Affimed N.V.

Amsterdam, The Netherlands

Annual Report 2019

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 immuno-oncology company focused on discovering and developing highly targeted cancer immunotherapies. Our product candidates represent 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 platform, we develop proprietary, next-generation bispecific antibodies, so-called innate cell engagers, which are designed to direct innate immune cells and establish a bridge to cancer cells. Our innate cell engagers have the ability to bring innate immune cells into the proximity of tumor cells and trigger an activation cascade that leads to the destruction of cancer cells. Due to their novel tetravalent architecture with four binding domains, our innate cell engagers bind to their targets with high affinity. Different dosing schemes are being explored to allow for improved exposure in heavily pretreated patient populations. Based on their mechanism of action as well as the preclinical and clinical data we have generated to date, we believe that our product candidates as monotherapy and / or in combination, may ultimately improve response rates, clinical outcomes and survival in cancer patients, and could eventually become a cornerstone of modern targeted oncology care. Building on our leadership in the innate cell engager space, we are also developing novel antibody formats with the potential to tailor innate cell-engaging therapy to different indications and settings.

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 that specifically bind to innate 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. The safety profiles of our molecules make them suitable for development as combination therapies (e.g. with checkpoint inhibitors, or CPIs, adoptive NK cells or cytokines).

We are focusing our research and development efforts on two programs, for which we retain full global commercial rights, AFM13 and AFM24. Because our tetravalent bispecific antibodies can be engineered to bind to different antigens that are known to be present on various cancer cells, our product candidates could be developed for the treatment of different cancer indications. We intend to clinically develop our two product candidates to treat high-medical need indications, including as a salvage therapy for patients who have relapsed after treatment with standard therapies, or patients who are refractory to these therapies, meaning they do not respond to treatment with standard therapies, whom we collectively refer to as relapsed/refractory patients. These patients have a limited life expectancy and few therapeutic options. We believe this strategy will allow for a faster path to approval and will likely require smaller clinical studies compared to indications with more therapeutic options and larger patient populations. We believe such specialized market segments in oncology can be effectively targeted with a small and dedicated marketing and sales team. We currently intend to establish a commercial sales force in the United States and/or Europe to commercialize our product candidates when and if they are approved.

We also see an opportunity in the clinical development of our innate cell engagers in combination with other agents that harness the immune system to fight cancer cells, such as CPIs, adoptive NK cell transfer 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 DKFZ in Heidelberg, where we employ 90 people, approximately 62% of whom have an advanced academic degree. Including AbCheck (see description below) and Affimed Inc. personnel, our total headcount is 137 (128 full time equivalents) as of end of April 2020. 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.

Business Overview

Our Strategy

Our goal is to develop new treatment options for patients in need by activating innate immunity (e.g. NK cells and macrophages), the body's first line of defense, to fight cancer. We are developing single and combination therapies to treat a variety of cancers. Our novel proprietary antibody platform, ROCK, delivers several unique types of next-generation tetravalent antibody formats, including bispecific and trispecific innate cell engagers. Based on the distinctive properties and mechanism of action of these products, which have demonstrated preclinical and/or clinical activity, we believe that our product candidates, alone or in combination, could eventually become a key element of 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;
- Establish R&D and commercialization capabilities in Europe and in the United States;
- Use our technology platforms and intellectual property portfolio to continue to build our cancer immunotherapy pipeline;
- Maximize the value of our collaboration arrangements with Genentech, LLS, Merck and MD Anderson;
- Intensify our collaboration with academia; and
- Utilize AbCheck to generate and optimize antibodies.

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;
- Our development candidate, AFM24, is a first-in-class innate cell engager for solid tumor indications;
- Our modular and versatile ROCK platform;
- We retain global commercial rights for AFM13 and AFM24;

- Our experienced management team has a strong track record in the development and commercialization of new medicines; and

We have a strong technology base and solid patent portfolio in the field of targeted immuno-oncology.

Our research and development pipeline

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

As of ending April 2020

Our lead candidate, AFM13, is a first-in-class innate cell engager designed for the treatment of certain CD30-positive (CD30+) malignancies including T cell lymphomas. 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 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 also supports 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. Due to delays in opening trial sites and the availability of anti-PD1 antibodies for the treatment of relapsed/refractory HL patients, the study underwent slower than anticipated recruitment during its initial stages. Consequently, the study design was revised to adapt to the changing treatment landscape, namely the availability of anti-PD1 antibodies. The study subsequently included HL patients relapsed or refractory to treatment with both Adcetris® (brentuximab vedotin) and anti-PD1 antibodies. The study has now completed recruitment under the new study design.

Furthermore, we have completed 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 observed adverse events 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) of 46% (11 of 24 patients) and partial metabolic responses (PmRs) of 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 translational study in patients with cutaneous manifestations is also designed to allow for serial biopsies, thereby enabling assessment of immunobiology and tumor cell killing within the tumor microenvironment. Enrollment for the study is completed. An interim analysis of this study was recently presented. In 10 patients (dosed at 1.5-7.0 mg/kg) AFM13 was well -tolerated and showed therapeutic activity as a single agent, with an ORR of 50% (5 of 10 patients). In detail, one complete response (CR), four 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 from responders vs. non-responders was demonstrated. Tumor biopsies showed increased infiltration of CD56+ NK cells pre-therapy 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 initiated the 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 committed to co-fund the development of AFM13 including its development as part of a combination therapy in June 2016.

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. MD Anderson is responsible for conducting preclinical research activities, investigating cord blood-derived NK cells in combination with

AFM13, followed by a phase 1 clinical study of the combination. In December 2018, preclinical data was presented at the American Society of Hematology Annual Meeting, outlining the successful approach of a novel premixed product, comprised of expanded cord-blood derived NK cells loaded with AFM13 to redirect their specificity against CD30+ tumor cells. The data 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 for exclusive worldwide rights to develop and commercialize any product developed under the collaboration.

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 our 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 platform and more fully realize its potential.

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 a tetravalent, bispecific epidermal growth factor receptor (EGFR)- and CD16A-binding innate cell engager. AFM24 is designed to address limitations, such as toxicities or treatment resistance, associated with current therapeutic anti-EGFR monoclonal antibodies, while also offering the potential for better efficacy and safety by using activation of innate immunity to target

EGFR-expressing solid tumors rather than inhibition of EGFR-mediated signal transduction. We have successfully completed a toxicology study of AFM24 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, demonstrating AFM24's potential to have lower toxicities in humans compared to other EGFR-targeted therapeutics. In contrast, Cetuximab, an approved anti-EGFR antibody, revealed significant toxicity in the same dose- range as that tested in the AFM24 toxicology study. On October 15, 2019, we announced the submission of an IND application to the FDA to initiate a first-in-human phase 1/2a study of AFM24 in patients with advanced cancers known to express EGFR. The initial goal of the study is to determine the maximum tolerated dose and recommended phase 2 dose of AFM24, as well as to evaluate the safety, pharmacokinetics, pharmacodynamics and preliminary efficacy. The second part of the study is designed to evaluate the preliminary efficacy of AFM24 in patients with select solid tumor subtypes. On November 7, 2019, the IND application for AFM24 cleared the required 30-day review by the FDA and is in effect. AFM24 has also received regulatory approval to commence a trial in the UK and in Spain. On April 16, 2020, we announced the successful dosing of the first patient in the phase 1/2a study of AFM24.

We have also developed AFM26, a tetravalent, bispecific B cell maturation antigen (BCMA)- and CD16A-binding innate cell engager from our fit-for-purpose ROCK ® platform, as a novel approach to treat multiple myeloma. AFM26 employs a unique mechanism of action through high affinity engagement of NK cells that has demonstrated in vitro efficacy against cells with very low levels of BCMA expression. 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 with an undisclosed partner, and no longer control its development.

AFM11 is a T cell engager that we designed for the treatment of certain CD19+ B cell malignancies, including non-Hodgkin Lymphoma, or NHL and Acute Lymphocytic Leukemia, or ALL. We conducted two phase 1 clinical studies of AFM11, one in patients with relapsed/refractory NHL and one in patients with relapsed/refractory ALL. However, on October 8, 2018, we suspended enrollment in studies ofAFM11 after the occurrence of life-threatening or fatal SAEs in three patients, which included two life threatening events in the NHL study and one death in the ALL study. Subsequently, we received notification from the FDA that the regulatory agency formally placed the AFM11 IND application on full clinical hold. In line with the strategic focus on our innate immunity portfolio, we made the decision to terminate the phase 1 clinical programs of AFM11. The Company took into consideration the competitive landscape of B-cell directed therapies currently in development and associated resources needed for further development of AFM11. In 2019, we informed the FDA of our intention to terminate the AFM11 clinical program in its entirety.

Amphivena's product candidate, AMV564, is a CD33/CD3-specific T cell engager derived from our ROCK ® platform. Amphivena is clinically developing AMV564 for the treatment of acute myeloid leukemia (AML), for which Amphivena has obtained Orphan Drug Designation, and other hematologic malignancies. In preclinical studies, AMV564 has demonstrated potent and selective cytotoxic activity in AML patient samples, as well as robust tumor growth inhibition and a complete elimination of leukemic blasts in xenograft models. In July 2016, the IND application for AMV564 was accepted. Amphivena is conducting a phase 1 clinical study of AMV564 in relapsed or refractory AML. In June 2018, Amphivena reported initial data from this study. The data showed that AMV564 engages and activates T cells resulting in leukemic cytoreduction. Amphivena has also initiated a Phase 1 dose escalation study of AMV564 in myelodysplastic syndrome (MDS).

In addition, we have selected two early stage innate cell engager candidates, AFM28 and AFM32, from our ROCK ® platform for various undisclosed targets. The selection of the new development candidates followed our evaluation of oncology indications with a high level of innate immune cell activity, and where there was past clinical experience with therapeutic antibodies and antibody drug conjugates. We plan to advance one of these early stage candidates into preclinical studies in 2020.

Business impact of COVID-19

In response to the recent COVID-19 pandemic, we have implemented mitigation procedures to ensure the safety of trial participants and healthcare professionals and that drug supply and other trial-related materials are ready and available for the patients enrolled in our clinical trials. We are closely monitoring and adhering to relevant federal and local guidelines on COVID-19 to ensure the safety and health of our global workforce and help limit the spread of COVID-19, while maintaining business continuity. We mandated a work-from-home policy for all employees not involved in preclinical research, and adjusted operations for laboratory personnel at Affimed's headquarters in Heidelberg, Germany. In addition, we eliminated nonessential travel to minimize exposure to COVID-19. We will continue to work closely with clinical sites as well as respective competent authorities to ensure the safety of trial participants and healthcare professionals, as well as the appropriate use of healthcare resources during the COVID-19 pandemic, while preserving the conduct and data integrity of our clinical studies.

At this time, our contract manufacturers are operating without interruption, and there is sufficient material for the AFM13 Phase 2 registration-directed study in pTCL, the investigator sponsored trial of cord blood-derived allogeneic natural killer (NK) cells in combination with AFM13, and the AFM24 Phase 1/2a clinical study. Additionally, we currently do not foresee any interruption in our ability to continue to manufacture additional products to be used beyond the current ongoing clinical studies. Our assessment of the potential impact of the COVID-19 pandemic on patient enrollment and site activation in our clinical studies is ongoing and we will update trial timelines once we have more visibility on the length and extent of the COVID-19 crisis.

Based on our current knowledge and available information, we do not expect COVID-19 to have an impact on our ability to continue as a going concern in the future.

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, 2019, we have raised an aggregate of €258.4 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, 2019, we incurred a net loss of €32.4 million. As of December 31, 2019, we had an accumulated deficit of €234.5 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.

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 and additional payments in 2019 for development milestones and a final target nomination.

We recognized revenues of €19.7 million in 2019.

Financial Operations Overview

Revenue

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

Collaboration revenue. 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). Collaboration revenue of €19.7 million for the year ended December 31, 2019 was from the Genentech collaboration.

Service revenue. Service revenue is primarily revenue from service contracts entered into by AbCheck, our wholly owned, independently operated antibody screening platform. We recognized €1.6 million, €1.7 million and €1.7 million of service revenue in 2017, 2018 and 2019, 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 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. In 2018 and 2019, other Income primarily relates 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 2020 will be in the range of €40 to €50 million. Our research and development expenses primarily relate to the following key programs:

- *AFM13.* In November 2019, we initiated a registration directed phase 2 study of AFM13 as monotherapy in relapsed or refractory patients suffering from peripheral T cell lymphoma (pTCL). The study protocol has been agreed upon with the U.S. Food and Drug Administration (FDA). In addition, this study will, as a separate cohort, investigate the initial efficacy of AFM13 as monotherapy in patients suffering from transformed mycosis fungoides (T-MF). In September 2019, the FDA cleared an investigational new drug application (IND) for an investigator-sponsored Phase 1 study, in which the University of Texas MD Anderson Cancer Center (MDACC) plans to investigate the combination of AFM13 with allogeneic NK cells. MDACC intends to administer a stable complex of AFM13 pre-mixed with cord blood-derived allogeneic NK cells in different doses (numbers of pre-loaded NK cells) into patients with relapsed/refractory CD30-positive lymphoid malignancies. In 2017, an investigator-sponsored Phase 1b/2a study was initiated by Columbia University to investigate AFM13 as monotherapy in patients with relapsed or refractory CD30-positive lymphoma with cutaneous manifestation. In 2016, we initiated a phase 1b study investigating the combination of AFM13 with Merck's anti-PD1 antibody Keytruda® (pembrolizumab) in patients with relapsed/refractory HL. In this study, enrollment is complete and final 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 has now completed recruitment under the new study design. We anticipate that our research and development expenses in 2020 for AFM13 will increase compared to those for 2019 due to the initiation of new clinical studies, pre-clinical studies with collaboration partners and the preparation of the production of AFM13 for commercial purposes.
- *AFM11*. The phase 1 clinical trials of AFM11 were placed on clinical hold and recruitment stopped in October 2018. In May 2019, we received notification from the FDA that additional data would be needed to determine whether the AFM11 clinical hold may be lifted. In line with the strategic focus on our innate immunity portfolio, we have made the decision to terminate the Phase 1 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. We subsequently informed the FDA of our intention to terminate the clinical program.
- *AFM24. AFM24,* a tetravalent, bispecific epidermal growth factor receptor, and CD16A-binding innate cell engager, is in effect for a phase 1/2a clinical trial in patients with advanced cancers known to express EGFR. We anticipate that our research and development expenses in 2020 for AFM24 will increase compared to those for 2019 due to the beginning of the clinical trial of AFM24 in patients.
- *Other projects and infrastructure costs.* Our other research and development expenses relate to our multiple myeloma program AFM26 (through the third quarter of 2018) and our Genentech collaboration 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, manufacturing costs for pre-clinical study material and pre-clinical studies. In addition, 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 other projects and infrastructure costs will increase in 2020 due to increased early stage development/discovery activities.

Since January 1, 2012, we have cumulatively spent €185.3 million on research and development. In the years ended December 31, 2017, 2018, and 2019, we spent €21.5 million, €35.1 million and €43.8 million, respectively, on research and development; €5.6 million, €8.7 million, and €19.5 million thereof on AFM13; € 2.8 million, €5.8 million, and €2.4 million thereof on AFM11 and €2.5 million, €5.8 million, and €4.3 million thereof on AFM24. 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, AFM24 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 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 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 2020 will be higher compared to the expenses in 2019, 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, 2017, 2018 and 2019. 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, 2018 and 2019

	Year ended December 31,	
	2018	2019
	(in € thousand)	
Total Revenue:	**23,735**	**21,391**
Other income/(expenses)—net	1,515	290
Research and development expenses	(35,148)	(43,791)
General and administrative expenses	(9,638)	(10,266)
Operating income/(loss)	(19,536)	(32,376)
Finance income/(costs)—net	60	15
Income/(Loss) before tax	(19,476)	(32,361)
Income taxes	(1)	(4)
Income/(loss) for the period	**(19,477)**	**(32,365)**
Total comprehensive income/(loss)	**(24,208)**	**(32,997)**
Earnings/(loss) per common share in € per share	**(0.32)**	**(0.50)**

Revenue

Revenue decreased from € 23.7 million for the year ended December 31, 2018 to €21.4 million for the year ended December 31, 2019. Revenue for the year ended December 31, 2019 mainly consisted of revenue from the Genentech collaboration.

Research and development expenses

R&D Expenses by Project	Year ended December 31,		Change %
	2018	2019	
	(in € thousand)		
Project			
AFM13	8,711	19,471	124 %
AFM11	5,776	2,418	(58)%
AFM24	5,788	4,327	(25)%
Other projects and infrastructure costs	14,021	16,671	19 %
Share-based payment expense	852	904	6 %
Total	**35,148**	**43,791**	**25** %

Research and development expenses increased 25% from €35.1 million in the year ended December 31, 2018 to € 43.8 million in the year ended December 31, 2019, due to higher expenses for AFM13 and for other projects and infrastructure. The variances in project related expenses between the year ended December 31, 2018 and the corresponding period in 2019 are mainly due to the following projects:

- *AFM13.* In the year ended December 31, 2019, we incurred higher expenses than in the year ended December 31, 2018 primarily due to higher expenses for the preparation of new clinical trials and manufacturing activities for the clinical trial material.
- *AFM11.* In the year ended December 31, 2019, clinical expenses were lower than in the year ended December 31, 2018. The majority of the expenses in the year ended December 31, 2019 are related to costs for the termination of the phase 1 dose-finding study in NHL and the phase 1 dose-finding study in ALL.
- *AFM24.* In the year ended December 31, 2019, we incurred lower expenses than in the year ended December 31, 2018. Expenses in the year ended December 31, 2019 primarily relate to the preparation of the phase 1/2a clinical trial and manufacturing activities for the clinical trial material.
- *Other projects and infrastructure costs.* In the year ended December 31, 2019, expenses increased compared to the year ended December 31, 2018, primarily due to higher expenses incurred in

relation to our earlier stage programs and discovery/early stage development activities and infrastructure costs.

General and administrative expenses

General and administrative expenses increased 7% from €9.6 million in the year ended December 31, 2018 to €10.3 million in the year ended December 31, 2019. In 2019, general and administrative expenses were largely affected by personnel expenses (€5.4 million) and legal, consulting and audit costs (€3.1 million).

Finance income / (costs)-net

We recognized finance net income for the year ended December 31, 2019 of €15,000 compared €60,000 for the year ended December 31, 2018. The year ended December 31, 2019 was primarily affected by interest income of €0.6 million and interest expenses of € 0.5 million. 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, 2019, we recorded income tax expense of €4,000 due to changes in deferred taxes.

Liquidity and Capital Resources

Since inception, we have incurred significant operating losses. To date, we have not generated any product sale revenue. We have financed our operations primarily through our public offerings of our common shares, private placements of equity securities and loans, and grants and payments from collaboration partners.

For the years ended December 31, 2017, 2018, and 2019 we incurred net losses of €30.2 million, € 19.5 million, and €32.4 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, 2019, we had cash and cash equivalents and current financial assets, which we refer to as liquidity, of €104.1 million.

Our cash and cash equivalents and current financial assets as of December 31, 2019 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 interest income. We expect to continue this investment philosophy.

Cash Flows

Comparison of the years ended December 31, 2018 and 2019

The table below summarizes our consolidated statement of cash flows for the years ended December 31, 2018 and 2019:

	Year ended December 31,	
	2018	2019
	(in € thousand)	
Net cash from/(used) in operating activities	49,438	(29,056)
Net cash from/(used) for investing activities	(15,610)	4,340
Net cash generated from financing activities	20,495	26,038
Net changes to cash and cash equivalents	54,323	1,322
Cash and cash equivalents at the beginning of the year	39,837	94,829
Exchange-rate related changes of cash and cash equivalents	669	(917)
Cash and cash equivalents at the end of the year	**94,829**	**95,234**

Net cash from operating activities amounted to €49.4 million in the year ended December 31, 2018 whereas net cash used in operating activities amounted to €29.1 million in the year ended December

31, 2019. The amount received in 2018 includes an initial upfront payment and committed funding of €83.2 million from the Genentech collaboration.

We used cash for investing activities of €15.6 million in the year ended December 31, 2018, where net cash from investing activities amounted to €4.3 million in the year ended December 31, 2019. 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, 2019 amounted to €26.0 million and relate primarily to the proceeds from the public offering in November 2019.

Cash and Funding Sources

Our liquidity (cash and cash equivalents and current financial assets) as of December 31, 2019 was €104.1 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.

On November 13, 2019, we sold an additional 13,800,000 of our common shares at a price of $2.50 per share in an underwritten public offering and received $32.0 million in net proceeds, after deducting underwriting discounts and commissions and other offering expenses.

Funding Requirements

We expect that we will require additional funding to complete the development of our product candidates and to continue to advance the development of our other product candidates. In addition, we expect that we will require additional capital to commercialize our product candidates AFM13 and AFM24.If we receive regulatory approval for AFM13, AFM24 or other earlier programs, 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 continue to incur substantial 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.

Based on our current operating and budget assumptions, we believe that our existing liquidity, will enable us to fund our operating expenses and capital expenditure requirements well into the first half of 2022. 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 collaboration, 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, the ownership interest of our shareholders will be diluted, and the terms of any such securities may include liquidation or other preferences that adversely affect the rights of holders of our common shares.

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

JOBS Act Exemptions

As September 17, 2019 represented the fifth anniversary of the date of the first sale of our common shares pursuant to an effective registration statement under the Securities Act, we no longer qualify as an “emerging growth company” as defined in the JOBS Act, commencing December 31, 2019. As a result, our independent registered public accounting firm is required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. 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

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 2019 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 April 28, 2020, and a copy of which is available from Affimed's website www.affimed.com.

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 COVID-19

The recent outbreak of COVID-19 has evolved from a regional epidemic to a global pandemic, impacting almost every corner of the globe. The continued spread of COVID-19 is adversely impacting clinical and preclinical trials globally and in different therapeutic areas. As a result, our clinical trials or preclinical studies, including our ability to recruit and retain patients, principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19, may be significantly impacted. In response to the COVID-19 pandemic, we are implementing mitigation procedures designed to enable us to address the various issues that may arise from the COVID-19 pandemic, although there can be no assurance that these procedures will be successful or that we can avoid a material and adverse disruption to our business. As the pandemic continues, we may experience the prioritization of hospital resources toward the outbreak and further restrictions on travel. Furthermore, some patients may be unwilling to enroll in our trials or be unable to comply with clinical trial protocols if quarantines or travel restrictions impede patient movement or interrupt healthcare services.

COVID-19 may also negatively affect the operations of third-party contract research organizations that we rely upon to carry out our clinical trials or the operations of our third-party manufacturers, each of which could result in delays or disruptions in the supply of our product candidates. While we do not currently believe our supply chain has been affected, there can be no assurances that we will not experience supply disruptions in the future. The negative impact COVID-19 has had and may continue to have on patient enrollment and treatment, and the timing and execution of our clinical trials could cause costly delays to our clinical trial activities, which could adversely affect our ability to obtain regulatory approval for and to advance towards commercialization, increase operating expenses and have a material adverse effect on our business and financial results.

In addition, COVID-19 has resulted in significant governmental measures being implemented to control the spread of the virus. Public health officials have recommended and mandated precautions to mitigate the spread of COVID-19, including prohibitions on congregating, traveling across borders, shelter-in-place orders and other similar measures. We have taken precautionary measures intended to help minimize the risk of the virus to our employees, including temporarily requiring some or all of our employees to work remotely, suspending all non-essential travel and discouraging employee attendance at industry events and in-person work-related meetings. Such measures could negatively

affect our business. For instance, temporarily requiring employees to work remotely may disrupt our operations or create unforeseen issues related to the use of technology designed to allow for remote communication and collaboration. The COVID-19 pandemic has also caused volatility in the global financial markets and has threatened a slowdown in the global economy, which may negatively affect our ability to raise additional capital on attractive terms or at all.

The full extent to which the COVID-19 pandemic may impact our business will depend on future developments, which are highly uncertain and cannot be predicted at this time. As such, we cannot presently predict the scope and severity of any potential business shutdowns or disruptions, the impacts on our business, financing or clinical trial activities or on the healthcare system and the global economy as a whole.

Based on our current knowledge and available information, we do not expect COVID-19 to have an impact on our ability to continue as a going concern in the future.

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.

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 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. The total carrying amount of shares (€3.2 million, 2018: €3.8 million) cash and cash equivalents (€95.2 million, 2018: € 94.8 million), trade and other receivables (€ 1.5 million, 2018: €1.4 million), and certificates of deposit (€8.9 million, 2018: €14.0 million), represents the maximum credit exposure of €108.8 million (2018: €114.1 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.

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 €2.0 million as at December 31, 2019, 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 2019, resulting in interest income of € 715,000 in 2019. 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 2019, if the Euro had weakened/strengthened by 10% against the US dollar with all other variables held constant, the loss would have been €5.7 million (2018: €4.8 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets. The Group considers a shift in the exchange rates of 10% as a realistic scenario.

Loss is more sensitive to movement in exchange rates shifts in 2019 than in 2018 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 2017 and 2018 and 2019, Affimed raised significant funding that it estimates will enable the Group to fund operating expenses and capital expenditure requirements at least into the fourth quarter of 2021.

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.

In 2019, the Group issued 13,800,000 common shares in a public offering at a price of $2.50 per common share resulting in aggregate net proceeds of €29.5 million.

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

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	58	Chief Executive Officer
Wolfgang Fischer	56	Chief Operating Officer

Adi Hoess was reappointed as managing director with the title of Chief Executive Officer on 20 June 2017. Wolfgang Fischer was appointed as managing director with the title of Chief Operating

Officer on 20 June 2017. The term of appointment of both Adi Hoess and Wolfgang Fischer will end on the date of the upcoming annual general meeting of shareholders.

Dr. Florian Fischer, our former Chief Financial Officer, passed away early February 2020. The management team, Supervisory Board, and employees of Affimed deeply mourned his passing, and extended our heartfelt sympathy to his family.

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.

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/reappointment	Term
Thomas Hecht	M	German	69	June 20, 2017	2020
Bernhard Ehmer	M	German	65	June 25, 2019	2022
Ulrich Grau	M	German/US	71	June 19, 2018	2021
Berndt Modig	M	Swedish/US	61	June 20, 2017	2020
Mathieu Simon	M	French/US	64	June 19, 2018	2021
Ferdinand Verdonck	M	Belgian	77	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 Kuur Therapeutics and as chairman of the board of directors of Aelix Therapeutics S.L. and Orion Biotechnology. As from 3 July 2020, Dr. Hecht became a member of the board of directors of BioInvent, Sweden. Previously, Dr. Hecht served as a director of Humabs BioMed AG until August 2017 and he served as chairman of the board of directors of Cell Medica Ltd. Until the beginning of June 2020, he served as chairman of the board of directors of Vaximm

AG, until the beginning of March 2015 he served as chairman of the supervisory council of SuppreMol GmbH and until June 2016, of Delenex AG. Dr. Hecht was previously Vice President Marketing at Amgen Europe. A seasoned manager and industry professional, he held various positions of increasing responsibility in clinical development, medical affairs and marketing at Amgen between 1989 and 2002. Prior to joining the biopharmaceutical industry, he was certified in internal medicine and served as Co-Head of the Program for Bone Marrow Transplantation at the University of Freiburg, Germany.

Bernhard R.M. Ehmer, Director. Dr. Ehmer has been a member of our supervisory board since 2016. 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. He is member of the supervisory board and audit committee chairman of Centogene 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, headquartered in Basel, Switzerland as well as an independent director at Idorsia Pharmaceuticals (Switzerland), Lysogene (France) and Asarina (Sweden). 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 two 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 May 31, 2020, having a management board in which both members are male. In order to increase gender diversity of the management boardwe 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 *inter alia* the appointment of Cassandra Choe-Juliak as Acting Chief Medical Officer to succeed Dr. Leila Alland in November 2019.

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, a 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 including the strategy and long term value-creation for the company 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 not changed in 2019. Dr. Bernhard Ehmer was reappointed as member of the supervisory board in the annual general meeting on June 25, 2019.

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 or her 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 we pay close attention to gender diversity in the process of recruiting and appointing new supervisory board candidates, as is demonstrated by the nomination by the supervisory board of Dr. Annalisa Jenkins as new supervisory board member at the upcoming annual general meeting of shareholders.

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. This is demonstrated by the nomination by the supervisory board of Dr. Jenkins as a supervisory director at the upcoming annual general meeting.

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 2019.

Supervisory Board Committees

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

Audit committee

The audit committee, which consists of Ferdinand Verdonck (Chairman), Berndt Modig and Bernhard Ehmer, assists the board in overseeing our accounting and financial reporting processes and the audits of our financial statements. Our supervisory board has determined that all members of the audit committee satisfy the “independence” requirements set forth in Rule 10A-3 under the Exchange Act. The supervisory board has determined that Ferdinand Verdonck and Berndt Modig qualify as “audit committee financial experts,” as such term is defined in the rules of the SEC.

The audit committee is responsible for the selection of the registered public accounting firm that should serve as our independent auditor, and our supervisory board is responsible for recommending the appointment of the independent auditor to the general meeting of shareholders. In addition, the audit committee is responsible for the compensation, retention and oversight of the independent auditor appointed by the general meeting of shareholders; pre-approving the audit services and non-audit services to be provided by our independent auditor before the auditor is

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

The audit committee meets as often as one or more members of the audit committee deem necessary, but in any event at least four times per year. The audit committee meets at least once per year with our independent auditor, without our management board being present. The audit committee held two meetings in person and seven meetings by conference call in 2019.

Compensation committee

The compensation committee, which consists of Thomas Hecht (Chairman until June 2020; Bernard Ehmer was elected to succeed Thomas Hecht as Chairman), Ulrich Grau and Berndt Modig, assists the supervisory board *inter alia* 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 two meetings in person and three meetings by conference call in 2019.

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 five meetings by conference call in 2019.

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 "**IPO**"). 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.

The description of the compensation of managing directors and supervisory directors in the following sections is based on the management and supervisory board remuneration policies which are currently in effect and, for the avoidance of doubt, does not reflect any amendments to these remuneration policies as are proposed to the general meeting at the upcoming annual general meeting of shareholders in 2020..

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 accordance with the remuneration policy for the supervisory board, the Company is granting the chairman of the supervisory board an initial award of stock options to purchase 45,000 ordinary shares of the Company. The initial award that was granted to the chairman of the supervisory board currently in office, Thomas Hecht, was made on the date of the IPO, and with respect to any future chairman of the supervisory board will be made on the date of the first election as chairman of the supervisory board. The Company is granting each member of the supervisory board other than the chairman of the supervisory board an initial award of stock options to purchase 20,000 ordinary shares of the Company. With respect to these members of the supervisory board in office on the date of the IPO, the initial award was granted on the date of the IPO, and with respect to

any future supervisory board members the initial award will be granted on the date of the first election as supervisory board member. Initial awards vest over a period of three years, with 1/3 of the stock options 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 date of grant.

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, 2019, for services in all capacities was approximately €2.0 million. As of December 31, 2019, we have no amounts set aside or accrued to provide pension, retirement or similar benefits to our managing directors and supervisory directors. In 2019, awards for approximately 0.8 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 39 to the Company only financial statements and Note 26 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 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, 2020), an additional 5% of the total outstanding common shares on that date becomes available for issuance under the 2014 Plan. As of January 1, 2020, we had approximately 9.8 million common shares available for issuance, and approximately 8.3 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 IPO, all outstanding awards granted under the 2007 SOP were converted into awards exercisable for common shares of Affimed N.V., and no additional grants were made under the 2007 SOP. On December 31, 2019, the 2007 SOP terminated.

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 (the "**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 IPO in September 2014. With the passing away of Florian Fischer early February 2020, his management services agreement terminated. The management services agreement of Wolfgang Fischer became effective upon his appointment by the general meeting of shareholders on June 20, 2017.

The management services 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 was reappointed as managing director by the general meeting of shareholders on June 20, 2017, which prolonged his management services agreement 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% (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 IPO, 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 2018 and 2019 with any of our members of our supervisory board or management board and the holders of more than 5% of our common shares.

Agreement with current supervisory director

According to a service agreement with i-noion Inc, of which Dr. Grau serves as Chairman of the Board of Directors, i-novion Inc. conducted certain preclinical services for us. In 2016, the

Company received the last invoice in relation to this agreement, when the project was completed [and the agreement was terminated].

Agreement with former managing director

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 2019, Dr. Windisch provided no services and received no payments. The consulting agreement with Dr. Windisch was terminated in July 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.

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, 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, 2019, 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 2019. 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, 2019.

Since 2019, our independent registered public accounting firm is required to attest the effectiveness of our internal controls over financial reporting pursuant to Section 404. In the opinion of our independent registered public accounting firm, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

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:

https://www.affimed.com/investors/corporate-governance/

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. In light of the COVID 19 pandemic the Company decided to delay the annual general meeting to be held in 2020, thereby exceeding this six months period, which is permitted under the emergency bill "Temporary Measures in the Field of the Ministry of Justice and Security in connection with the Outbreak of COVID 19" (*Tijdelijke voorzieningen op het terrein van het Ministerie van Justitie en Veiligheid in verband met de uitbraak van COVID-19*).

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. In view of the COVID 19 pandemic, the Company encouraged shareholders not to attend the annual general meeting to be held in 2020 in person, but instead to exercise their voting rights by written proxy.

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 June 25, 2019, our management board was granted the authority, with effect from that date,, for a period of five years (*i.e.*, until June 25, 2024) and subject to the approval of the supervisory board, to resolve to issue common shares (either in the form of stock dividends 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. The previous authorization of the management board, granted on September 12, 2014, with effect from September 17, 2014, ceased to apply as per June 25, 2019.

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 June 25, 2019, with effect from that date, our management board was granted the authority, for a period of five years (*i.e.*, until June 25, 2024) 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. The previous authorization of the management board, granted on September 12, 2014, with effect from September 17, 2014, ceased to apply as per June 25, 2019.

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 25, 2019, our management board was granted the authority, for a period of 18 months, with effect from the same date (*i.e.*, until December 25, 2020) 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 Dutch 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 25, 2019, the general meeting of shareholders appointed KPMG Accountants N.V. as independent auditor for the Company for the financial year 2019.

Anti-Takeover Provisions

Dutch law permits us to adopt protective measures against takeovers. Although we have not adopted any specific takeover measures, our articles of association include, in addition to the common shares, a class of cumulative preferred shares. Currently, our management board has not been authorized by the general meeting of shareholder to issue (or grant the right to acquire) cumulative preferred shares. If the general meeting of shareholders would grant such authorization to the management board, then the management board, subject to the approval of the supervisory board, could decide to use such cumulative preferred shares as an anti-takeover measure. The Company has decided to not implement such mechanism at this time.

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. Instead 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 April 28, 2020 (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 Wolfgang 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

- Until June 2020, Thomas Hecht, chairman of our supervisory board, chaired the compensation committee, which qualified 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.

July 7, 2020

On behalf of the Management Board,

Dr. Adi Hoess, CEO,

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 2019.

The Company had a number of highlights and corporate updates in 2019 and early 2020.

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 us about his intention to step down from his position as Chief Scientific Officer to pursue new opportunities.

In line with the strategic focus on Affimed's innate immunity portfolio, it was decided to terminate the Phase 1 clinical program of AFM11, a CD19/CD3-targeting bispecific T cell engager. 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. Affimed informed the FDA of its intention to terminate the clinical program. It was determined that the optimal use of our resources at this time is to focus on the development of Affimed's innate cell engagers in indications with high unmet need and the potential for a rapid path to regulatory approval.

At the Annual General Meeting held on June, 25 2019, the shareholders of Affimed approved all agenda items, including *inter alia* (a) the renewed authorization of the Management Board to, for a period of five years as from June, 25, 2019 and subject to the approval of the Supervisory Board, (i) issue common shares and/or grant rights to subscribe for common shares in the share capital of the Company up to the maximum number of common shares that can be issued under the size of the authorized share capital of the Company as per the date of adoption of such resolution and to (ii) restrict and/or exclude pre-emptive rights accruing to holders of common shares and (b) the reappointment of Dr. Bernhard Ehmer as a supervisory director of the Company.

In July 2019, Affimed announced that it has been added to the Russell 2000®, Russell 3000®, and Russell Microcap® Indexes, effective after the U.S. markets closed on Friday, June 28, 2019 as part of Russell’s annual index rebalance process.

In November 2019, Affimed's IND application for AFM24 cleared the required 30-day review by the U.S. Food and Drug Administration or FDA and is in effect for a phase 1/2a clinical trial of AFM24, a tetravalent, bispecific epidermal growth factor receptor, and CD16A-binding innate cell engager, in patients with advanced cancers known to express epidermal growth factor receptor.

In November 2019, Affimed announced that Genentech exercised its final option for an exclusive target under the companies’ collaboration agreement which triggered a milestone payment, in an undisclosed amount, to us from Genentech.

In November 2019, Affimed announced the closing of a public offering of 12,000,000 common shares, at the public offering price of $2.50 per share, and the exercise in full by the underwriters of their option to purchase an additional 1,800,000 common shares. The exercise of the option to purchase additional shares brought the total number of common shares sold by Affimed to 13,800,000 and increased the gross proceeds raised in the offering, before deducting underwriting discounts and commissions and estimated expenses of the offering payable by Affimed, to $34.5 million (€31.3 million).

The Company announced early February 2020 that Dr. Florian Fischer, Chief Financial Officer (CFO) of Affimed, passed away. The Supervisory Board, management team, and employees of Affimed deeply mourned his passing, and extended our heartfelt sympathy to his family.

During Affimed's search for a new CFO, Harry Welten has provided CFO consultancy services to Affimed on an ad hoc basis. In June 2020, the Company announced the intended appointment of Angus Smith as Affimed's new permanent CFO, completing Affimed's leadership team. Mr. Smith will begin his employment on July 13, 2020 and has been nominated for appointment as a member of the Management Board at the Annual General Meeting of the Company to be held in 2020. Mr. Smith will be based out of Affimed's New York office.

In addition, the Company announced the intended appointment of Dr. Andreas Harstrick as Chief Medical Officer and the intended appointment of Dr. Arndt Schottelius as Chief Scientific Officer. Dr Andreas Harstrick started his employment in March 2020 and Dr. Arndt Schottelius started his employment in April 2020. Dr. Harstrick and Dr. Schottelius have both been nominated for appointment as members of the Management Board at the Annual General Meeting of the Company to be held in 2020.

In May 2020, the Company implemented an at-the-market ("ATM") program providing for the sales over time of up to $50,000,000 of its common shares. As of June 30, 2020, the Company has issued approximately 8.2 million common shares under the ATM program, generating net proceeds of approximately $23.6 million.

As circumstances around the COVID-19 pandemic continue to rapidly evolve, Affimed is continuously assessing possible effects on its clinical trials and adapting the risk mitigation measures it has implemented. Affimed is closely monitoring and adhering to relevant federal and local guidelines on COVID-19 to ensure the safety and health of its global workforce and help limit the spread of COVID-19, while maintaining business continuity. The Company has taken mitigation steps to ensure that drug supply and other trial-related materials are ready and available for the patients enrolled in its clinical trials. Due to the ongoing assessment of the potential impact of the COVID-19 pandemic on patient enrollment and site activation in its clinical studies, Affimed plans to update trial timelines after it has more visibility on the length and extent of the COVID-19 crisis.

Based on our current knowledge and available information, we can concur with the Management Board that we do not expect COVID-19 to have an impact on our ability to continue as a going concern in the future.

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 not changed in 2019. Dr. Bernhard Ehmer was re-appointed as member of the Supervisory Board in the Annual General Meeting on June 25, 2019. 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. However, to diversify the group of Supervisory Board members and to further strengthen the level of experience and biotech related know-how, the Supervisory Board deems it advisable to further expand the number of its members. 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	69	M	German
Bernhard Ehmer	June 25, 2019	2022	65	M	German
Ulrich Grau	June 19, 2018	2021	71	M	German/US
Berndt Modig	June 20, 2017	2020	61	M	Swedish/US
Mathieu Simon	June 19, 2018	2021	64	M	French/US
Ferdinand Verdonck	June 20, 2017	2020	77	M	Belgian

Meeting and activities

The Supervisory Board held four meetings in person in 2019. 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.

Attendance at the Supervisory Board meetings during 2019 was as follows:

Meeting	Thomas Hecht	Bernhard Ehmer	Ulrich Grau	Berndt Modig	Mathieu Simon	Ferdinand Verdonck
Supervisory Board	4/4	4/4	3/4	4/4	4/4	4/4
Audit Committee		9/9		7/9		9/9
Compensation committee	5/5		5/5	5/5		
Nomination and corporate governance committee	9/9	9/9	9/9		8/9	

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 2019 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 2019. The conclusions from this review have been discussed with the Management Board as well as the individual Management Board members.

During the financial year 2019 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 currently 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		

**Effective June 23, 2020, Dr. Hecht stepped down as chairman of the compensation committee and Dr. Ehmer was elected as new 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 2019, the audit committee's main areas of focus were review of quarterly financial statements, the Company's system of internal controls over financial reporting and the compliance with the relevant rules and regulations (SOX), 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 2019 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 two meetings in person and seven meetings by conference call in 2019.

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 2019, the nomination and corporate governance committee's main areas of focus where reviewing the profile of the Supervisory Board, preparing the self-assessment of the Supervisory Board, composition and succession planning of the Supervisory Board and Management Board, discussing contract extensions of the Management Board and analysing corporate governance topics.

The nomination and corporate governance committee held four meetings in person and five meeting by conference call in 2019.

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 2019, 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 and reviewed the Supervisory Board remuneration policy. 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 two meetings in person and three meetings by conference call in 2019.

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 April 28, 2020 (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. During the financial year 2019, all of our members of the Supervisory Board were independent in accordance with the Dutch Corporate Governance Code. Previously, one of our Supervisory Board members, Dr. Ulrich Grau, did not meet the independence requirements according to the Dutch Corporate Governance Code due to the service agreement between Affimed and i-novion Inc. As this agreement is no longer in place, currently all members of the Supervisory Board meet the independence requirements according to the Dutch Corporate Governance Code.

Appreciation

The Supervisory Board is of the opinion that during the year 2019, 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 2019. In particular, the Supervisory Board would very much like to thank our shareholders for their continued support.

July 7, 2020

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	2019	2018	2017
Revenue	9	**21,391**	**23,735**	**2,010**
Other income – net	10	290	1,515	205
Research and development expenses	11	(43,791)	(35,148)	(21,489)
General and administrative expenses	12	(10,266)	(9,638)	(7,986)
Operating loss		**(32,376)**	**(19,536)**	**(27,260)**
Finance income / (costs) – net	14	**15**	**60**	**(2,983)**
Loss before tax		**(32,361)**	**(19,476)**	**(30,243)**
Income taxes	15	(4)	(1)	20
Loss for the period		**(32,365)**	**(19,477)**	**(30,223)**
Other comprehensive income / (loss) Items that will not be reclassified to profit or loss				
Equity investments at fair value OCI - net change in fair Value	16	(632)	(4,731)	0
Other comprehensive income / (loss)		**(632)**	**(4,731)**	**0**
Total comprehensive loss		**(32,997)**	**(24,208)**	**(30,223)**
Loss per share in € per share		**(0.50)**	**(0.32)**	**(0.69)**
(undiluted = diluted)				
Weighted number of common shares outstanding		**64,242,396**	**60,514,407**	**43,746,073**

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

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

	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Intangible assets		137	56
Leasehold improvements and equipment		2,291	1,414
Long term financial assets	16	3,193	3,825
Right-of-use assets	24	824	0
		6,445	5,295
Current assets			
Cash and cash equivalents		95,234	94,829
Financial assets	17	8,902	13,974
Trade and other receivables	18	1,482	1,429
Inventories		296	260
Other assets		0	387
		105,914	110,879
TOTAL ASSETS		**112,359**	**116,174**
EQUITY AND LIABILITIES			
Equity			
Issued capital		762	624
Capital reserves		270,451	239,055
Fair value reserves		1,962	2,594
Accumulated deficit		(234,508)	(202,144)
Total equity	19	**38,667**	**40,129**
Non-current liabilities			
Borrowings	22	278	1,690
Contract liabilities	9	37,961	37,512
Lease liabilities	24	272	0
Total non-current liabilities		**38,511**	**39,202**
Current liabilities			
Trade and other payables		10,674	9,425
Provisions	21	517	0
Borrowings	22	2,105	3,083
Lease liabilities	24	532	0
Contract liabilities	9	21,353	24,335
Total current liabilities		**35,181**	**36,843**
TOTAL EQUITY AND LIABILITIES		**112,359**	**116,174**

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

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

	Note	2019	2018	2017
Cash flow from operating activities				
Loss for the period		(32,365)	(19,477)	(30,223)
Adjustments for the period:				
- Income taxes		4	1	(20)
- Depreciation and amortisation		906	403	351
- Net gain from disposal of leasehold improvements and equipment		(5)	25	(19)
- Share based payments	20	2,469	2,035	1,943
- Finance income / costs – net	14	(15)	(60)	2,983
		(29,006)	(17,073)	(24,985)
Change in trade and other receivables		33	(322)	1,140
Change in inventories		(36)	(19)	(44)
Change in other assets		340	121	(399)
Change in trade, other payables, provisions and contract liabilities		(791)	66,856	(1,018)
Cash used in operating activities		(29,460)	49,563	(25,306)
Interest received		628	218	106
Paid interest		(224)	(342)	(349)
Paid income tax		0	(1)	0
Net cash used in operating activities		**(29,056)**	**49,438**	**(25,549)**
Cash flow from investing activities				
Purchase of intangible assets		(150)	(30)	(43)
Purchase of leasehold improvements and equipment		(1,324)	(691)	(625)
Cash received from the sale of leasehold improvements and equipment		0	1	35
Cash paid for investments in convertible note and warrants		0	0	(296)
Cash paid for investments in financial assets	17	(45,131)	(14,029)	(13,084)
Cash received from maturity of financial assets		50,945	0	22,063
Cash paid for investments in long term financial assets		0	(861)	0
Net cash used for investing activities		**4,340**	**(15,610)**	**8,050**
Cash flow from financing activities				
Proceeds from issue of common shares	19	31,373	25,113	23,123
Transaction costs related to issue of common shares	19	(2,215)	(1,701)	(1,648)
Proceeds from borrowings	22	562	0	2,500
Transaction costs related to borrowings	22	0	0	(11)
Repayment of lease liabilities	24	(405)	0	0
Repayment of borrowings	22	(3,277)	(2,917)	(167)
Cash flow from financing activities		**26,038**	**20,495**	**23,797**
Exchange-rate related changes of cash and cash equivalents		**(917)**	**669**	**(1,867)**
Net changes to cash and cash equivalents		**1,322**	**54,323**	**6,297**
Cash and cash equivalents at the beginning of the period		**94,829**	**39,837**	**35,407**
Cash and cash equivalents at the end of the period		**95,234**	**94,829**	**39,837**

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, 2017		**333**	**190,862**	**0**	**(152,444)**	**38,751**
Issue of common shares		135	20,922	0	0	21,057
Equity-settled share based payment awards		0	1,943	0	0	1,943
Issue of warrant note (loan Silicon Valley Bank)		0	51	0	0	51
Loss for the period		0	0	0	(30,223)	(30,223)
Balance as of December 31, 2017		**468**	**213,778**	**0**	**(182,667)**	**31,579**
Revaluation shares Amphivena (first time adoption IFRS 9)		0	0	7,325	0	7,325
Balance as of January 1, 2018		**468**	**213,778**	**7,325**	**(182,667)**	**38,904**
Issue of common shares		156	23,171	0	0	23,327
Exercise of share based payment awards		0	71	0	0	71
Equity-settled share based payment awards		0	2,035	0	0	2,035
Loss for the period		0	0	0	(19,477)	(19,477)
Other comprehensive income		0	0	(4,731)	0	(4,731)
Balance as of December 31, 2018		**624**	**239,055**	**2,594**	**(202,144)**	**40,129**
Balance as of January 1, 2019		**624**	**239,055**	**2,594**	**(202,144)**	**40,129**
Issue of common shares	19	138	28,901	0	0	29,039
Exercise of share based payment awards	20	0	26	0	0	26
Equity-settled share based payment Awards	20	0	2,469	0	0	2,469
Loss for the period		0	0	0	(32,365)	(32,365)
Other comprehensive income	16	0	0	(632)	0	(632)
Balance as of December 31, 2019		**762**	**270,451**	**1,962**	**(234,508)**	**38,667**

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. Local exemption rules applied by subsidiaries of the Group

Affimed GmbH, Heidelberg, Germany, makes use of the exemption clause, available under § 264 (3) HGB in 2019. The consolidated financial statements of Affimed N.V. as of and for the year ended 31 December 2019 will be filed in Germany as a supplement to the financial statements of Affimed GmbH, in order to meet the requirements of the exemption clause available under § 264 (3) HGB in 2019.

3. Financial reporting period

These financial statements cover the year 2019, which ended at the balance sheet date of 31 December 2019.

4. Going concern

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

5. Application of Section 402, Book 2 of the Dutch Civil Code

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

Notes to the consolidated financial statements
(in € thousand)

For an appropriate interpretation of these statutory financial statements, the consolidated financial statements of the Company should be read in conjunction with the Company financial statements, as included under pages 85 to 97.

6. Basis of preparation – consolidated financial statements

Statement of compliance

The consolidated financial statements of the Company are part of the statutory financial statements of the Company. These 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.

This is the first set of the Group's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described as part of the significant accounting policies.

The consolidated financial statements were authorized for issuance by the management board and supervisory board on July 7, 2020.

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 13) 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.

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.

Notes to the consolidated financial statements
(in € thousand)

Functional and presentation currency

The consolidated financial statements are presented in euro, which is also the Company's functional currency. All financial information presented in euro unless otherwise noted has been rounded to the nearest thousand (abbreviated €) or million (abbreviated € million).

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 4 for the Group's accounting policies related to revenue recognition and research and development expenses.

These consolidated financial statements cover the year 2019, which ended at December 31, 2019.

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'.

7. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for lease accounting. The Group has initially applied IFRS 16 Leases from 1 January 2019. Affimed has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized

in retained earnings as of January 1, 2019. Accordingly, any comparative information presented for any periods in 2018 and 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The effect of the application of IFRS 16 Leases is explained below. A number of other new standards and amendments are also effective from 1 January 2019 but they do not have a material effect on the Group's 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 provide 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.

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.

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, 2018 and 2019, 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.

(iii) Termination benefits

Termination benefits are expensed when the Group can no longer withdraw the offer of those benefits. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

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.

Leases

Policy applicable from 1 January 2019

Affimed recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Affimed's incremental borrowing rate. Generally, Affimed uses its incremental borrowing rate as the discount rate.

The Group determines the incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Affimed has elected not to recognize right-of-use assets and lease liabilities for some short-term leases (leases with less than 12 months of lease term) and right-of-use assets and liabilities for leases of low value assets. Lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements
(in € thousand)

Policy applicable before 1 January 2019

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

For impact on transition please refer to “New standards and interpretations applied for the first time” below.

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 primarily interest expense on borrowings.

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 13).

(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 19). 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.

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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 2017, 2018 or 2019.

(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.

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.

Subsequent events
Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

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 13 and 19).

Loss per share

Loss per common share is calculated by dividing the loss of the period by the weighted average number of common shares outstanding during the period.

The Group has granted warrants under certain loan agreements (see note 19) and options under share-based payment programs (see note 17) which potentially have a dilutive effect; no instruments actually had a dilutive effect.

Notes to the consolidated financial statements
(in € thousand)

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 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 3year 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 17. Incorporating the market condition in the fair value estimate requires the use of a simulation technique (Monte Carlo simulation), 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 holds preferred shares in Amphivena classified as equity instruments at fair value through other comprehensive income (level 2) and recognized 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, 2019 (see note 13). The Group based its judgment on information available for the valuation of the shares of Amphivena in its latest private financing in September 2019.

(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:

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- 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.

(vi) Lease payments

Affimed has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether Affimed is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. As at December 31, 2019, no renewal options were incorporated into the determining the lease term.

(vii) Provisions

In the second quarter of 2019, Affimed decided to terminate the Phase 1 clinical program of AFM11, a CD19/CD3-targeting bispecific T cell engager as a part of its strategic plans (see note 18).

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(in € thousand)

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 before January 1, 2019, and have been applied in preparing these financial statements:

Standard/interpretation	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

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

Affimed has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as of January 1, 2019. Accordingly, any comparative information presented for any periods in 2018 and 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The nature and effect of the application of IFRS 16 are summarized below. The other amendments had no effect on the consolidated financial statements of the Company.

The new standard specifies how to recognize, measure, present and disclose lease agreements. The standard provides a single lessee accounting model, requiring lessees to recognize right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Under IAS 17, Affimed determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 ´Determining Whether an Arrangement contains a Lease´. Under IFRS 16, Affimed now assesses whether a contract is or contains a lease based on the new definition of a lease. This definition says that a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Transition

Notes to the consolidated financial statements
(in € thousand)

On transition to IFRS 16, Affimed elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were previously not identified as leases were not reassessed.

As a lessee, Affimed previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, Affimed recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rates for similar assets as of January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

On transition to IFRS 16, the Company recognized additional right-of-use assets, including property, plant and equipment and additional lease liabilities. The impact on transition is summarized below.

	January 1, 2019
Right-of-use assets	717
Lease liabilities	717

The Group discounted lease payments using a weighted average discount rate of 4.05% as of January 1, 2019.

In relation to those leases under IFRS 16, Affimed has recognized depreciation and interest costs, instead of operating lease expense. In 2019, the Group recognized depreciation expense for right-of-use assets of €385 and interest cost related to the lease liability of €24 instead of operating lease expense of €406.

The transition between operating lease commitments disclosed applying IAS 17 as of December 31, 2018 and the lease liabilities recognized in the statement of financial position at the date of initial application, January 1, 2019, is shown below.

	January 1, 2019
Operating lease commitment as of December 31, 2018	1,154
Recognition exemption for short-term leases	(98)

Notes to the consolidated financial statements
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Payments for incidental rental costs and other rental payments (Not part of the lease)	(312)
Discounting using the incremental borrowing rate as of January 1, 2019	(27)
Lease liabilities as of January 1, 2019	717

New standards and interpretations not yet adopted

The following new standards and amendments to standards are effective for annual periods beginning after December 31, 2019, and have not been applied in preparing these consolidated financial statements.

Standard/interpretation	Effective Date [1]
Amendments to References to the Conceptional Framework	January 1, 2020
Amendments to IAS 1 and IAS 8: Definition of Material	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	January 1, 2020
Amendments to IFRS 3 Business Combination	January 1, 2020

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

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

8. 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.

Notes to the consolidated financial statements
(in € thousand)

	2019	2018	2017
Revenue:			
Germany	0	31	80
Europe	1,646	1,175	1,236
USA	19,745	22,529	694
Consolidated revenue	21,391	23,735	2,010
Non-current assets as of December, 31:			
Germany	2,017	1,224	957
Czech Republic	870	246	221
USA	3,558	3,825	0
Total non-current assets	6,445	5,295	1,178

(iii) Major Customers

In 2018 and 2019, the Group's revenue with Genentech Inc. exceeded 10% of total revenues. For the year ended December 31, 2017, the Group's revenue with four customers exceeded 10% of total revenues.

9. 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 year ended December 31, 2017, the Company recognized revenue upon achievement of milestones and for the performance of research and development services totaling €0.2 million.

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, 2017 and 2018, the Group achieved several milestones and recognized revenue totaling €0.2 million and €0.2 million, respectively. Open milestones as at December 31, 2019 are expected to have no significant impact on future revenues.

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 is providing services related to the development of 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 €19.7 million as revenue in 2019 (2018: €21.8 million) and €59.3 million (December 31, 2018: €61.4 million) under contract liabilities, which will be recognized as revenue in subsequent periods as services are provided.

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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

The Group, through its subsidiary 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 €1.7 million, €1.7 million and €1.6 million during the years ended December 31, 2019, 2018 and 2017 respectively.

Contract balances

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

	December 31, 2019	December 31, 2018
Receivables	204	210
Contract liabilities	59,314	61,847

An amount of €14,795 that was recognized in contract liabilities at the beginning of the period was recognized as revenue during the year ended December 31, 2019 (2018: €230).

The remaining performance obligations at December 31, 2019 are approximately €59.3 million and are expected to be recognized as revenue to a large extent over the next two years.

Disaggregation of revenue

	2019	2018	2017
Major service lines:			
Collaboration revenue	19,685	22,018	390
Service revenue	1,706	1,717	1,620
	21,391	23,735	2,010
Revenue:			
Point in time	5,783	21,863	233
Over time	15,608	1,872	1,777
	21,391	23,735	2,010

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(in € thousand)

10. Other income and expenses - net

Other income and expenses, net mainly comprises foreign exchange gains of €251 (2018: €1,523, 2017: losses of €7). Income from government grants for research and development projects amounted to €19 in 2019, €10 in 2018 and €195 in 2017.

11. 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:

	2019	2018	2017
Third-party services	27,338	22,127	12,299
Personnel expenses	10,154	8,055	5,639
Legal, consulting and patent expenses	1,983	1,672	890
Cost of Materials	1,547	1,140	994
Amortisation and depreciation	725	351	309
Other expenses	2,044	1,804	1,358
	43,791	35,148	21,489

12. 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:

	2019	2018	2017
Personnel expenses	5,357	4,929	4,521

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Legal, consulting and audit expenses	3,055	2,881	1,945
Other expenses	1,853	1,828	1,520
	10,266	9,638	7,986

13. Employee benefits

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

	2019	2018	2017
Wages and salaries	11,587	10,027	7,475
Social security costs	1,620	1,092	931
	13,207	11,119	8,406

The employer's contributions to pension insurance plans of €696 (2018: €502, 2017: €438) are classified as payments under a defined contribution plan, and are recognized as an expense.

14. Finance income and finance costs

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

	2019	2018	2017
Interest SVB Loan Agreement (see note 19)	-483	-847	-690
Foreign exchange differences	-175	651	-2,378
Interest on certificates of deposit with maturities of more than three months	602	5	77
Other finance income/finance costs - net	71	251	8
	15	60	-2,983

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15. Income taxes

The Group did not incur any material income tax in the periods presented. As of December 31, 2019, deferred tax assets from differences resulting from intangible assets (€283; 2018: €415), trade and other receivables (€243; 2018: €334), borrowings (€70; 2018: €0), lease liabilities (€121; 2018: €0) and trade and other payables (€23; 2018: €27) have not been recognized as deferred tax assets as no sufficient future taxable profits or offsetting deferred tax liabilities are available. As of December 31, 2019 deferred tax liabilities from temporary differences result mainly leasehold improvements and equipment and right-of-use assets (€226; 2018: €0), long term financial assets (1,218; 2018: €774) and contract liabilities (€308; 2018: €0). Deferred tax liabilities are not recognized as there is an excess of deferred tax assets over deferred tax liabilities.

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:

	2019	2018	2017
Loss before tax	(32,361)	(19,476)	(30,243)
Income tax benefit at tax rate of 29.825 %	9,652	5,809	9,020
Adjustments of deferred tax assets	(9,822)	(5,318)	(9,036)
Permanent differences	(29)	(462)	(93)
Adjustments for local tax rates	5	(34)	195
Non deductible expenses	(43)	(53)	16
Other	233	57	(82)
Income taxes	(4)	(1)	20

In Germany, Affimed has tax losses carried forward of €199.2 million (2018: €166.2 million) for corporate income tax purposes and of €198.4 million (2018: €165.4 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 s.r.o. amount to €296 as at December 31, 2019 (2018: €423).

16. Long term financial assets

The Company holds preferred shares in Amphivena recognized at their fair value of €3.2 million (2018: €3.8 million). The Company recognized losses from the change in fair value of €0.6 million in other comprehensive income in 2019 (2018: €4.7 million).

17. Financial assets

Financial assets contain of U.S. Dollar denominated certificates of deposit with original maturities of more than three months. As of December 31, 2019, the fair value (level 1) of the financial assets did not differ significantly from its carrying amount.

18. Trade and other receivables

The trade receivables as of December 31, 2019 and 2018, of €204 and €210, respectively, are all due in the short-term, do not bear interest and are not impaired. Other receivables are all due short-term and mainly comprise value-added tax receivables of €453 (2018: €839).

19. Equity

As of December 31, 2019, the share capital of €762 (2018: €624) is composed of 76,249,901 (2018: 62,430,106) common shares with a par value of €0.01.

On November 13, 2019, the Group issued 13,800,000 common shares in a public offering at a price of $2.50 per common share resulting in aggregate net proceeds of €29.5 million.

As at 31, December 2019 and 2018, the authorized share capital amounted to €3,120 consisting of 155,975,000 common shares and 155,975,000 cumulative preference shares, each with a par value of €0.01 per share.

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20. 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.

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. In 2019 and 2018, the Group granted 1,736,803 awards and 2,332,296 awards to employees, the Management Board and Supervisory Board.

In 2019, 357,879 ESOP 2014 awards were cancelled or forfeited due to termination of employment or termination of consulting agreements with non-employees (2018: 424,688), and 19,795 options were exercised at an average exercise price of $1.54 (2018: 40,038 ESOP 2014 awards at an average exercise price of $1.98).

As of December 31, 2019, 7,307,567 ESOP 2014 awards were outstanding (December 31, 2018: 5,948,438), 4,773,840 awards (December 31, 2018: 2,814,547) were vested. The options outstanding at December 31, 2019 had an exercise price in the range of $1.30 to $13.47 (2018: $1.30 to $13.47) and weighted average remaining contractual life of 8.9 years (2018: 9.3 years). In 2019 and 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, 2019 no options were exercisable. Fair value was determined using the Monte Carlo Simulation.

Share based payment expense

In 2019, an expense of €2,469 was recognized affecting research and development expenses (€904) and general and administrative expenses (€1,565). 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).

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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):

	2019	2018
Fair value at grant date	$2,10	$1,20
Share price at grant date	$1,44	$1,91
Exercise price	$1,44	$1,92
Expected volatility	82 %	72 %
Expected life	5,9	5,9
Expected dividends	0,00	0,00
Risk-free interest rate	2,09 %	0,34 %

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.

21. Provisions

In 2019, the group recognized costs related to the termination of the AFM 11 program totalling to €1.4 million, whereof €0.9 million were already incurred in 2019 and estimated costs of €0.5 million expected to incur in 2020 were recognized in provisions.

22. Borrowings

Silicon Valley Bank

On November 30, 2016, Affimed 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 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.

Notes to the consolidated financial statements
(in € thousand)

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, 2019		**Book value as of December 31, 2018**	
	Consolidated financial statements	thereof assets pledged	Consolidated financial statements	thereof assets pledged
Leasehold improvements and equipment	2,291	1.503	1,414	1,174
Inventories	296	247	260	235
Trade and other receivables	1,482	864	1,429	1,007
Other assets	0	0	387	-
Financial assets	8,902	8.902	13,974	13,974
Cash and cash equivalents	95,234	93.606	94,829	92,933
	108,205	105,122	112,293	109,323

As of December 31, 2019 and 2018, the fair value of the liability did not differ significantly from its carrying amount (€2,013 and €4,773). 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, 2019, €2,013 (2018: €3,083) were classified as current liabilities.

UniCredit Leasing CZ

Notes to the consolidated financial statements
(in € thousand)

In April 2019, the Group entered into a loan agreement with UniCredit Leasing CZ for €562. After an initial instalment of €127 in the second quarter of 2019, repayment is effected in monthly instalments of €8 until November 2023. As at December 31, 2019, an amount of €368 was outstanding, of which €91 was classified as current liabilities. As of December 31, 2019, the fair value of the liability did not differ significantly from its carrying amount.

Reconciliation to cash flows from financing

Movements of liabilities reconcile to cash flows arising from financing activities as follows:

	2019	2018
Balance as of January 1	4,773	7,169
Changes from financing cash flows		
Proceeds from borrowings	562	0
Repayment of borrowings	-3,277	-2,917
	-2,715	**-2,917**
Other Changes		
Capitalized borrowing costs	489	847
Interest paid	-164	-326
	325	**531**
Balance as of December 31, 2019	2,383	4,773

23. Trade and other payables

Trade and other payables comprise trade payables of €10,249 (2018: €8,482). Other payables mainly comprise payroll and employee related liabilities for withholding taxes and social security contributions of €801 (2018: €885) and payables due to employees for unused holidays and other accruals. Other payables are normally settled within 30 days.

24. Leases

Affimed presents right-of-use assets for offices, laboratories and vehicles leased in a separate line item from the line item “Leasehold improvements and equipment” that presents other assets of the same nature that Affimed owns. The agreements have an average non-cancellable term of between one and four years with renewal options included in some contracts. For equipment leased with contract terms that are short term and/or leases of low-value items the Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

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(in € thousand)

The carrying amounts of right-of-use assets reconcile as follows:

	Carrying amount		
	Buildings	Cars	Total
Balance as of January 1, 2019	695	22	717
Depreciation charge for the year	-371	-13	-384
Additions to right-of-use assets	492	0	492
Balance as of December 31, 2019	816	9	824

Cash outflow related to leases are as follows:

	2019
Repayment of lease liabilities	405
Interest on lease liabilities	24
Short-term lease payments	66
Cash outflow from leasing	495

In 2018 and 2017, lease expenses of €562 and €472 have been recognized in the consolidated statement of comprehensive income.

Future contractually agreed undiscounted lease payments are as follows:

	2019: Leases under IFRS 16	2018: Operating Leases under IAS 17
Payments within one year	553	675
Payments between one and five years	276	541
	829	1,216

Movements of lease liabilities reconcile to cash flows arising from financing activities as follows:

	2019
Balance as of January 1	717
Changes from financing cash flows	
Repayment of lease liabilities	-405

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	-405
Other Changes	
New lease contracts	492
	492
Balance as of December 31, 2019	804

25. Other commitments and contingencies

Commitments

The Group has entered into agreements for the use of licenses. In 2019, license fees of €92 have been recognized in consolidated statement of comprehensive income (2018: €124, 2017: €174), related future payment obligations under non-cancellable fees amount to €25.

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.

26. Related parties

(i) Shareholders

As of December 31, 2019 and 2018, 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:

	2019	2018	2017
Short-term employee benefits	2,598	2,683	1,538
Termination benefits	264	0	0
Share-based payments	1,738	1,229	1,379
	4,600	3,912	2,917

Notes to the consolidated financial statements
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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 (2018: €382; 2017: €375). In 2019, the Group recognized expenses for share-based payments for supervisory board members of €243 (2018: €117, 2017: €144).

The following table provides the total amounts of outstanding balances for supervisory board compensation and expense reimbursement related to key management personnel:

	Outstanding balances	
	December 31, 2019	December 31, 2018
Adi Hoess	5	0
Wolfgang Fischer	1	0
Martin Treder	0	9
Leila Alland	0	40
Thomas Hecht	26	21
Mathieu Simon	9	0
Berndt Modig	9	10
Ferdinand Verdonck	11	11
Ulrich Grau	21	21
Bernhard Ehmer	20	17

27. 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. The total carrying amount of shares (€3.2 million, 2018: €3.8 million) cash and cash equivalents (€95.2 million, 2018: €94.8 million), trade and other receivables (€1.5 million, 2018: €1.4 million), and certificates of deposit (8.9 million, 2018: €14.0 million), represents the maximum credit exposure of €108.8 million (2018: €114.1 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 €2.0 million as at December 31, 2019, 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 2019, resulting in interest income of €715 in 2019. A shift in interest rates (increase or decrease) would not have a material impact on the loss of the Group.

(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 €3.2 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.

Notes to the consolidated financial statements
(in € thousand)

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, 2019 was €56,531 (2018: €47,524) and mainly relates to US Dollars.

In 2019, if the Euro had weakened/strengthened by 10% against the US dollar with all other variables held constant, the loss would have been €5,677 (2018: €4,787) 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 2019 than in 2018 because of the increased volume of US dollar-denominated transactions.

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

	2019	2018	2017
	CZK or USD or GBP/EUR	CZK or USD or GBP/EUR	CZK or USD or GBP/EUR
CZK - Average Rate	0.03896	0.03899	0.03799
CZK - Spot rate	0.03936	0.03887	0.03916
USD - Average Rate	0.89326	0.84674	0.88519
USD - Spot rate	0.89015	0.87336	0.83382
GBP - Average Rate	1.1393	1.13031	
GBP - Spot rate	1.1754	1.11791	

(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.

Notes to the consolidated financial statements
(in € thousand)

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

In 2017 and 2018 and 2019, Affimed raised significant funding that it estimates will enable the Group to fund operating expenses and capital expenditure requirements at least into the fourth quarter of 2021.

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.

In 2019, the Group issued 13,800,000 common shares in a public offering at a price of $2.50 per common share resulting in aggregate net proceeds of €29.5 million (see note 16).

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.

28. Subsequent events

The Company announced early February 2020 that Dr. Florian Fischer, Chief Financial Officer (CFO) of Affimed, passed away. During Affimed's search for a new CFO, Harry Welten is acting as CFO advisor to Affimed. In June 2020, the Company announced the appointment of Angus Smith as Affimed's new permanent CFO, completing Affimed's leadership team. Mr. Smith will begin his employment on July 13, 2020 and will be based in Affimed's New York office.

In addition, the Company announced the appointment of Dr. Andreas Harstrick as Chief Medical Officer, starting in March 2020 and the appointment of Dr. Arndt Schottelius as Chief Scientific Officer, effective April 2020.

As circumstances around the COVID-19 pandemic continue to rapidly evolve, the Group is continuously assessing possible effects on its clinical trials and adapting the risk mitigation measures implemented. Affimed is closely monitoring and adhering to relevant federal and local guidelines on COVID-19 to ensure the safety and health of its global workforce and help limit the spread of COVID-19, while maintaining business continuity. The Group has taken mitigation steps to ensure that drug supply and other trial-related materials are ready and available for the patients enrolled in its clinical trials. Due to the ongoing assessment of the potential impact of the COVID-19 pandemic on patient enrollment and site activation in its clinical studies, Affimed will update trial timelines after it has more visibility on the length and extent of the COVID-19 crisis.

At this time, the impact of the outbreak on our business has been limited as research at our facilities is uninterrupted and our liquidity remains healthy. We will take all necessary actions to keep our operations running and, most importantly, protect our employees, suppliers, customers and all other stakeholders.

Based on our current knowledge and available information, we do not expect COVID-19 to have an impact on our ability to continue as a going concern in the future.

In May 2020, the Company filed a prospectus supplement and an open market sale agreement with Jefferies LLC. Under this sale agreement the Company can issue shares during at-the-market offerings. The Company has made use of this and issued approximately 8.4 million shares and received net proceeds of approximately USD 24.7 million up to now.

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, 2019

(before appropriation of result of the year)

In € thousand	Note	December 31, 2019	December 31, 2018
Assets			
Non current assets			
Financial fixed assets	31	0	14.953
Total non current assets		**0**	**14.953**
Current assets			
Receivables from subsidiaries	32	643	902
Other receivables		475	922
Cash and cash equivalents	33	50.566	24.971
Total current assets		**51.684**	**26.795**
Total assets		**51.684**	**41.748**
Equity and liabilities			
Shareholders' equity	34		
Issued capital		762	624
Share premium		164.293	135.365
Other reserves		(95.985)	(78.977)
Revaluation reserve		1.962	2.594
Unappropriated result		(21.442)	(19.477)
Total equity		**49.590**	**40.129**
Current liabilities			
Payables to subsidiaries	32	941	638
Other current payables	35	1.153	981
Total current liabilities		**2.094**	**1.619**
Total liabilities		**2.094**	**1.619**
Total equity and liabilities		**51.684**	**41.748**

Company profit and loss account

In € thousand	Note	For the year ended December 31, 2019	For the year ended December 31, 2018
Share in results from participating interests after taxation	31	(14.321)	(14.329)
Other result after taxation	37	(7.121)	(5.148)
Net result		**(21.442)**	**(19.477)**

Notes to the Company financial statements for the year ended 31 December 2019

29. 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 45 to 84.

30. 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 well into the first half of 2022.

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.

31. 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 36 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, 2019	**14,953**
Effect of change in fair value of Amphivena shares held by Affimed GmbH	(632)
Share in result of Affimed GmbH	(14,321)
Net asset value as at December 31, 2019	**-**

Affimed GmbH holds preferred shares in Amphivena which are recognized at fair value through other comprehensive income (see note 34).

The subsidiary Affimed GmbH has a negative net asset value and is valued at nil because the Company does not fully or partially guarantee the debts of this participating interest, and has no constructive obligation to support Affimed GmbH to pay its debt. The Company's share in the negative equity value of Affimed GmbH amounts to €10,924 thousand. The unrecognized share of the losses during the financial year amounts to €10,924 thousand, which are also the accumulated losses of this participating interest on the reporting date.

32. Receivables from/payables to subsidiaries

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

33. Cash and cash equivalents

Cash and cash equivalents have been fully pledged. We refer to note 36.

34. Equity

As of December 31, 2019 the number of issued common shares is 76,249,901 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, 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**
January 1, 2019	**624**	**135,365**	**(78,977)**	**2,594**	**(19,477)**	**40,129**
Issue of common shares	138	31,208	-	-	-	31,346
Share issuance costs	-	(2,306)	-	-	-	(2,306)
Exercise of share-based payments awards	-	26	-	-	-	26
Allocation of accumulated losses	-	-	(19,477)	-	19,477	-
Net result	-	-	-	-	(21,442)	(21,442)
Other comprehensive income	-	-	-	(632)	-	(632)
Share-based payments	-	-	2,469	-	-	2,469
December 31, 2019	**762**	**164,293**	**(95,985)**	**1,962**	**(21,442)**	**49,590**

Issued capital and share premium

On November 13, 2019, the Company issued 13,800,000 common shares in a public offering at a price of $2.50 per common share resulting in aggregate net proceeds of €29.5 million.

According to the articles of association of the Company 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, 2019 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 20 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, 2019, changes in fair value amounted to €5,363 thousand. The Company uses "Revaluation reserves" as the equity classification for these changes resulting in a fair value of these shares of €1,962 thousand as of December 31, 2019 (see also note 31).

Unappropriated result

The result after tax for 2019 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.

Reconciliation of shareholder's equity and net result per the consolidated financial statements with shareholder's equity and net result per the Company financial statements

In 2019 there are differences between the shareholder's equity and net result per the consolidated financial statements with the shareholder's equity and net result per the Company financial statements. These can be explained as follows:

In € thousand	December 31, 2019
Shareholders' equity according to the consolidated statement of financial position	38,667
Unrecognized share of the losses Affimed GmbH	10,923
Shareholders' equity according to the Company statement of financial position	49,590

In € thousand	2019
Net result according to the consolidated profit and loss account	(32,365)
Unrecognized share of the losses Affimed GmbH	10,923
Net result according to the Company profit and loss account	(21,442)

35. Other current payables

In € thousand	December 31, 2019	December 31, 2018
Trade payables	909	602
Social security and wage tax	201	333
Other liabilities	43	46
Total	1,153	981

All current payables are short-term.

36. 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 €51.7 million in the Company's financial statements at December 31, 2019).

37. Other result after taxation

In € thousand	2019	2018
Other income (service fee)	1,086	958
General and administrative expenses	(7,676)	(7,618)
Other gains/(losses) – net	23	53
Net operating result	(6,567)	(6,607)
Financial income	400	2,117
Financial expense	(954)	(658)
Net financial result	(554)	1,459
Result before taxation	(7,121)	(5,148)
Taxation	-	-
Result after taxation	(7,121)	(5,148)

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.

38. Employee benefits and number of employees

The average number of employees during 2019 was 3 employees and consisted of managing directors only. One managing director (Florian Fischer) passed away on February 1, 2020. The managing director's compensation is shown in note 39.

39. Related-party transactions

Director's remuneration 2019

Managing directors

(in € thousand)	Hoess	F. Fischer	W. Fischer	Total
Periodically paid compensation	474	360	402	1,236
Bonuses	156	94	103	353
Total cash compensation	**630**	**454**	**505**	**1,589**
2014 Plan share-based payment expense[1]	686	317	367	1,370
Total share-based payment expense	**686**	**317**	**367**	**1,370**

Supervisory directors

(in € thousand)	Hecht	Ehmer	Grau	Modig	Simon	Verdonck	Total
Periodically paid compensation	116	56	58	46	48	58	382
Total cash compensation	**116**	**56**	**58**	**46**	**48**	**58**	**382**
2014 Plan share-based payment expense[1]	61	35	35	35	42	35	243
Total share-based payment expense	**61**	**35**	**35**	**35**	**42**	**35**	**243**

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.

[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 26 of the consolidated financial statements.

Stock options granted under the Equity Incentive Plan 2014

Awards granted in 2019

Managing directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Adi Hoess.....	June 25, 2019	360,000	2.91	June 25, 2029
Florian Fischer	June 25, 2019	160,000	2.91	June 25, 2029
Wolfgang Fischer	June 25, 2019	160,000	2.91	June 25, 2029
Total		**680,000**		

Supervisory directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Thomas Hecht.....	June 25, 2019	35,000	2.91	June 25, 2029
Bernhard Ehmer……	June 25, 2019	20,000	2.91	June 25, 2029
Ulrich Grau	June 25, 2019	20,000	2.91	June 25, 2029
Berndt Modig.....	June 25, 2019	20,000	2.91	June 25, 2029
Mathieu Simon	June 25, 2019	20,000	2.91	June 25, 2029
Ferdinand Verdonck.....	June 25, 2019	20,000	2.91	June 25, 2029
Total		**135,000**		

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**		

For further disclosure related to the stock options we refer to note 20 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).

40. 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. 2019	Other KPMG network 2019	Total KPMG 2019
Audit of the financial statements	62	293	355
Other audit engagements	-	75	75
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	62	368	430

(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

41. Subsequent events

The Company announced early February 2020 that Dr. Florian Fischer, Chief Financial Officer (CFO) of Affimed, passed away. During Affimed's search for a new CFO, Harry Welten is acting as CFO advisor to Affimed. In June 2020, the Company announced the appointment of Angus Smith as Affimed's new permanent CFO, completing Affimed's leadership team. Mr. Smith will begin his employment on July 13, 2020 and will be based in Affimed's New York office.

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At this time, the impact of the outbreak on our business has been limited as research at our facilities is uninterrupted and our liquidity remains healthy. We will take all necessary actions to keep our operations running and, most importantly, protect our employees, suppliers, customers and all other stakeholders.

Based on our current knowledge and available information, we do not expect COVID-19 to have an impact on our ability to continue as a going concern in the future.

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Signing of the financial statements

July 7, 2020

Originally signed by:

Management Board:

Dr. Adi Hoess, CEO

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. 4%)

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 the Supervisory Board of Affimed N.V.

Report on the audit of the financial statements 2019 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 2019 and of its result and its cash flows for the year ended on 31 December 2019, 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 2019 and of its result for the year ended on 31 December 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2019 of Affimed N.V. based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

— the consolidated statement of financial position as at 31 December 2019;

— the following consolidated statements for the year ended on 31 December 2019: the statement of comprehensive loss, the statement of cash flows and the statement of changes in equity; and

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

The company financial statements comprise:

— the company balance sheet as at 31 December 2019;

— the company profit and loss account for the year ended on 31 December 2019; and

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

Basis for our opinion

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

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

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

Audit approach

Summary

Materiality
— Materiality of EUR 460 thousand — 0.5% of total assets

Group audit
— 99% of total assets — 100% of loss for the period

Key audit matter
— Revenue recognition of the collaboration agreement with Genentech Inc. — Completeness of accruals and related research and development expenses.

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 460 thousand (2018: EUR 360 thousand).

The materiality is determined with reference to the total assets (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 focussed 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 Board of Directors and the Supervisory Board that misstatements in excess of EUR 23 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 is mainly focused on significant components that are (i) of individual financial significance to the group, or (ii) that, due to their specific nature or circumstances, are likely to include significant risks of material misstatement of the group financial statements.

We have selected 2 components, one where we performed an audit of the complete reporting package and one audit of specific items.

The component where we performed an audit of the complete reporting package accounted for 99% (2018: 98%) of consolidated total assets and 100% (2018: 100%) of consolidated loss for the period.

The component where we performed an audit of specific items accounted for 1% (2018: 1%) of consolidated total assets and 0% (2018: 0%) of consolidated loss for the period.

For the 2 remaining components we performed analytical procedures on group level to corroborate the group engagement team's conclusion that there were no significant risks of material misstatement within these components.

The group audit team provided detailed instructions to the component auditor, KPMG Germany, who audited the components, 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.

The audit coverage as stated in the section summary can be further specified as follows:

Total assets

Loss for the period

Audit scope in relation to fraud

In accordance with the Dutch standards on auditing we are responsible for obtaining a high (but not absolute) level of assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

As part of our risk assessment process we have evaluated events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud ('fraud risk factors') to determine whether fraud risks are relevant to our audit.

We communicated identified fraud risks throughout our team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at group level.

In accordance with the auditing standard we evaluated the fraud risks that are relevant to our audit:

— revenue recognition of the collaboration agreement with Genentech Inc.;

— completeness of accruals and related research and development expenses;

— management override of controls (a presumed risk).

Our audit procedures included an evaluation of the design, implementation as well as the operating effectiveness of internal controls relevant to mitigate these risks and substantive audit procedures, including detailed testing of high risk journal entries and evaluation of management bias. In determining the audit procedures we will make use of the Company's evaluation in relation to fraud risk management (prevention, detections and response), including the set-up of ethical standards to create a culture of honesty.

As part of our evaluation of any instances of fraud, we inspected the minutes of the Board of Directors, the Audit Committee and the Supervisory Board meetings and obtained lawyers letters.

We communicated our risk assessment and audit response to the Audit Committee and the Supervisory Board. 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 result in the key audit matters titled 'Revenue recognition of the collaboration agreement with Genentech Inc.' and 'Completeness of accruals and related search and development expenses'.

We do note that our audit is based on the procedures described in line with applicable auditing standards and are not primarily designed to detect fraud.

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

We have evaluated facts and circumstances in order to assess laws and regulation relevant to the Company.

We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements based on our general understanding and sector experience, through discussion with relevant management and evaluating the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our 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 including taxation and financial reporting (including related company legislation). 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 many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an indirect effect:

— Sector specific laws and regulations (reflecting the healthcare legislation including various drug approval processes).

— Employment legislation (reflecting the Company's significant and geographically diverse work force).

— Health and safety regulation (reflecting the nature of the Company's (R&D) operations).

— Environmental regulation (reflecting environmental impact restrictions, waste and contamination related to the Company's (R&D) operations).

Auditing standards limit the required audit procedures to identify non-compliance with laws and regulations that have an indirect effect to inquiring of relevant management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not identify any additional actual or suspected non-compliance other than those previously identified by the Company in each of the above areas. We considered the effect of actual or suspected non-compliance as part of our procedures on the related financial statement items.

Our procedures to address compliance with laws and regulations did not result in the identification of a key audit matter.

We do note that our audit is not primarily designed to detect non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is 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 remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our key audit matter

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 Board of Directors and the Supervisory Board. 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.

Revenue recognition of collaboration 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 immunotherapeutic 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 9 to the consolidated financial statements.

Accounting for this agreement involves amounts that are material to the Company's financial statements and requires judgement and estimates by management. Therefore, in our audit planning we identified a risk or error regarding the timing of revenue recognition based on the progress of the milestones which could be incorrect, leading to inappropriate financial reporting in the statement of financial position and the statement of comprehensive loss.

Furthermore, we identified a fraud risk that revenue may be overstated due to manipulation of the timing of revenue recognition based on the progress of the milestones resulting from the pressure 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 developments over the year of the agreement as well as the progress of the activities. Further, we obtained an understanding of the design of controls implemented and tested the effectiveness of certain controls 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;
- Assessment and evaluation of the accounting (in accordance with IFRS 15) regarding the recognized revenues based on the progress of the milestones from the collaboration agreement with Genentech Inc.;
- Compare the contract related manual journal entries to the underlying supporting documentation of the progress of milestones; and

— Obtaining confirmation from Genentech Inc. regarding the budget and stage of progress of the milestones in order to determine if the performance obligations are fully satisfied and to assess the appropriateness of the recognized revenue.

Our observation

The results of our procedures were satisfactory and we found the revenue recognition of the collaboration agreement with Genentech Inc. to be appropriate.

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 development. 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 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 would lead to inappropriate financial reporting in the statement of financial position and the statement of comprehensive loss.

Furthermore, we identified a fraud risk that the accruals and respective expenses related to clinical trial may be overstated due to manipulation from the pressure management may feel to achieve performance targets at the reporting period-end.

Our response

In order to address the identified risk, we obtained an understanding of the relevant development 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 and tested the effectiveness of certain controls to obtain an understanding of the completeness of clinical trial-related accruals.

Our substantive audit procedures comprised, amongst others:

— Obtaining management's position on the progress of specific programs based on the expected expenses (budget) versus the actual expenses and compared the inputs to underlying data;

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

— Inspection of purchase agreements to determine completeness of such accruals and expenses;

— Obtaining confirmations directly from suppliers and comparing those to the recognized accruals to determine the completeness of such accruals; and

— Obtaining underlying documentation, such as suppliers contracts and related invoices, and tracing these back to the accrued expenses included in the statement of financial position at year end.

Our observation

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

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.

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 less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of Affimed N.V. on 14 November 2019, as of the audit for the year 2019 and have operated as statutory auditor ever since financial year 2014.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Directors and the Supervisory Board for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management 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 Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing Affimed'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 the appendix of this auditor's report. This description forms part of our auditor's report.

Zwolle, July 8, 2020

KPMG Accountants N.V.

J.J. van den Berg RA

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

Appendix

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit 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 Affimed N.V.'s internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concluding on the appropriateness of the Board of Director'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 Affimed N.V.'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.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

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.