N.V.

Notes to the financial statements of Affimed N.V.

Company balance sheet as at December 31, 2018

(before appropriation of result of the year)

In € thousand	Note	December 31, 2018	December 31, 2017
Assets			
Non current assets			
Financial fixed assets	25	14.953	3.852
Total non current assets		**14.953**	**3.852**
Current assets			
Receivables from subsidiaries	26	902	0
Other receivables		922	5
Cash and cash equivalents	27	24.971	28.429
Total current assets		**26.795**	**28.434**
Total assets		**41.748**	**32.286**
Equity and liabilities			
Shareholders' equity	28		
Issued capital		624	468
Share premium		135.365	112.123
Other reserves		(78.977)	9.240
Revaluation reserve		2.594	0
Unappropriated result		(19.477)	(90.252)
Total equity		**40.129**	**31.579**
Current liabilities			
Payables to subsidiaries	26	638	100
Other current payables	29	981	607
Total current liabilities		**1.619**	**707**
Total liabilities		**1.619**	**707**
Total equity and liabilities		**41.748**	**32.286**

Company profit and loss account

In € thousand	Note	For the year ended December 31, 2018	For the year ended December 31, 2017
Share in results from participating interests after taxation	25	(14.329)	(22.812)
Other result after taxation	31	(5.148)	(7.411)
Net result		**(19.477)**	**(30.223)**

Notes to the Company financial statements for the year ended 31 December 2018

23. 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. in 2014.

Affimed is a clinical-stage biopharmaceutical company focused on discovering and developing highly targeted cancer immunotherapies. The Company's product candidates are 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. Affimed has its own research and development programs, strategic collaborations and service contracts, where the Company is performing research services for third parties.

These Company financial statements and the consolidated financial statements together constitute the statutory financial statements of Affimed. The financial information of the Company is included in the Company's consolidated financial statements, as presented on pages 47 to 73.

24. Basis of preparation

The Company financial statements of Affimed N.V. have been prepared on the basis that the Company will be able to continue as a going concern. Affimed believes that the existing cash and cash equivalents and financial assets will enable the Company to fund its operating expenses and capital expenditure requirements into 2021.

These 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 results 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 are the same as those applied for the consolidated EU-IFRS financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. In case no other principles are mentioned, refer to the accounting principles as described in the consolidated financial statements. For an appropriate interpretation of these statutory financial statements, the Company financial statements should be read in conjunction with the consolidated financial statements.

Information on the use of financial instruments and on related risks for the group is provided in the notes to the consolidated financial statements of the group.

All amounts in the company financial statements are presented in EUR thousand, unless stated otherwise.

Participating interests in group companies

Group companies are all entities in which the Company has directly or indirectly control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the group company and has the ability to affect those returns through its power over the group company. Group companies are recognised from the date on which control is obtained by the Company and derecognised from the date that control by the Company over the group company ceases. Participating interests in group companies are accounted for in the Company financial statements according to the equity method, with the principles for the recognition and measurement of assets and liabilities and determination of results as set out in the notes to the consolidated financial statements.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant participating interest, or if has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

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 Company makes use of the option to eliminate intragroup expected credit losses against the book value of loans and receivables from the Company to participating interests, instead of elimination against the equity value of the participating interests.

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 profit and loss account of the Company exclusively states the share in the result of participating interests after taxation and the other result after taxation.

25. Financial fixed assets

Financial fixed assets solely relate to the investment of the Company in its fully owned subsidiary Affimed GmbH, with statutory seat in Heidelberg, Germany. We refer to note 30 for the pledge of the shares in Affimed GmbH.

Movements in the net asset value of Affimed GmbH during the year were as follows:

In € thousand	Affimed GmbH
Net asset value as at January 1, 2018	**3,852**
Capital contribution	22,836
Effect of change in fair value of Amphivena shares	2,594
Share in result of participating interest	(14,329)
Net asset value as at December 31, 2018	**14,953**

During the year 2018 a capital contribution of € 22,836 thousand was made, financed by the issuance of shares (see note 28).

Affimed GmbH holds preferred shares in Amphivena, which were previously recognized at amortized costs according to IAS 39. Due to the first-time adoption of IFRS 9 these shares are recognized at fair value through other comprehensive income. The effect of first-time adoption of IFRS 9 with regard to the valuation of these shares and the change in value during the year 2018 amount to € 2,594 thousand (see note 28).

26. Receivables from/payables to subsidiaries

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

27. Cash and cash equivalents

Cash and cash equivalents have been fully pledged. We refer to note 30.

28. Equity

As of December 31, 2018 the number of issued common shares is 62,430,106 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 the 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	Share premium	Other reserves	Revaluation reserve	Unappropriated result	Total equity
January 1, 2017	**333**	**91,201**	**7,246**	**-**	**(60,029)**	**38,751**
Issue of common shares	135	22,988	-	-	-	23,123
Share issuance costs	-	(2,066)	-	-	-	(2,066)
Issue of warrant note	-	-	51	-	-	51
Net result	-	-	-	-	(30,223)	(30,223)
Share-based payments	-	-	1,943	-	-	1,943
December 31, 2017	**468**	**112,123**	**9,240**	**-**	**(90,252)**	**31,579**
Revaluation shares Amphivena (first time adoption IFRS 9)	-	-	-	7,325	-	7,325
January 1, 2018	**468**	**112,123**	**9,240**	**7,325**	**(90,252)**	**38,904**
Issue of common shares	156	24,886	-	-	-	25,042
Share issuance costs	-	(1,715)	-	-	-	(1,715)
Exercise of share-based payments awards	-	71	-	-	-	71
Allocation of accumulated losses	-	-	(90,252)	-	90,252	-
Net result	-	-	-	-	(19,477)	(19,477)
Other comprehensive income	-	-	-	(4,731)	-	(4,731)
Share-based payments	-	-	2,035	-	-	2,035
December 31, 2018	**624**	**135,365**	**(78,977)**	**2,594**	**(19,477)**	**40,129**

Issued capital and share premium

In the first quarter of 2018, Affimed issued 2,373,716 common shares in connection with its at-the-market sales agreement for net proceeds of €3.8 million.

On February 15, 2018, the Company issued 13,225,000 common shares in a public offering at a price of $2.00 per common share resulting in aggregate net proceeds of €19.7 million.

According to the articles of association of the Company, which were amended on June 19, 2018, up to 155,975,000 common shares and 155,975,000 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, 2018 no preferred shares have been issued.

The share premium concerns the net proceeds (less issuance costs) from the issuance of shares insofar as these exceed the nominal value of the shares (above par value).

Other reserves

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 profit and loss account. 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.

Revaluation reserves

As of January 1, 2018, Affimed GmbH held preferred shares in Amphivena, which were previously recognized at amortized costs according to IAS 39. Due to the first-time adoption of IFRS 9 these shares are recognized at fair value through other comprehensive income. The initial recognition as of January 1, 2018 amounted to €7,325 thousand. As of December 31, 2018, an impairment loss was recognized of €4,731 thousand. The Company uses "Revaluation reserves" as the equity classification for these changes totaling €2,594 thousand in fair value of these shares (see also note 25).

Unappropriated result

The result after tax for 2018 is included in the unappropriated result. The company can only make payments to the shareholders and other parties entitled to the distributable profit in so far as the shareholders' equity exceeds the paid-up and called-up part of the capital plus the legal reserves and statutory reserves under the articles of association to be maintained.

29. Other current payables

In € thousand	December 31, 2018	December 31, 2017
Trade payables	602	117
Social security and wage tax	333	170
Other liabilities	46	320
Total	981	607

All current payables are short-term.

30. 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, which agreement was amended in May 2017 to provide that such amount would be available in three tranches. As of December 31, 2017 Affimed GmbH has drawn the first two tranches totaling €7.5 million; the availability of a third tranche of €2.5 million expired in September 2017 with such amount remaining undrawn. Pursuant to the loan agreement, the Company granted 219,692 warrants to SVB to purchase Affimed's common shares.

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 €41.7 million in the Company's financial statements at December 31, 2018).

31. Other result after taxation

In € thousand	2018	2017
Other income (service fee)	958	705
General and administrative expenses	(7,618)	(6,070)
Other gains/(losses) – net	53	3
Net operating result	(6,607)	(5,362)
Financial income	2,117	247
Financial expense	(658)	(2,296)
Net financial result	1,459	(2,049)
Result before taxation	(5,148)	(7,411)
Taxation	-	-
Result after taxation	(5,148)	(7,411)

The Company has entered into a service agreement with 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.

32. Employee benefits and number of employees

The average number of employees during 2018 was 3 employees and consisted of managing directors only. The managing director's compensation is shown in note 33.

33. Related-party transactions

Director's remuneration 2018

Managing directors

(in € thousand)	Hoess	F. Fischer	W. Fischer	Total
Periodically paid compensation	462	351	351	1,164
Bonuses	315	180	182	677
Total cash compensation	**777**	**531**	**533**	**1,841**
2014 Plan share-based payment expense[1]	575	249	153	977
Total share-based payment expense	**575**	**249**	**153**	**977**

Supervisory directors

(in € thousand)	Hecht	Ehmer	Grau	Modig	Simon	Stead	Verdonck	Total
Periodically paid compensation	120	48	64	49	21	21	59	382
Total cash compensation	**120**	**48**	**64**	**49**	**21**	**21**	**59**	**382**
2014 Plan share-based payment expense[1]	32	21	21	18	7	-	18	117
Total share-based payment expense	**32**	**21**	**21**	**18**	**7**	**-**	**18**	**117**

Dr. Simon was appointed as supervisory director on June 19, 2018.

Dr. Stead left the supervisory board on June 19, 2018. He received a cash compensation of €21 thousand in 2018.

Director's remuneration 2017

Managing directors

(in € thousand)	Hoess	F. Fischer	W. Fischer	Total
Periodically paid compensation	443	336	106	885
Bonuses	94	59	19	172
Total cash compensation	**537**	**395**	**125**	**1,057**
2014 Plan share-based payment expense[1]	867	348	54	1,269
Total share-based payment expense	**867**	**348**	**54**	**1,269**

Dr. Wolfgang Fischer serves as COO since September 11, 2017.

Supervisory directors

(in € thousand)	Hecht	Ehmer	Grau	Modig	Stead	Verdonck	Total
Periodically paid compensation	116	42	57	54	44	62	375
Total cash compensation	**116**	**42**	**57**	**54**	**44**	**62**	**375**
2014 Plan share-based payment expense[1]	34	24	35	17	17	17	144
Total share-based payment expense	**34**	**24**	**35**	**17**	**17**	**17**	**144**

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

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 20 of the consolidated financial statements.

Stock options granted under the Equity Incentive Plan 2014

Awards granted in 2018

Managing directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Adi Hoess	April 20, 2018	425,000	2.15	April 20, 2028
Adi Hoess	April 20, 2018	120,000	2.15	April 20, 2020
Adi Hoess	December 19, 2018	35,091	3.12	December 19, 2028
Florian Fischer	April 20, 2018	190,000	2.15	April 20, 2028
Florian Fischer	April 20, 2018	72,000	2.15	April 20, 2020
Florian Fischer	December 19, 2018	19,905	3.12	December 19, 2028
Wolfgang Fischer	April 20, 2018	150,000	2.15	April 20, 2028
Wolfgang Fischer	April 20, 2018	48,000	2.15	April 20, 2020
Wolfgang Fischer	December 19, 2018	19,959	3.12	December 19, 2028
Total		**1,079,955**		

Supervisory directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Thomas Hecht	June 19, 2018	35,000	2.03	June 19, 2028
Bernhard Ehmer	June 19, 2018	20,000	2.03	June 19, 2028
Ulrich Grau	June 19, 2018	20,000	2.03	June 19, 2028
Berndt Modig	June 19, 2018	20,000	2.03	June 19, 2028
Mathieu Simon	June 19, 2018	20,000	2.03	June 19, 2028
Ferdinand Verdonck	June 19, 2018	20,000	2.03	June 19, 2028
Total		**135,000**		

Awards granted in 2017

Managing directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Adi Hoess	June 20, 2017	400,000	2.05	June 20, 2027
Florian Fischer	June 20, 2017	180,000	2.05	June 20, 2027
Wolfgang Fischer	September 11, 2017	250,000	2.05	September 11, 2027
Total		**830,000**		

Supervisory directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Thomas Hecht	June 20, 2017	20,000	2.05	June 20, 2027
Bernhard Ehmer	June 20, 2017	10,000	2.05	June 20, 2027
Ulrich Grau	June 20, 2017	10,000	2.05	June 20, 2027
Berndt Modig	June 20, 2017	10,000	2.05	June 20, 2027
Richard Stead	June 20, 2017	10,000	2.05	June 20, 2027
Ferdinand Verdonck	June 20, 2017	10,000	2.05	June 20, 2027
Total		**70,000**		

For further disclosure related to the stock 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).

34. 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. 2018	Other KPMG network 2018	Total KPMG 2018
Audit of the financial statements	42	104	146
Other audit engagements	-	186	186
Tax-related advisory services	-	-	-
Other non-audit services	-	6	6
	42	296	338

(in € thousand)	KPMG Accountants N.V. 2017	Other KPMG network 2017	Total KPMG 2017
Audit of the financial statements	39	103	142
Other audit engagements	-	99	99
Tax-related advisory services	-	-	-
Other non-audit services	-	3	3
	39	205	244

35. Subsequent events

In March 2019, Affimed has announced the achievement of a preclinical milestone under its ongoing strategic collaboration with Genentech. This triggered a milestone payment which amount may not be disclosed under the regulations of the Genentech collaboration.

In line with the strategic focus on the Company's innate immunity portfolio, Affimed made the decision to terminate the Phase 1 clinical program of AFM11, a CD19/CD3-targeting bispecific T cell engager, in May 2019. This decision took into consideration the competitive landscape of B-cell directed therapies currently in development and associated resources needed for further development of AFM11. In May 2019, the Company received notification from the FDA that additional data would be needed to determine whether the AFM11 clinical hold may be lifted. Affimed has informed the FDA of its intention to terminate the clinical program.

Signing of the financial statements

May 31, 2019

Originally signed by:

Management Board:

Dr. Adi Hoess, CEO

Dr. Florian Fischer, CFO

Dr. Wolfgang Fischer, COO

Supervisory Board:

Dr. Thomas Hecht, Chairman

Dr. Bernhard Ehmer

Dr. Ulrich Grau

Berndt Modig

Dr. Mathieu Simon

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.

Branch offices

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

- Affimed GmbH, Germany

- Affimed Inc., USA

- AbCheck s.r.o., Czech Republic

- AbCheck Inc., USA

Other participation

- Amphivena Therapeutics Inc., USA (participation of ca. 7%)

Independent auditor’s report

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

Independent auditor's report

To: the General Meeting of Shareholders and Supervisory Board of Affimed N.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

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 2018 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (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 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2018 of Affimed N.V. (the Company) based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2018;

2 the following consolidated statements for 2018: the statements 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 2018;

2 the company profit and loss account for the year ended 31 December 2018; 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 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality
— Materiality of EUR 360 thousand — 0.5% of total assets

Group audit
— 99% of total assets — 100% of loss before tax

Key audit matters
— Completeness of accruals and related research and development expenses — Accounting for the research collaboration and license agreement with Genentech Inc.

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 360 thousand (2017: EUR 225 thousand). The materiality is determined with reference to total assets (0.5% (2017: 0.5%)). We consider total assets as the most appropriate benchmark because the Company is currently in its research and development phase and thus is predominantly focused on asset development/capital expenditure.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 18 thousand which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Affimed N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of Affimed N.V.

Our group audit mainly focused on significant components. Of the group's 5 components, we subjected 2 to full-scope audit for group purposes and 1 to audit of account balance. These components were selected based on their individual finance significance or because they are likely to include significant risks of material misstatement due to their specific nature or circumstances. 'Full scope components' were subject to an audit of the complete reporting package. 'Audit of account balance scope component' was not individually financially significant enough to require an audit for group reporting purposes but was included in the scope of our group reporting work in order to provide additional coverage. These 3 components are accounted for 99% (2017: 100%) of total consolidated assets and 100% (2017: 100%) of consolidated loss before tax. For the 2 remaining components, we performed an analysis at an aggregated group level to corroborate the group engagement team's conclusions that there were no significant risks of material misstatement within this components.

The group audit team provided detailed instructions to the component auditor, KPMG Germany, who was part of the group audit, covering the significant audit areas, including the relevant risks of material misstatement and set out the information required to be reported back to the group audit team. During the communication with KPMG Germany, the planning of our audit, our risk assessment, our audit approach and the key audit findings and objectives were discussed. Telephone conference meetings were also held with the component auditor, in which, amongst others, the findings reported to the group team were discussed in more detail, and any further work required by the group team was then performed by the component auditor. The group audit team has reviewed the files of KPMG Germany.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Audit scope in relation to fraud and non-compliance with laws and regulations

Fraud

In accordance with the Dutch Standards on Auditing we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. In determining the audit procedures we will make use of the evaluation of management in relation to fraud risk management (prevention, detection and response), including ethical standards to create a culture of honesty.

In our process of identifying fraud risks we assessed fraud risk factors, which we discussed with the Management Board and the Supervisory Board. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Based on the auditing standards we addressed the following presumed fraud risks that were relevant to our audit:

— fraud risk in relation to the revenue recognition;

— fraud risk in relation to management override of controls.

Our audit procedures included an evaluation of the of internal controls relevant to mitigate these risks and supplementary substantive audit procedures, including detailed testing of high risk journal entries and documentation in relation to Genentech Inc. collaboration.

Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our procedures to address fraud risks did not result in findings to be included in this audit report.

Non-Compliance with laws and regulations

We also assessed factors related to the risk of non-compliance with laws and regulations which could have a direct or indirect impact on the financial statements. We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience, through discussion with the directors and other management (as required by auditing standards) and discussed the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations within our audit team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements, such as relevant tax laws and financial reporting standards and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to other, sector specific, laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas of laws and regulation as those most likely to have such an effect: healthcare legislation including various drug approval processes and health and safety regulation, employment legislation and environmental legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of the directors and other management and inspection of board minutes and regulatory and legal correspondence, if any. These are part of our procedures on the related financial statement items.

Our procedures to address the risk of non-compliance risks did not result in findings to be included in this audit report.

With respect to laws and regulations, the further non-compliance (irregularities) is removed from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board of Affimed N.V. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Completeness of accruals and related research and development expenses

Description

The Company is dependent on the timely invoicing of suppliers, mainly for clinical trials, for the proper accounting of accruals related to research and developments. As suppliers of clinical trials have not timely invoiced their services rendered in the past, those accruals need to be estimated based on management judgement, which amongst others is dependent on appropriate communication from suppliers. An overly incomplete assessment of costs incurred by suppliers of clinical trial-related products and services and inappropriate feedback from suppliers may result in incomplete accruals at year end. Therefore, in our audit planning we identified a risk that the accruals and respective expenses related to clinical trials could be understated, which could lead to inappropriate financial reporting in the statement of financial position and the statements of comprehensive loss.

Our response

In order to address the identified risk, we obtained an understanding of the relevant developments programs as well as an understanding on the timing of these programs and the suppliers engaged in clinical trials. Further, we obtained an understanding of the design of controls implemented to ensure completeness of clinical trial-related accruals and tested controls for operating effectiveness where deemed necessary and efficient in our audit.

Our substantive audit procedures comprised, amongst others:

— Obtaining management's position on the progress of the scientific programs;

— Obtaining confirmations from suppliers and agreeing to recognized accruals to determine completeness of such accruals;

— Search for unrecorded liabilities by inspecting invoices received and payments made after year end to determine completeness of such accruals;

— Reconciliation of sampled research and development expenses to the supportive documents (invoices).

Our observation

The results of our testing were satisfactory and we found the amount of accruals related to research and development recognized to be acceptable.

Accounting for the research collaboration and license agreement with Genentech Inc.

Description

On 24 August 2018 Affimed N.V. entered into a research collaboration and license agreement with Genentech Inc., a member of the Roche Group, for the development and commercialization of certain product candidates that contain novel Natural Killer cell (NK cell) engager-based immunotherapeutics to treat multiple cancers. Under the terms of the agreement, Affimed N.V. received USD 96 million in initial upfront payments and committed funding over the first 12 months of the collaboration. In addition, Affimed N.V. may be eligible to receive up to USD 5.0 billion in additional milestone payments over time, including payments upon achievement of specified development, regulatory and commercial milestones, and royalties on sales as disclosed in Note 5 to the consolidated financial statements.

Accounting for this agreement involves amounts that are material for the Company's financial statements, and requires the appropriate technical expertise for the development of actual core of the technology and achievement of the milestones and the application of significant judgment and estimates by management. Therefore, in our audit planning we identified a risk or error relating the timing of revenue recognition of each performance obligation identified and related to respective contractual liabilities to this agreement which could be incorrect, leading to inappropriate financial reporting in the statement of financial position and the statements of comprehensive loss.

Furthermore, we identified a fraud risk that revenue may be overstated due to manipulation of the timing of transfer of control resulting from the pressure local management may feel to achieve performance targets at the reporting period-end.

Our response

In order to address the identified risk of error and risk of fraud as described above, we obtained an understanding of the agreement to determine whether it falls within the scope of IFRS 15 Revenue from Contracts with Customers, or other applicable IFRS accounting standards like IFRS 10, 11 and IAS 38. Further, we obtained an understanding of the design of controls implemented to ensure proper accounting for the agreement in accordance with the applicable financial reporting framework.

Our substantive audit procedures comprised, amongst others, of obtaining and evaluating the audit evidence of the Company's:

- Identification of the parties' respective performance obligations;
- Determination of the transaction price, including potential variable components;
- Assumptions used to allocate the transaction price to separate performance obligations;
- Determination of when performance obligations have been satisfied and timing of revenue should be recognized;
- Assessment and evaluation of the accounting regarding the agreement with Genentech Inc. based on five-steps model of IFRS 15 prepared by Company's specialist being FAS AG. We added a team member with specific accounting knowledge to evaluate the assessment performed by management;
- Performed substantive procedures relating to contract related manual journal entries;
- Obtaining confirmation from Genentech Inc. that one of the performance obligations is fully satisfied and agreeing recognized revenue in reporting period associated with this performance obligation; determination the accuracy of the remaining contractual liabilities.

Our observation

The results of our procedures were satisfactory and we found the accounting of the research collaboration and license agreement with Genentech Inc. recognized to be acceptable and appropriately disclosed in Note 5 to the consolidated financial statements.

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:

- the report by Affimed's Management Board;
- the report by Affimed's Supervisory Board;
- the 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; and
- 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 substantially less than the scope of those performed in our audit of the financial statements.

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

Report on other legal and regulatory requirements

Engagement

We were engaged by the Management Board as auditor of Affimed N.V. for the 2018 year on 28 January 2019 and have operated as statutory auditor since the financial year 2014.

Description of responsibilities regarding the financial statements

Responsibilities of the Management Board and the Supervisory Board of Affimed N.V. for the financial statements

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

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Affimed N.V.'s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Affimed N.V. or to cease operations, or has no realistic alternative but to do so. The Management Board 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.

The Supervisory Board is responsible for overseeing the Affimed N.V.'s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement 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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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.

A further description of our responsibilities for the audit of the financial statements is included in appendix of this auditor's report. This description forms part of our auditor's report.

Zwolle, 31 May 2019

KPMG Accountants N.V.

J.J. van den Berg RA

Appendix:
Description of our responsibilities for the audit of the financial statements

Appendix

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 among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, 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 Management Board;
- concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 components. Decisive were the size and/or the risk profile of the group components or operations. On this basis, we selected group components for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board 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.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.