Affimed N.V.

Amsterdam, The Netherlands

Annual Report 2021

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 and trispecific 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 three programs, for which we retain full global commercial rights, AFM13, AFM24 and AFM28. 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 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 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 German Cancer Research Center (DKFZ) in Heidelberg, where we employ 146 people, approximately 70% of whom

have an advanced academic degree. Including Affimed Inc. and AbCheck (see description below) personnel, our total headcount is 197 (187 full time equivalents) as of March 31, 2022. 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 agent 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 using a three-pronged development approach, including development (i) as monotherapy, (ii) in combination with adoptive NK cells, and (iii) in combinations with immunotherapies such as checkpoint inhibitors;
- 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 The MD Anderson Cancer Center, Genentech and Roivant, and establish new collaborations;
- Intensify our collaboration with academia; and
- Utilize AbCheck to generate and optimize antibodies.

Our Strengths

We believe we are a leader in developing innate immunity-based cancer immunotherapies due to several factors:

- Our lead product candidate, AFM13, is a first-in-class innate cell engager for hematologic cancer indications;
- Our development candidate, AFM24, is a first-in-class innate cell engager for EGFR expressing solid tumor indications;
- Our development candidate, AFM28, is a first-in-class innate cell engager for AML;
- Our modular and versatile ROCK® platform, which we believe will enable future product candidates and collaborations with pharmaceutical companies;
- We retain global commercial rights for AFM13, AFM24 and AFM28;
- 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 innate cell engagers for the treatment of cancer as shown below *:

Candidate	Approach	Indication	Discovery	Ph. 1	Ph. 2a	Ph. 2b	Status
AFM13 (CD30)	Monotherapy	Peripheral T-cell lymphoma (AFM13-202)					Registration Directed, Completed Enrollment
	+ Adoptive NK cells	CD30-positive lymphomas (AFM13-104)					Safety & POC, Enrolling
	+ Anti-PD-1	Hodgkin lymphoma (post BV) (AFM13-103)					POC, Study Completed
AFM24 (EGFR)	Monotherapy	Multiple solid tumors (AFM24-101)					Safety & POC, Enrolling
	+ Adoptive NK cells	Multiple solid tumors (AFM24-103)					Safety & POC, Enrolling
	+ Anti-PD-L1	Multiple solid tumors (AFM24-102)					Safety & POC, Enrolling
AFM28 (CD123)	Monotherapy	Acute Myeloid Leukemia					IND-enabling, initiate in H2 2022
	+ Adoptive NK cells	Acute Myeloid Leukemia					Pre-IND
AFM32		Solid tumors					Pre-IND, partnered with ROIVANT
Novel ICE®		Multiple indications (Not disclosed)					Pre-IND, partnered with Genentech
		Not disclosed					Pre-IND, Affimed owned

Monotherapy | Combination With Adoptive NK Cells | Combination With Other I-O Therapies

BV = brentuximab vedotin
CD = cluster of differentiation
EGFR = epidermal growth factor receptor
HL = Hodgkin lymphoma
ICE® = innate cell engager
IND = investigational new drug
NK = natural killer
PD-1 = programmed cell death protein 1
POC = proof of concept

**As of end of March 2022*

Our most advanced candidate, AFM13, is a first-in-class ICE® designed for the treatment of certain CD30-positive (CD30+) malignancies, including for both Hodgkin lymphoma and certain non-Hodgkin 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. AFM13 is currently being investigated as monotherapy in a phase 2 registration-directed study in patients with relapsed/refractory peripheral T-cell lymphoma (PTCL), and in combination with adoptive NK cells in a Phase 1/2a clinical study in collaboration with the MD Anderson Cancer Center in patients with CD30+ lymphomas.

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. AFM24 is currently being investigated as monotherapy in a first-in-human phase 1/2a study, and in two combination clinical studies investigating AFM24 with adoptive NK cells and a PD-L1 inhibitor.

Our third, wholly-owned ICE® molecule, AFM28, was developed from our ROCK® platform and is designed to bind to CD123, an established target in myeloid malignancies. We chose CD123 as it is almost universally expressed on leukemic blasts and leukemic stem cells in patients with AML, both at diagnosis and at relapse, and independently of cytogenetic risk. AFM28 is being developed for the treatment of patients with acute myeloid leukemia. We believe that AFM28 could be the key to novel treatment approaches that can fulfill several unmet needs. We advanced AFM28 into preclinical studies in 2020 and expect to submit an IND application in the first half of 2022.

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 a number of product

candidates based on our novel NK cell engager-based immuno-therapeutics to treat multiple cancers. The agreement included a license to AFM26, a tetravalent, bispecific B cell maturation antigen (BCMA)- and CD16A-bindingICE® from our fit-for-purpose ROCK® platform, for the treatment of multiple myeloma. AFM26 is now known as RO7297089. RO7297089 employs a unique mechanism of action through high affinity engagement of NK cells and has demonstrated in vitro efficacy against cells with very low levels of BCMA expression. NK cell binding of RO7297089 is largely unaffected by IgG competition. During 2020, Genentech initiated a phase 1 study for RO7297089. Treatment with RO7297089 was well-tolerated at the dose levels tested, although infusion reactions necessitated long infusion duration for the first dose. Activity has been observed to date with partial responses at doses up to 1080 mg. There were no DLTs and a recommended phase 2 dose has not been identified. Genentech has decided not to progress with clinical development of RO7297089. The decision to discontinue the phase 1 study does not impact the development of other targets pursuant to the collaboration agreement with Genentech. Affimed is continuing its work with Genentech and expects to hand over a number of additional product candidates in the near future for further investigation by Genentech.

AFM32, another ICE® candidate in preclinical development against an undisclosed solid tumor target is being investigated under a License and Strategic Collaboration with Roivant Sciences Ltd. (“Roivant”), pursuant to which we granted Roivant a license to develop and commercialize AFM32 and options to license additional novel ICE® molecules against other targets.

We believe that our collaborations help to validate and more rapidly advance our discovery efforts, technology platforms and product candidates. 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 leverage its potential.

Business impact of COVID-19

In response to the 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 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 our 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. For example, in January 2022, we announced that we would no longer pursue the TMF cohort in our phase 2 clinical trial evaluating AFM13 as monotherapy due to continuing challenges enrolling patients as a result of the COVID-19 pandemic.

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 ongoing AFM24 phase 1/2a monotherapy clinical study as well as combination studies with NK cell product and the checkpoint inhibitor atezolizumab. We are continually assessing the potential impact of the COVID-19 pandemic on patient enrollment and site activation in our clinical studies, and we will update trial timelines to the extent that changes arise as a result of the COVID-19 pandemic.

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, 2021, we have raised an aggregate of €474.5 million (gross proceeds) 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, 2021, we incurred a net loss of €57.5 million. As of December 31, 2021, we had an accumulated deficit of €333.4 million.

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

Collaboration Agreements

We have entered into strategic collaborations for some of our therapeutic programs. As part of our business development strategy, we aim to increase the number of our research collaborations in order to derive further value from our platforms and more fully exploit their potential. Key terms of our current material collaborations are summarized below and more details are given under “Item 4. B. Business overview.”

Roivant

On November 9, 2020, we announced that we entered into a license and strategic collaboration agreement with a subsidiary of Roivant Sciences Ltd. (“Roivant”) to develop and commercialize novel ICE® molecules, including AFM32, in oncology. Under the terms of the agreement, we received $60 million in upfront consideration, comprised of $40 million in cash and pre-paid R&D funding, and $20 million of newly issued shares in Roivant Sciences Ltd. We are eligible to receive up to an additional $2 billion in milestones over time upon achievement of specified development, regulatory and commercial milestones, as well as tiered royalties on net sales.

We recognized revenues of €17.7 million in 2021.

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 €21.6 million in 2021.

Financial Operations Overview

Revenue

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

Collaboration revenue. Collaboration revenue for year ended December 31, 2021 amounted to €39.3 million, with €21.6 from the Genentech collaboration and €17.7 million from the Roivant collaboration. Collaboration revenue for year ended December 31, 2020 amounted to €27.8 million, with €26.2 million from the Genentech collaboration and €1.4 million from the Roivant 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 €1.1 million and €0.6 million of third party service revenue in 2021 and 2020, respectively. Service revenue of AbCheck is derived from third party contracts as well as from the utilization of the entity by Affimed. The increase or decrease in 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 and Roivant. 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 for years 2020 and 2021 primarily relates to government grants for research and development projects of € 348,000 in 2020 and € 344,000 in 2021 and research collaborations where costs are shared equally between both parties of €0 in 2020 and €1,072,000 in 2021.

Research and Development Expenses

Research and development expenses consist principally of:

- salaries for research and development staff and related expenses, including 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 2022 will increase as compared to 2021. Our research and development expenses primarily relate to the following key programs:

AFM13. The following is a summary of completed and ongoing research and development activities for AFM13:

- In September 2020, a phase 1 clinical study was initiated in collaboration with the University of Texas MD Anderson Cancer Center (MDACC), in which MDACC is investigating the combination of AFM13 with allogeneic NK cells. MDACC is administering a stable complex of AFM13 pre-complexed with cord blood-derived allogeneic NK cells in different doses (numbers of pre-complexed NK cells) into patients with relapsed/refractory CD30-positive lymphoid malignancies.

- In December 2021, the FDA approved an amendment to the AFM13-104 trial protocol to increase the patient population treated at the recommended phase 2 dose (RP2D) to 40 CD30-positive lymphoma patients, including both Hodgkin Lymphoma (HL) patients and non-Hodgkin Lymphoma (NHL) patients, and allow for the treatment of patients with more than the two cycles of therapy, at the investigator's discretion. With the approval of the protocol amendment, MDACC has initiated enrollment of patients into the phase 2 portion of the trial, triggering an undisclosed milestone payment to MDACC which was included in R&D expense for 2021 and paid during the first quarter of 2022.
- 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). In March 2021, we announced positive results from an interim futility analysis for the study. In January 2022, we completed enrollment of the study and expect to release topline results in the 2nd half of 2022.
- 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, and the study is now complete.
- 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 and the study is now complete.
- In 2015, an investigator-initiated monotherapeutic phase 2a clinical trial of AFM13 in relapsed/refractory Hodgkin Lymphoma was initiated and the study is now complete.
- We anticipate that our research and development expenses in 2022 for AFM13 will increase compared to those for 2021 due to the initiation of new clinical studies, pre-clinical studies with collaboration partners and the scale-up 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. During 2021, we identified the RP2D for AFM24 monotherapy of 480 mg weekly in patients with EGFR-expressing solid tumors and, with the achievement of this milestone, embarked on a broad development strategy for AFM24, which includes the initiation of three studies investigating various EGFR-expressing solid tumor indications. We have initiated enrollment in the expansion phase of the monotherapy AFM24 trial at the RP2D. We also initiated enrollment in two separate phase 1/2a combination studies. The first is investigating the combination of AFM24 with SNK01 (ex vivo expanded and activated autologous NK cell therapy from NKGen Biotech) to treat patients with non-small cell lung cancer (NSCLC, EGFR-wildtype), squamous cell carcinoma of the head and neck, and colorectal cancer. The second study is investigating the combination of AFM24 with Roche's atezolizumab, an anti-PD-L1 checkpoint inhibitor to treat patients with non-small cell lung cancer (EGFR-wildtype), gastric and gastroesophageal junction adenocarcinoma and pancreatic/hepatocellular/biliary tract cancer.

AFM28. AFM28 is designed to bind to CD123, an established target in myeloid malignancies. We chose CD123 as it is almost universally expressed on leukemic blasts and leukemic stem cells in patients with AML, both at diagnosis and at relapse, and independently of cytogenetic risk. AFM28 is being developed for the treatment of patients with acute myeloid leukemia. AFM28 is currently in preclinical development, and we expect to file an IND application with the FDA in the first half of 2022.

Other projects and infrastructure costs. Our other research and development expenses relate to our Genentech, Roivant and Artiva collaborations, 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 2022 due to increased early-stage development/discovery activities.

Since January 1, 2012, we have cumulatively spent €316.7 million on research and development. In the years ended December 31, 2019, 2020 and 2021, we spent €43.8 million, €50.0 million and €81.5 million, respectively, on research and development; €19.5 million, €19.1 million and €19.8 million thereof on AFM13; € 2.4 million, -€ 0.8 million and €0 million thereof on AFM11; €4.3 million, €8.7 million and €20.0 million thereof on AFM24 and €0 million, €2.2 million and €6.5 million on AFM28. 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, AFM28 and certain of our other product candidates and further advance the research and development of our preclinical product candidates. The successful development of our product candidates is highly uncertain. At this time we cannot reasonably estimate the nature, timing and estimated costs of the efforts that will be necessary to complete the development of, or the period, if any, in which material net cash inflows may commence from, any of our product candidates. This is due to numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- the scope, rate of progress, results and cost of our clinical trials, nonclinical testing, and other related activities;
- the cost of manufacturing clinical supplies and establishing commercial supplies of our product candidates and any products that we may develop;
- the number and characteristics of product candidates that we pursue;
- the cost, timing, and outcomes of regulatory approvals;
- the cost and timing of establishing sales, marketing, and distribution capabilities; and
- the terms and timing of any collaborative, licensing, and other arrangements that we may establish, including any milestone and royalty payments thereunder.

A change in the outcome of any of these variables with respect to the development of AFM13, AFM24, AFM28 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 2022 will be higher compared to the expenses in 2021, 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, which may further contribute to an increase in general and administrative expenses in 2022.

Results of Operations

The numbers below have been derived from our audited consolidated financial statements for the years ended December 31, 2020 and 2021. 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, 2020 and 2021

	Year ended December 31,	
	2020	**2021**
	(in € thousand)	
Total Revenue:	**28,360**	**40,366**
Other income/(expenses)-net	626	1,310
Research and development expenses	(49,989)	(81,488)
General and administrative expenses	(13,715)	(24,218)
Operating income/(loss)	**(34,718)**	**(64,030)**
Finance income/(costs)-net	(6,647)	6,509
Income/(Loss) before tax	(41,365)	(57,521)
Income taxes	(1)	(2)
Income/(loss) for the period	**(41,366)**	**(57,523)**
Total comprehensive income/(loss)	**(41,608)**	**(65,216)**
Earnings/(loss) per common share in € per share	**(0.50)**	**(0.48)**

Revenue

Revenue increased from €28.4 million for the year ended December 31, 2020 to €40.4 million for the year ended December 31, 2021. Revenue for the year ended December 31, 2021 largely consisted of revenue from the Genentech and Roivant collaborations. The increase in revenue in 2021 as compared to 2020 was primarily driven by an increase in revenues from these two mentioned collaborations.

Research and development expenses

	Year ended December 31,		
R&D Expenses by Project	**2020**	**2021**	**Change %**
		(in € thousand)	
Project			
AFM13	19,089	19,800	4 %
AFM11	(777)	—	(100)%
AFM24	8,660	19,957	130 %
AFM28	2,209	6,451	192 %
Other projects and infrastructure costs	19,284	29,388	52 %
Share-based payment expense	1,524	5,892	287 %
Total	**49,989**	**81,488**	**63 %**

Research and development expenses increased 63% from €50.0 million in the year ended December 31, 2020 to € 81.5 million in the year ended December 31, 2021, due to higher expenses for AFM24, AFM 28, other projects and infrastructure and share-based payment expense. The variances in project related expenses between the year ended December 31, 2020 and the corresponding period in 2021 are mainly due to the following projects:

- *AFM13.* In the year ended December 31, 2021, expenses increased 4% compared to the year ended December 31, 2020. AFM13 expenses included a milestone payment in 2021 resulting in an increase in expenses, however this was largely offset by lower expenses related to manufacturing activities.
- *AFM24.* In the year ended December 31, 2021, expenses increased 130% compared to the year ended December 31, 2020, primarily due to the increase in costs related to phase 1/2a clinical trials, as we initiated two additional studies investigating various EGFR-expressing solid tumor indications and initiated enrollment in the expansion phase of the monotherapy AFM24 trial.
- *AFM28.* In the year ended December 31, 2021, expenses increased 192% compared to the year ended December 31, 2020, primarily due to additional expenses related to preclinical development and preparation for the submission of an IND to the FDA.
- *Other projects and infrastructure costs.* In the year ended December 31, 2021, expenses increased 52% compared to the year ended December 31, 2020, primarily due to higher expenses incurred in relation to our earlier stage programs, including our collaborations with Genentech and Roivant, and discovery/early stage development activities and infrastructure costs.

General and administrative expenses

General and administrative expenses increased 77% from €13.7 million in the year ended December 31, 2020 to €24.2 million in the year ended December 31, 2021. In 2021, general and administrative expenses were largely comprised of (i) personnel expenses of €10.7 million (2020: €6.3 million), which increased due to higher share-based payment expenses and (ii) legal, consulting and audit costs of €8.1 million (2020: €5.6 million). The increase in consulting costs was primarily due to additional branding and marketing research costs, as well as IT consulting costs relating to the implementation of a new ERP system. Further, general and administrative expenses increased in 2021 as compared to 2020 because of an increase in the overall cost of D&O liability insurance and an increase in license and third-party costs relating to the implmentation of a new ERP system.

Finance income / (costs)-net

We recognized finance net income for the year ended December 31, 2021 of €6.5 million compared to €6.6 million costs for the year ended December 31, 2020. The year ended December 31, 2021 was primarily affected by foreign exchange gains of €7.6 million primarily related to cash and cash equivalents denominated in U.S. dollars as a result of the strengthening of the U.S. dollar compared to the Euro during 2021. The year ended December 31, 2020 was primarily affected by foreign exchange losses of €6.7 million primarily related to assets denominated in U.S. dollars as a result of the weakening of the U.S. dollar compared to the Euro during 2020.

Liquidity and Capital Resources

Since our inception, we have not generated any revenue from product sales and we have incurred significant operating losses. For the years ended December 31, 2020 and 2021 we incurred net losses of €41.4 million and €57.5 million, respectively. We have funded our operations to date with the proceeds principally from the sales of our common shares and payments from collaboration partners.

Our cash and cash equivalents as of December 31, 2021 consist primarily of bank balances and call deposits with original maturities of three months or less. We expect to continue this investment philosophy, though we may in the future decide to invest our available liquidity in other financial instruments. Based on our current operating and budget assumptions, and including the capital that we have raised subsequent to December 31, 2021, we believe that our existing liquidity will enable us to fund our operating expenses and capital expenditure requirements at least into mid-2024.

As part of our contractual obligations, we are also bound by certain operating lease obligations. Operating lease obligations consist of payments pursuant to non-cancellable operating lease agreements relating to our lease of office and laboratory space. The majority of this space will expire in 2022 and 2023 respectively and the remaining space (below 10%) in 2025. We are currently in negotiation to harmonize all leases in Heidelberg to have an expiry date in 2023. We have signed a new lease contract for offices and laboratories in 2021 and we are planning to move to a new facility in Mannheim, Germany, in 2023. The contractual lease term is ten years including a cancellation option after five years with an expected start mid-2023. The terms provide for renewal options. We also lease office and laboratory space in the Czech Republic that is contracted until December 2025 with a period of notice of three months.

In January 2021, we issued and sold 19,166,667 common shares and generated net proceeds after underwriter discounts and commissions and other offering expenses of €88.7 million in the aggregate pursuant to an underwritten offering of our common shares.

In November 2020, the Company implemented a $ 75 million ATM program. During 2021, we had issued approximately 4.4 million shares from this program, generating approximately €24.4 million in net proceeds.

In November 2021, we entered into a new $100 million ATM program and, as of December 31, 2021, 0.2 million common shares had been sold under the new ATM program, generating net proceeds of €1.6 million.

Cash Flows

Comparison of the years ended December 31, 2020 and 2021

The table below summarizes our consolidated statement of cash flows for the years ended December 31, 2020 and 2021:

	Year ended December 31,	
	2020	**2021**
	(in € thousand)	
Net cash from/(used) in operating activities	(19,400)	(86,591)
Net cash from/(used) for investing activities	8,006	(3,850)
Net cash generated from financing activities	69,252	133,581
Net changes to cash and cash equivalents	**57,858**	**43,140**
Cash and cash equivalents at the beginning of the year	95,234	146,854
Exchange-rate related changes of cash and cash equivalents	(6,238)	7,636
Cash and cash equivalents at the end of the year	**146,854**	**197,630**

Net cash used in operating activities amounted to €19.4 million in the year ended December 31, 2020 whereas net cash used in operating activities amounted to €86.6 million in the year ended December 31, 2021. The increase is due to higher cash expenditure for research and development as well as general and administrative activities. In addition, the amount in 2020 included cash received from an initial upfront payment and committed funding of €33.3 million (USD 40 million) from the Roivant collaboration, as well as a milestone payment received pursuant to the Genentech collaboration.

We generated cash from investing activities of €8.0 million in the year ended December 31, 2020, compared to utilizing €3.9 million in the year ended December 31, 2021. The investing activities in 2021 primarily relate to investments in intangible assets, laboratory equipment and leasehold improvements. The investing activities in 2020 primarily related 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, 2021 amounted to €133.6 million (2020: €69.3 million) and relate primarily to the net proceeds received from the public offering in

2021 of €88.7 million, the at-the-market sale of common shares amounting to €26.0 million (2020: €69.0 million) and loan proceeds of €17.5 million.

Material Cash Requirements

Our short-term and long-term material cash requirements consist of operational and capital expenditures, some of which contain contractual obligations. Our primary uses of cash relate to clinical trial costs, third-party research and development services, the cost of manufacturing clinical trial material, manufacturing scale-up and validation costs, non-clinical development costs, personnel, laboratory and related supplies, milestone payments pursuant to certain of our collaboration agreements, legal, intellectual property and other regulatory expenses and general overhead costs. Because our product candidates are in various stages of clinical and pre-clinical development and the outcome of these efforts is uncertain, we cannot estimate the actual amounts necessary to successfully complete the development and commercialization of our product candidates or whether, or when, we may achieve profitability. In addition, our expenditures as reported in our financial statements may be expected to be variable due to that uncertainty. The most significant contractual obligations are the operating leases at our facilities in Heidelberg, Germany. Our future minimum lease payments as of December 31, 2021 totaled €0.7 million related to short-term lease liabilities, and €0.4 million related to long-term lease liabilities. In addition, we have entered into a new lease agreement for new offices and laboratories expected to start mid-2023. Expected payments include monthly rent of €116,000, a one-time payment of €696,000 for laboratory construction and a security deposit of €413,000.

Based on our current operating and budget assumptions, and including the capital we have raised subsequent to December 31, 2021, we believe that our existing liquidity will enable us to fund our operating expenses and capital expenditure requirements at least into mid-2024. 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 have or 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.

We do not have any off-balance sheet arrangements, as defined under the rules and regulations of the Securities and Exchange Commission.

Cash and Funding Sources

Our cash and cash equivalents as of December 31, 2021 were €197.6 million. Funding sources generally comprise proceeds from the issuance of equity instruments, loans, payments from collaboration agreements and government grants.

In May 2020, we implemented a $50 million at-the-market (ATM) program providing for the sale of shares over time, which resulted in the sale of in total 12.5 million common shares and generated net proceeds of €34.5 million in the aggregate. In November 2020, we entered into a new ATM program for an amount not to exceed $75 million, and as of December 31, 2021 a further 12.3 million common shares were sold, generating net proceeds of €58.9 million in the aggregate. In November 2021, we entered into a new $100 million ATM program as of December 31, 2021 a further 0.2 million common shares were sold, generating net proceeds of €1.6 million in the aggregate.

On January 8, 2021, we entered into a new loan agreement with SVB. The loan agreement provides us with a senior secured term loan facility (the "2021 SVB Credit Facility") for up to €25.0 million, of which €10.0 million was available at closing and drawn in February 2021, and €15.0 million of which is available in two additional tranches of € 7.5 million each, subject to the satisfaction of certain milestones and conditions. In December 2021, we drew on the first additional tranche of the loan of €7.5 million.

The interest rate on amounts borrowed under the 2021 SVB Credit Facility is calculated as the sum of (i) the European Central Bank Base Rate plus (ii) an applicable margin of 5.5%, with European Central Bank Base Rate deemed to equal zero percent if the European Central Bank Base Rate is less than zero percent. The 2021 SVB Credit Facility matures in November 2025 with an interest-only period through December 1, 2022, or June 1, 2023 if we draw on all tranches of the loan, with amortized payments of principal and interest thereafter in equal monthly installments. Borrowings under the 2021 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 15, 2021, we closed the sale of 16,666,667 of our common shares at a price of $6.00 per share in an underwritten public offering. Concurrent with closing, underwriters exercised an option to purchase additional shares and we sold an additional 2,500,000 shares at a price of $ 6.00 per share. We received approximately €88.7 million in net proceeds from the offering, 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, including AFM13, AFM24 and AFM28. If we receive regulatory approval for AFM13, AFM24, AFM28 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 at least into mid-2024. 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 have or 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.”

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 is a summary of the risks perceived by management to be the most significant.

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

COVID-19 has, and continues to, adversely impact 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, have been, and may continue to be, significantly impacted. We have implemented mitigation procedures designed to enable us to address the various issues caused by 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. For example, in January 2022, we announced that we would no longer pursue the TMF cohort in our phase 2 clinical trial evaluating AFM13 as monotherapy due to the continuing challenges to enroll patients with this indication as a result of the COVID-19 pandemic.

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. 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.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. 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 COVID-19 pandemic is ongoing, in large part due to the prevalence of new variants of the SARS-CoV-2 virus, and, accordingly, we may continue to experience ongoing disruptions that could severely impact our business, preclinical studies and clinical trials. 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.

Risks related to political events, war, terrorism, business interruptions and other geopolitical events and uncertainties beyond our control

War, terrorism, geopolitical uncertainties and other business interruptions could cause damage to or disrupt our operations and those of our third-party suppliers, partners and collaborators. In addition, territorial invasions can lead to cybersecurity attacks located far outside of the conflict zone. Interruptions to our operations could seriously harm our ability to timely proceed with any clinical programs, and could imply incurring in significant expenditures as salaries and loan payments would usually continue. Following Russia's invasion of Ukraine in February 2022, the U.S., several European Union nations, and other countries have announced sanctions against Russia, and the North Atlantic Treaty Organization (NATO) has deployed additional military forces to Eastern Europe. The invasion of Ukraine and the retaliatory measures that have been taken, or could be taken in the future, by Russia, the U.S., NATO, and other countries have created global security concerns that could result in a regional conflict and otherwise have a lasting impact on regional and global economies, any or all of which could disrupt our supply chain, adversely affect our ability to conduct ongoing and future clinical trials of our product candidates, and adversely affect our ability to commercialize our products (subject to regulatory approval). For example, our ongoing clinical trial for AFM13-202 includes trial sites in Russia, where approximately 10% of the patients in the trial were enrolled. While we have not seen any interruptions in treatment or monitoring activities to date, there can be no assurance that we will be able to conduct the activities that are required to complete the follow-up for these patients, or that we will be able gather data from these patients in a form that will be acceptable to the FDA. This could negatively impact the anticipated timing, completion and/or results of the trial.

Risks Related to our Financial Position and need for Additional Capital

We have incurred significant losses since inception and anticipate that we will continue to incur losses for the foreseeable future. We have no products approved for commercial sale, and to date we have not generated any revenue or profit from product sales. 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.

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

Risks Related to Legal Compliance Matters

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

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

Risks Related to Information Technology Systems or Infrastructure

In the ordinary course of business, we and our business partners store sensitive data, including intellectual property and proprietary information related to our business and our business partners, on our information technology systems. Despite the implementation of security measures, these systems are vulnerable to damage from computer viruses, unauthorized access, cyber-attacks, natural disasters, terrorism, war and telecommunication, electrical and other system failures due to employee error, malfeasance or other disruptions. We could experience a business interruption, intentional theft of confidential information or reputational damage, including damage to key customer and partner relationships, from system failures, espionage attacks, malware, ransomware or other cyber-attacks. Such cyber-security breaches may compromise our system infrastructure or lead to data leakage, either internally or at our contractors or consultants. In particular, system failures or cyber-security breaches could result in the loss of nonclinical or clinical trial data from completed, ongoing or planned trials, which could cause delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. The risk of a security breach or disruption, particularly through cyber-attacks, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased.

To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, including protected health information or personal data of employees or former employees, we could be subject to legal claims or proceedings, liability under laws and regulations governing the protection of health and other personally identifiable information and related regulatory penalties. In any such event, our

business, results of operations, financial position and cash flows could be materially adversely affected.

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 (€12.3 million, 2020: €20.0 million), cash and cash equivalents (€197.6 million, 2020: € 146.9 million) and trade and other receivables (€4.8 million, 2020: €2.4 million) represents the maximum credit exposure of €214.7 million (2020: €169.3 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.

Market interest rates on cash and cash equivalents as well as on term deposits were low, and in some cases negative, resulting in interest expense of €358,000 (2020: interest income of €186,000). A shift in interest rates (increase or decrease) could potentially have a material impact on the loss of the Group.

Other price risks

The fair value of the shares in Amphivena and Roivant depends on the estimated share price and the quoted share price respectively.

The total exposure of the Group amounts to €12.3 million (2020: €20.0 million).

Foreign currency risk

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

The Group's entities are exposed to Czech Koruna (CZK), US Dollars (USD) and British Pound (GBP). The net exposure as of December 31, 2021 was €53.5 million (2020: €122.3 million) and mainly relates to US Dollars.

In 2021, if the Euro had weakened/strengthened by 10% against the US dollar with all other variables held constant, the loss would have been €5.5 million (2020: €11.2 million) higher/lower, mainly as a result of foreign exchange gains/losses on remeasurement 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 2021 than in 2020 because of the increased volume of US dollar-denominated transactions.

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 2019, 2020 and 2021, (and subsequent to December 31, 2021) Affimed raised significant funding that it estimates will enable the Group to fund operating expenses and capital expenditure requirements at least into mid-2024.

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.

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. The Company issued approximately 12.5 million common shares under this ATM program, generating net proceeds of approximately €34.5 million.

In November 2020, the Company implemented a new ATM program providing for additional sales over time of up to $75,000,000 of common shares. As of December 31, 2021, the Company had issued approximately 4.4 million (2020: 7.9 million) shares, generating approximately €24.4 million (2020: €34.5 million) in net proceeds.

In November 2021, Affimed filed a "shelf registration statement" with the SEC in order to offer and sell securities to the public in multiple, future offerings with indeterminate amount.

In November 2021, the Company implemented a new ATM program providing for additional sales over time of up to $100 million of its common shares. As of December 31, 2021, the Company had issued approximately 0.2 million shares and generated approximately €1.6 million in net proceeds from this new ATM program.

On January 15, 2021 the Group issued 19,166,667 common shares at a price of $6.00 per share in a public offering resulting in gross proceeds before deducting underwriting discounts and commissions and estimated expenses of the offering of $115 million.

In January 2021, the Group entered into a loan agreement with Silicon Valley Bank for up to €25 million, of which the Group has drawn €17.5 million in 2021.

In April 2022, the Group issued 25,875,000 common shares at a price of $4.00 per share in a public offering resulting in gross proceeds before deducting underwriting discounts and commissions and estimated expenses of the offering of $103.5 million.

The Group expects that further funding will be required to complete the development of the existing product candidates. Further, funding will also be required to commercialize the products if regulatory approval is received.

The contractual maturities of Borrowings are as follows:

In € thousands

	2021	2020
Payments within one year	580	92
Payments between one and five years	18,682	231
	19,262	**323**

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	60	Chief Executive Officer
Wolfgang Fischer	58	Chief Operating Officer
Andreas Harstrick	60	Chief Medical Officer
Arndt Schottelius	56	Chief Scientific Officer
Angus Smith	39	Chief Financial Officer
Denise Mueller	53	Chief Business Officer

At the 2021 general meeting of the Company held on June 15, 2021, Denise Mueller was appointed as managing director with the title of Chief Business Officer. The term of appointment of Denise Mueller will end on the date of the annual general meeting of the Company to be held in 2024.

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.

Andreas Harstrick, M.D., Chief Medical Officer. Dr. Harstrick agreed to serve as our Chief Medical Officer, starting in March 2020. He brings 30 years of extensive experience in cancer drug development, including the successful designing of clinical trials leading to approval of antibody drugs (Erbitux®; Cyramza®) and in-depth experience in setting-up and managing clinical oncology teams. Dr. Harstrick was Chief Medical Officer at Molecular Partners AG from 2015 to 2019, where he oversaw clinical activities, including expansion of the clinical team, and was a member of the Management Board. Between 2012 and 2014, Dr. Harstrick was Senior Vice President Medical Sciences at ImClone Systems, a wholly-owned subsidiary of Eli Lilly and Company, where he was also a member of the Lilly Oncology Program Review Board and the Lilly Oncology Business Unit Development Committee. Prior to joining ImClone in 2008, Dr. Harstrick was Senior Vice President Global Clinical Development Unit Oncology at Merck Serono until 2008. Dr. Harstrick is an oncologist by training. He spent his medical career at the University Hospital and Cancer Center Hannover, Germany; the Roswell Park Cancer Institute, Buffalo NY; as well as the West German Cancer Center, Essen, Germany. He earned his MD at Medical School Hannover, Germany, and in 1999 he became Associate Professor for Internal Medicine, University of Essen, Germany.

Arndt Schottelius, M.D. Ph.D., Chief Scientific Officer. Dr. Schottelius joined Affimed as Chief Scientific Officer in April 2020. He brings over 20 years of deep drug discovery and development experience in cancer and immunology with a strong track record in building therapeutic antibody pipelines and advancing drugs through development. Most recently, Dr. Schottelius was Executive Vice President and Head of Research & Development at Kymab Group Limited, where he was responsible for expanding the therapeutic antibody portfolio. Dr. Schottelius previously served as Chief Development Officer at MorphoSys AG, developing the portfolio of proprietary therapeutic antibody programs in cancer and immunology. He was instrumental in in-licensing tafasitamab (MOR208) and drove strategic direction and development of the MOR208 program into multiple

phase 2 trials, which were the basis for a fast-to-market registration path. Prior to his role at MorphoSys, Dr. Schottelius was a Director and Medical Director, Immunology Development at Genentech Inc., where he directed early and late-stage development programs of therapeutic antibodies. Before joining Genentech, Dr. Schottelius held science and management positions in immunology research at Schering AG and Berlex Biosciences. Dr. Schottelius holds a PhD and MD degree from the Albert Ludwigs University of Freiburg and is a lecturer at Ludwig Maximilian University of Munich with a habilitation in Experimental Internal Medicine. He practiced medicine as a resident physician in gastroenterology at the Charité-Universitätsmedizin in Berlin, Germany, and completed a postdoctoral fellowship at the Lineberger Cancer Center, University of North Carolina at Chapel Hill.

Angus Smith, Chief Financial Officer and Co-President Affimed Inc. Mr. Smith joined Affimed in July 2020 as Chief Financial Officer. Previously, he was Chief Financial Officer at Rockwell Medical, Inc., a biopharmaceutical company developing and commercializing anemia therapies. He has broad biopharmaceutical industry experience including financial strategy, capital markets, business development and operations. Prior to Rockwell, Mr. Smith served as Senior Vice President, Chief Business Officer and Principal Financial Officer at Pernix Therapeutics, a specialty pharmaceutical company focused on the acquisition, development and commercialization of prescription drugs. Mr. Smith began his career in healthcare investment banking, having most recently served as Director in the Healthcare Investment Banking Group at Cantor Fitzgerald in New York, NY. During his nearly decade-long investment banking tenure, he focused on strategic and financial advice for life science and healthcare companies. He has worked on a substantial number of transactions across the healthcare sector with an aggregate transaction value of more than $15 billion. Mr. Smith holds a Bachelor of Arts in Mathematical Economics from Colgate University in Hamilton, NY.

Denise Mueller, Chief Business Officer and Co-President Affimed Inc. Ms. Mueller joined us in 2016 following a 17-year career at Wyeth and Pfizer Inc. She has held leadership roles in U.S. and global marketing including launch of new products and line extensions in-line and globally. Ms. Mueller has also held the position of Disease Area Lead for multiple therapeutic areas where she was responsible for disease area strategy, indication strategy for multiple assets, early commercial development and market shaping. In addition to broad and extensive commercial experience, Ms. Mueller led and managed two of Pfizer's largest alliances and was the business development lead for Pfizer's rare disease business unit. Prior to joining pharmaceuticals, Ms. Mueller worked in hospital management running Emergency Medicine, Critical Care, in-house Pediatrics and hospitalist programs. Ms. Mueller holds a B.A. in Mathematics from Virginia Polytechnic and State University.

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	71	August 4, 2020	2023
Bernhard Ehmer	M	German	67	June 25, 2019	2022
Ulrich Grau	M	German/US	73	June 15, 2021	2024
Annalisa Jenkins	F	British	56	August 4, 2020	2023
Mathieu Simon	M	French/US	66	June 15, 2021	2024
Harry Welten	M	Swiss	56	August 4, 2020	2023
Uta Kemmerich-Keil	F	German	55	June 15, 2021	2024

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 Chairman of Aelix Therapeutics and of the Board of Orion Biotechnology and as 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 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. In May 2022, he was appointed as member of the board of directors of Achilles Therapeutics plc and chairman of the board of directors of Biotest AG. He also served as chairman of the board of directors at Symphogen A/S, Denmark until June 2020 and as chairman of the board of management of Biotest AG until April 2019. 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.

Annalisa M. Jenkins, Director. Dr. Jenkins has been a member of Affimed's supervisory board since August 2020. Dr. Jenkins serves on the Board of Directors of Avrobio, Inc. (Nasdaq: AVRO), COMPASS Pathways plc (Nasdaq: CMPS), Oncimmune Holdings plc (LSE: ONC) and a number of privately held biotechnology and life science companies and is a committee member of the science board to the FDA, which advises FDA leadership on complex scientific and technical issues. Earlier, Dr. Jenkins served as the Chief Executive Officer of PlaqueTec Ltd. and Dimension Therapeutics. Previously, Dr. Jenkins held various senior management level positions at Merck Serono Pharmaceuticals, including Executive Vice President, head of global research and development. Prior to that, Dr. Jenkins pursued a 15-year career at Bristol-Myers Squibb with increasing responsibilities. Dr. Jenkins graduated with a degree in medicine from St. Bartholomew's Hospital in the University of London and subsequently trained in cardiovascular medicine in the UK National Health Service.

Mathieu Simon, Director. Dr. Simon has been a member of Affimed's supervisory board since 2018. Dr. Simon is a senior strategic advisor at Mediobanca Group, Milan, Madrid, Paris, in the healthcare sector. He is chairman of the board at Idorsia Pharmaceuticals, as well as chairman of AILEEN's Pharma in Milan (Italy). Dr. Simon serves also as independent board member at Lysogene (France) and VAXIMA AG (Switzerland). Dr. Simon has served as Cellectis' Executive Vice-President since 2012 and as Chief Operating Officer since 2013. Dr. Simon also served as Chief Executive Officer of a former subsidiary of Cellectis. He has been instrumental to the development of Cellectis and its CAR Allogenic T-Cell platform. He also served as Chief Executive Officer of Ectycell in 2012. He served as Chairman of the Board of Celleartis AB until 2014 before its acquisition by Takara Bio. Prior to joining Cellectis, Dr. Simon was Managing Director, Head of Global Pharma at Pierre Fabre SA, the third largest French Pharma Company.

Beginning in 1994, he served at Wyeth Pharmaceuticals in both general management roles (President Managing Director of Wyeth SPA) and senior corporate role in Philadelphia, United States (SVP / Head of International Marketing and Medical Affairs).

Harry Welten, Director. Mr. Welten has been a member of our supervisory Board since August 2020. He serves as chairman and member of the board of directors of several biotechnology companies in Switzerland, Germany and the USA. Previously, Mr. Welten served as a director of Kuros Biosciences A.G. until June 2018 and DMS Imaging SA (formerly ASIT Biotech SA) until May 2020. Over the last 20 years, Mr. Welten served as Chief Financial Officer of both public as well as venture capital financed biotech companies. Mr. Welten has served in senior roles at UBS in Switzerland and New York for the first 15 years of his career. Mr. Welten has degrees in Banking, Finance and Economics as well as an MBA (honours) from Columbia University, NY, USA.

Uta Kemmerich-Keil, Director. Ms. Kemmerich-Keil has been a member of our supervisory Board since June 2021. Most recently she led the international personal healthcare business of P&G and has over 19 years of experience at Merck KGaA, where she served, inter alia, as CEO of the global OTC- and global Allergy business, EVP Finance, Investor Relations and M&A. Ms. Kemmerich-Keil is a board member of several public and privately held companies like Schott AG, Gothaer Versicherung AG, Röchling S.E. and Klosterfrau Zürich AG. She is a Board Member and member of the Audit Committee of Karo Pharma AB (listed OMX Stockholm). She holds a M.Sc. (Economics) and a M.A. (Roman Philology) from Freiburg University and a Licence from Nouvelle Sorbonne, Paris.

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 six 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 having a management board in which five members are male and one member is female. In order to increase gender diversity of the management board we pay close attention to gender diversity in the process of recruiting and appointing new management board candidates, as is demonstrated by the nomination by the supervisory board for appointment of Ms. Denise Mueller as new member to the management board (Chief Business Officer) at the 2021 annual general meeting of shareholders.

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 seven supervisory directors.

The composition of the supervisory board has changed in 2021. At the annual general meeting of shareholders on June 15, 2021, Dr. Ulrich Grau and Dr. Mathieu Simon were reappointed as supervisory board members. Mr. Verdonck stepped down as supervisory board member of the Company on June 14, 2021 and Ms. Uta Kemmerich-Keil was appointed as new supervisory board member at the general meeting of shareholders on June 15, 2021.

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 five members are male and two members are female. In order to increase gender diversity of 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 appointment of Ms. Uta Kemmerich-Keil as supervisory board member at the annual general meeting of shareholders in 2021.

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. The Company aims to have a minimum of one-third women and a minimum of one-third men on the supervisory board. However, when nominating a candidate for appointment, the qualifications of the candidate, as well as the requirements for the position to be filled, shall prevail.

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 appointments at the annual general meeting 2021 of Ms. Uta Kemmerich-Keil as a supervisory director and Ms. Denise Mueller as a managing director.

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 2021.

Supervisory Board Committees

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

In March 2022, the Supervisory Board restructured some of its committees whereby the compensation committee and the nomination and corporate governance committee were combined into one committee (compensation, nomination and corporate governance committee). In addition,

a new committee (strategic committee) was formed. A description of the committees, both prior to and following this restructuring, is set out hereafter under ''Committee activities during 2021'' and “Newly formed committees in March 2022”.

Committee activities during 2021

Audit committee

The audit committee, which consists of Uta Kemmerich-Keil (Chair), Harry Welten 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 Uta Kemmerich-Keil and Harry Welten 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. Until the end of 2021, the audit committee was also responsible for the oversight of our information security management system, including the audit results of the information security certification and material information breaches and cybersecurity attacks.

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 reviews information security matters no less than once per year. The audit committee held ten meetings by conference call in 2021 and no in-person meetings.

Compensation committee

The compensation committee, which consisted of Bernard Ehmer (Chairman), Thomas Hecht and Harry Welten, assisted 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 nine meetings by conference call in 2021 and no in-person meetings.

Nomination and corporate governance committee

The nomination and corporate governance committee, which consisted of Ulrich Grau (Chairman), Thomas Hecht and Mathieu Simon, assisted 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 by conference call in 2021 and no in-person meetings.

Research and Development Committee

The research and development committee, which consists of Annalisa Jenkins (Chair), Ulrich Grau and Mathieu Simon, assists our supervisory board in aligning the R&D strategy of the Company with the overall Company strategy, to evaluate critical junctures of research and development activities and assess the competitive landscape and the impact on the Company's strategy and business.

The research and development committee held one meeting by conference call in 2021 and no in-person meetings.

Newly formed committees in March 2022

Compensation, nomination and corporate governance committee

The compensation, nomination and corporate governance committee, which consists of Ulrich Grau (Chairperson), Bernhard Ehmer, Thomas Hecht and Mathieu Simon, assists the Supervisory Board *inter alia* in determining compensation for the managing directors of the Company. Under SEC and Nasdaq rules, there are heightened independence standards for members of the compensation committee, including a prohibition against the receipt of any compensation from us other than standard supervisory director fees.

The committee recommends to the Supervisory Board for determination the compensation of each of our managing directors. Furthermore, the compensation, nomination & and corporate governance committee assists the Supervisory Board in identifying, reviewing and approving corporate goals and objectives relevant to management board compensation; analyzing the possible outcomes of the variable remuneration components and how they may affect the remuneration of the managing directors; evaluating each managing director’s performance in light of such goals and objectives and determining each managing director’s compensation based on such evaluation and determining any long-term incentive component of each managing director’s compensation in line with the remuneration policy and reviewing our management board compensation and benefits policies generally, among other things.

The compensation, nomination and corporate governance committee also assists our Supervisory Board in identifying individuals qualified to become members of our Supervisory Board consistent with criteria established by our supervisory board and in developing our corporate governance principles. In addition, the Supervisory Board delegated the oversight of the Company’s Compliance Management System, including Cybersecurity and Information Security System, and the monitoring of the development and implementation of the Company's ESG strategy to the compensation, nomination and corporate governance committee.

Strategic committee

The strategic committee, which consists of Thomas Hecht (Chairperson), Harry Welten, Mathieu Simon and Annalisa Jenkins, assists our Supervisory Board in discharging its supervisory, monitoring and advisory duties with respect to the development and implementation of the

Company's overall strategy and the risks inherent to its business activities, as well as with respect to strategic initiatives identified by the Company from time to time.

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 policies were last amended by the general meeting of shareholders on 4 August 2020.

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 2022.

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 termination payments, which shall be in line with relevant market practices, and shall not exceed 100% of the managing director's annual base salary, increased with the average variable compensation (the "**STI Variable Compensation**") over the last full three years, or if the term of office of the managing director is shorter than three years, the average received STI Variable Compensation over the shorter period. For a dismissal within six months after a change of control over the Company, the severance compensation shall not exceed 200% of the managing director's annual base salary, increased with the STI Variable Compensation over the last full three years, or if the term of office of the managing director is shorter than three years, the average received STI Variable Compensation over the shorter period.

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 chair of the supervisory board is entitled to an annual retainer of €75,000. In addition, the chair of the audit committee is entitled to an

additional annual retainer of €15,000 and the chairs of other committees established by the supervisory board 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 virtual/telephonic supervisory board meeting, provided the virtual/telephonic 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 virtual/telephonic committee meeting, provided the virtual/telephonic meeting exceeds 30 minutes.

The Company is granting each newly elected member of the supervisory board an initial award of stock options to purchase 60,000 ordinary shares of the Company (the "**Initial Board Member Award**"). The Initial Board Member Award will be made on the date of the general meeting of the Company in which the member was initially elected to the supervisory board If such date falls within a so-called 'closed period' according to Affimed's Insider Trading Policy, the granting date shall be amended for such occasion to be the 15th day after the closed period has ended. 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, provides that the Company will annually grant the supervisory board chair options to purchase 45,000 ordinary shares of the Company, and each other supervisory director stock options to purchase 30,000 ordinary shares of the Company (each such award referred to as an "**Annual Award**"). The grant date for the Annual Awards shall be determined by the supervisory board and must (i) be in the first quarter of the financial year and (ii) compliant with the Company´s Insider Trading Policy. Annual Awards will be made to supervisory board members under the condition that they will remain in office after the annual general meeting of that year. If, in any given year, a supervisory board member will no longer be in office after the annual general meeting, he or she will not receive an Annual Award for that year. 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 and as determined by the supervisory board of the company in accordance with the policy, based on the approval by the shareholders of this remuneration policy and without any further decisions or approvals by the supervisory board of 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, 2021, for services in all capacities was approximately €3.6 million and €0.4 million respectively. As of December 31, 2021, we have no amounts set aside or accrued to provide pension, retirement or similar benefits to our managing directors and supervisory directors. In 2021, awards for approximately 1.6 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 41 to the Company only financial statements and Note 28 to the consolidated financial statements, as well as in the Agenda and Explanatory Notes for the 2022 Annual General Meeting of Shareholders.

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, 2022),

an additional 5% of the total outstanding common shares on that date becomes available for issuance under the 2014 Plan. As of January 1, 2022, we had approximately 18.1 million common shares available for issuance, and approximately 10.7 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.

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 services agreements

Our managing directors have entered into management services agreements with us or our subsidiary, Affimed Inc. New management services agreements of Adi Hoess and Wolfgang Fischer became effective upon their reappointment as managing directors by the general meeting of shareholders on 4 August 2020. The management services agreements of Arndt Schottelius and Andreas Harstrick became effective upon their appointment as managing directors by the general meeting of shareholders on 4 August 2020. The management services agreements of Angus Smith and Denise Mueller became effective on 13 July 2020 and 7 January 2021 respectively.

The management services agreements of Adi Hoess, Wolfgang Fischer, Arndt Schottelius and Andreas Harstrick are for a definite period of time, which period equals the term of office of the managing director. In addition, the management services agreements of Adi Hoess, Wolfgang Fischer, Arndt Schottelius and Andreas Harstrick provide for a termination notice period of not less than six months, both for us and for the managing director. The management services agreements of Angus Smith and Denise Mueller are for an indefinite period of time and provide for a termination notice period of 45 days, both for us and for Angus Smith and Denise Mueller respectively. 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% (Adi Hoess) and 50% (Wolfgang Fischer, Arndt Schottelius and Andreas Harstrick) of the managing director's gross annual salary increased with the average STI Variable Compensation over the last full three years, or if the term of office of the managing director is shorter than three years, the average received STI Variable Compensation over the shorter period. The severance for Angus Smith and Denise Mueller is 75% of the managing director's gross annual salary and variable 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, Arndt Schottelius and Andreas Harstrick) of the managing director's gross annual salary increased with the average STI Variable Compensation over the last full three years, or if the term of office of the managing director is shorter than three years, the average received STI Variable Compensation over the shorter period. The severance for Angus Smith and Denise Mueller is increased to 125% of the managing director's gross annual salary and variable 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 occurred in 2020 and 2021 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 supervisory director

Prior to his appointment as supervisory director of the Company, Harry Welten has provided consultancy services to us and received related payments of €0 in 2021 and €172,000 in 2020.

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), which is designed with the objective to:

- increase Shareholder Value through well informed and thoughtful weighing of risks against opportunities;
- guide the employees in accurate management of risks, while realizing and fully exploiting the opportunities;
- address the applicable regulatory requirements; and
- ensure alignment across the entire Affimed organization on risk attitude, risk appetite and risk materiality.

The ERM Policy covers:

- identification, assessment and treatment of risks by the Risk Owners, according to the evaluation criteria and treatment strategies as defined by the ERM Policy;
- risk consolidation and aggregation across the Affimed organization;
- continuous monitoring of identified risks and their defined treatments by the Risk Owners; and
- reporting of risks, including ad-hoc risk reporting, to the Risk Committee, the management board and supervisory board.

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 key 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."

Information security risks

We are establishing a comprehensive Information Security Management System (ISMS) in accordance with the VdS 10000 guideline. The key objective of our ISMS is to ensure:

- availability of data;
- confidentiality of data; and
- integrity of data.

In April 2022, the Company's ISMS was audited and re-certified in accordance with the VdS 10000 guideline without any identified deviations or findings. The sector-neutral VdS guidelines 10000 are a catalogue of measures for a management system that is specially tailored to small and medium companies. VdS 10000 is based on good practice from BSI Grundschutz and ISO/IEC 27001.

Our ISMS consists of multiple elements ensuring security from a variety of perspectives and regulations. We are planning further improvements to our ISMS by establishing additional elements such as performance monitoring, supplier relationships and continual improvement processes. The Company is implementing a plan to reach this status utilizing both internal and external expertise, and implementation of the plan began in early 2020. In 2022, we are entering the next level by investing into security and breach monitoring and establishing data classification.

The Company has entered into an information security risk insurance policy, though to date the Company has not experienced any security breaches.

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 Enterprise Resource Planning system including authorisation concepts and approval workflows;
- use of checklists when preparing quarterly and annual financial statements;
- use of guidelines and work procedures;
- ITGC 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; and
- 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, 2021, 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 2021. 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, 2021.

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, 2021, 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

The management board has implemented a Code of Conduct to ensure that we conduct our business activities in accordance with the highest ethical, legal and professional standards. Our Code of Conduct 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 also established suitable processes and devoted sufficient personnel resources for the enforcement of this Code, subject to the supervision of the CEO and the compensation, nomination and corporate governance 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.

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.

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. Taking into account the current status of COVID-19 and release of restrictive measures in the Netherlands, Affimed has decided that the 2022 annual general meeting of shareholders will be held as a physical meeting. As announced in the invitation to the 2022 annual general meeting of shareholders, Affimed may take precautionary measures to limit risks, including requirements or limitations in relation to the attendance in person, to the extent allowed pursuant to the bill ''Temporary Measures in the Field of the Ministry of Justice and Security in connection with the Outbreak of Covid-19''.

Voting rights

In accordance with Dutch law and our articles of association, each issued common 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.

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.

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 15 June 2021, our management board was granted the authority, for a period of 18 months, with effect from the same date (*i.e.*, until 15 December 2022) 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 15 June 2021, the general meeting of shareholders appointed KPMG Accountants N.V. as independent auditor for the Company for the financial year 2021.

Anti-Takeover Provisions

Dutch law permits us to adopt protective measures against takeovers and we have adopted several provisions that may have the effect of making a takeover of Affimed more difficult or less attractive, including:

- the staggered four-year terms of our supervisory directors, as a result of which only approximately one-fourth of our supervisory directors will be subject to election in any one year;
- a provision that our managing directors and supervisory directors may only be removed by the general meeting of shareholders by a two-thirds majority of votes cast representing at least 50% of our outstanding share capital if such removal is not proposed by our supervisory board;

- requirements that certain matters, including an amendment of our articles of association, may only be brought to our shareholders for a vote upon a proposal by our management board that has been approved by our supervisory board; and
- a statutory response period. Under Dutch law, the management board can invoke a response period by which a shareholder is prevented from convening a general meeting putting new items on the agenda. As per May 1, 2021, a bill took effect extending the statutory response period from 180 to 250 days.

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 March 31, 2022 (available on our website: http://www.affimed.com/sec).

- The severance payments for our managing directors as described above, may exceed 100% of their annual fixed salary. This is 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.

May 20, 2022

On behalf of the Management Board,

Dr. Adi Hoess, CEO,

Dr. Wolfgang Fischer, COO

Dr. Arndt Schottelius, CSO

Dr. Andreas Harstrick, CMO

Angus Smith, CFO

Denise Mueller, CBO

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 2021.

The Company had a number of corporate updates in 2021 and the first months of 2022.

On January 8, 2021, the Group entered into a new loan agreement with Silicon Valley Bank German Branch (SVB) which provides Affimed with up to €25 million in term loans in three tranches: €10 million available at closing, an additional €7.5 million upon the achievement of certain conditions, including milestones related to Affimed’s pipeline and market capitalization, and a third tranche of €7.5 million upon the achievement of certain additional conditions related to Affimed’s pipeline and liquidity. The first tranche of €10 million was drawn in February 2021 and the second tranche of €7.5 million in December 2021.

On January 15, 2021, the Company closed the sale of 16,666,667 of our common shares at a price of $6.00 per share in an underwritten public offering. Concurrent with closing, underwriters exercised an option to purchase additional shares and we sold an additional 2,500,000 shares at a price of $6.00 per share. The Company received approximately $108 million in net proceeds from the offering, after deducting underwriting discounts and commissions and other offering expenses.

On March 10, 2021, the Company announced the positive outcome of a preplanned futility analysis in the REDIRECT study for AFM13 in patients with relapsed refractory peripheral T-cell lymphoma. As a result, the trial will continue enrolling patients with CD30 expression >1%. The results of the trial, if positive, could support a filing for registration with the FDA.

On March 31, 2021, Affimed and NKGen (formerly known as NKMax America) announced clearance by the FDA of an IND application to study the combination of AFM24 with NKGen’s SNK-01 NK cell therapy.

On April 9, 2021, Affimed announced the presentation of positive initial data from the Phase 1 study of cord blood-derived NK cells pre-complexed with AFM13 in relapsed/refractory NHL and HL patients. The first four patients treated in the study experienced significant disease reduction, with two complete responses and two partial responses as assessed by the investigator, with an objective response rate of 100%.

At the annual general meeting of shareholders of the Company held on June 15, 2021 (“**2021 AGM**”), our shareholders approved all agenda items, including the reappointment of Dr. Ulrich Grau and Dr. Mathieu Simon and the appointment of Mrs. Uta Kemmerich-Keil as members of the Supervisory Board, and the appointment of Denise Mueller as member of the Management Board.

In November 2021, the Company announced two updates related to the development of AFM24, including the initiation of patient recruitment in the Phase 1/2a trial of AFM24 in combination with SNK-01 and the identification of the recommended phase 2 dose in the dose escalation portion of the Phase 1/2a trial investigating AFM24 as monotherapy.

On December 8, 2021, the Company announced the initiation of patient recruitment in the Phase 1 / 2a trial of AFM24 in combination with Roche's anti-PD-L1 checkpoint inhibitor atezolizumab.

On December 9, 2021, the Company hosted a virtual investor call to highlight updated data from the phase 1 / 2 trial investigating cord blood-derived NK cells pre-complexed with AFM13. For the 13 patients treated at the recommended phase 2 dose (RP2D) the response rate after one cycle of treatment was 100% with a 38.5% complete response rate.

On January 6, 2022, the Company announced the completion of enrollment in the REDIRECT study for AFM13 in patients with relapsed refractory peripheral T-cell lymphoma. A topline clinical readout is expected in 2H 2022.

On April 10, 2022, the Company announced updated data from the phase 1 / 2 trial investigating cord blood-derived NK cells pre-complexed with AFM13. For the 13 patients treated at the RP2D, the response rate after two cycles of treatment remained 100% with a 62% complete response rate. Treatment was well tolerated; no instances of cytokine release syndrome, immune effector cell-associated neurotoxicity or graft versus host disease were observed.

On April 18, 2022, the Company announced the closing of the public offering of 22,500,000 common shares, at the public offering price of $4.00 per share, and the exercise in full by the underwriters of their option to purchase an additional 3,375,000 common shares. The exercise of the option to purchase over-allotment shares brought the total number of common shares sold by Affimed to 25,875,000 common shares 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 $103.5 million.

In response to the 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 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 our 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.

Composition

The Supervisory Board determines the number of its members, provided that pursuant to our articles of association, the Supervisory Board shall always consist of at least three members. The composition of the Supervisory Board has changed in 2021. Ulrich Grau and Mathieu Simon were re-appointed and Uta Kemmerich-Keil was newly appointed at the 2021 AGM. Ferdinand Verdonck left the Supervisory Board prior to the 2021 AGM, on June 14, 2021. The Supervisory Board profile was amended in 2020 and the Supervisory Board is of the opinion that its composition is currently in accordance with such profile and the Supervisory Board has sufficient experience and expertise in various fields to fulfil its statutory obligations as Supervisory Board members of the Company. The following table lists the members of the Supervisory Board. See chapter II. :"Managing Directors and Supervisory Directors" of the Corporate Governance Report of the Management Board for detailed biographies including details on their

profession, principal positions and other positions. Thomas Hecht is the chairman of the Supervisory Board. The term of each member will terminate on the date of the annual general meeting of shareholders in the year indicated below.

Name	Initial/re-appointment	Term	Age	Gender	Nationality
Thomas Hecht	August 4, 2020	2023	71	M	German
Bernhard Ehmer	June 25, 2019	2022	67	M	German
Ulrich Grau	June 15, 2021	2024	73	M	German/US
Mathieu Simon	June 15, 2021	2024	66	M	French/US
Harry Welten	August 4, 2020	2023	56	M	Swiss
Annalisa Jenkins	August 4, 2020	2023	56	F	British
Uta Kemmerich-Keil	June 15, 2021	2024	55	F	German

Meeting and activities

The Supervisory Board held five meetings by conference call in 2021 and no in-person meetings. 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 2021 was as follows:

Meeting	Thomas Hecht	Bernhard Ehmer	Ulrich Grau	Mathieu Simon	Harry Welten	Annalisa Jenkins	Uta Kemmerich-Keil	Ferdinand Verdonck
Supervisory Board	5/5	5/5	5/5	5/5	5/5	5/5	4/4	1/1
Audit Committee		10/10			10/10		6/6	4/4
Compensation committee	9/9	9/9			9/9			
Nomination and corporate								

Meeting	Thomas Hecht	Bernhard Ehmer	Ulrich Grau	Mathieu Simon	Harry Welten	Annalisa Jenkins	Uta Kemmerich-Keil	Ferdinand Verdonck
governance committee	4/4		4/4	4/4				
Research and development committee			1/1	1/1		1/1		

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 2021 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 2021. The conclusions from this review have been discussed with the Management Board as well as the individual Management Board members.

During the financial year 2021 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

During 2021, the Supervisory Board had four 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 (as of December 31, 2021).

Name	audit committee	compensation committee	nomination and corporate governance committee	research and development committee
Thomas Hecht		member	member	
Bernhard Ehmer	member	chairperson		
Ulrich Grau			chairperson	member

Name	audit committee	compensation committee	nomination and corporate governance committee	research and development committee
Mathieu Simon			member	member
Harry Welten	member	member		
Annalisa Jenkins				chairperson
Uta Kemmerich-Keil	chairperson			

In March 2022, the Supervisory Board restructured some of its committees whereby the compensation committee and the nomination and corporate governance committee were combined into one committee (nomination, compensation, and corporate governance committee). In addition, a new committee (strategic committee) was formed. A description of the committees, both prior to and following this restructuring, is set out hereafter under "Committee activities during 2021" and “Newly formed committees in March 2022”.

Committee activities during 2021

Audit committee

The audit committee assists the Supervisory Board in overseeing Affimed’s accounting and financial reporting processes, the audits of the financial statements and information security. 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 2021, 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 overseeing the Company´s information security system. At least once a year the committee is informed about risks for the Company and mitigating and preventive measures.

The financial statements of the Company for 2021 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 ten meetings by conference call in 2021 and no in-person meetings.

Nomination and corporate governance committee

The nomination and corporate governance committee assisted 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 2021, the nomination and corporate governance committee's main areas of focus were reviewing the profile of the Supervisory Board, preparing the self-assessments of the Supervisory Board and its committees, composition and succession planning of the Supervisory Board and Management Board,

discussing contract extensions and new contracts of the Management Board and analysing corporate governance topics. In addition, the Supervisory Board assigned the oversight of the Company´s Compliance Management System, including Cybersecurity and Information Security System, to the nomination and corporate governance committee.

The nomination and corporate governance committee held four meetings by conference call in 2021 and no in-person meetings.

Compensation committee

The compensation committee assisted the Supervisory Board in determining Management and Supervisory Board compensation. The main responsibilities of the compensation committee were 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 2021, 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 nine meetings by conference call in 2021 and no in-person meetings.

Research and development committee

The research and development committee assists the Supervisory Board in aligning the R&D strategy of the Company with the overall Company strategy, to evaluate critical junctures of research and development activities and assess the competitive landscape and the impact on the Company's strategy and business.

The research and development committee held one meeting by conference call in 2021 and no in-person meetings.

Newly formed committees in March 2022

Compensation, nomination and corporate governance committee

The compensation, nomination and corporate governance committee, which consists of Ulrich Grau (Chairperson), Bernhard Ehmer, Thomas Hecht and Mathieu Simon, assists the Supervisory Board *inter alia* in determining compensation for the managing directors of the Company. Under SEC and Nasdaq rules, there are heightened independence standards for members of the compensation committee, including a prohibition against the receipt of any compensation from us other than standard supervisory director fees.

The committee recommends to the Supervisory Board for determination the compensation of each of our managing directors. Furthermore, the compensation, nomination and corporate governance committee assists the Supervisory Board in identifying, reviewing and approving corporate goals and objectives relevant to management board compensation; analyzing the possible outcomes of the variable remuneration components and how they may affect the remuneration of the managing directors;

evaluating each managing director's performance in light of such goals and objectives and determining each managing director's compensation based on such evaluation and determining any long-term incentive component of each managing director's compensation in line with the remuneration policy and reviewing our management board compensation and benefits policies generally, among other things.

The compensation, nomination and corporate governance committee also assists our Supervisory Board in identifying individuals qualified to become members of our Supervisory Board consistent with criteria established by our Supervisory Board and in developing our corporate governance principles. In addition, the Supervisory Board delegated the oversight of the Company's Compliance Management System, including Cybersecurity and Information Security System, and the monitoring of the development and implementation of the Company's ESG strategy to the compensation, nomination and corporate governance committee.

Strategic committee

The strategic committee, which consists of Thomas Hecht (Chairperson), Harry Welten, Mathieu Simon and Annalisa Jenkins, assists our Supervisory Board in discharging its supervisory, monitoring and advisory duties with respect to the development and implementation of the Company's overall strategy and the risks inherent to its business activities, as well as with respect to strategic initiatives identified by the Company from time to time.

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 exceptions and further details on the remuneration of the Supervisory Board are disclosed in the Corporate Governance section in the management report.

An overview of the implementation and planning of the remuneration of supervisory and managing directors and in addition the remuneration policy is given in more detail in section "Item 6. Directors, Senior Management and Employees – Compensation" in the annual report (20-F) filed with the Securities and Exchange Commission on March 31, 2022 (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 2021, all but one of our members of the Supervisory Board were independent in accordance with the Dutch Corporate Governance Code. Pursuant to the Dutch Corporate Governance Code, Harry Welten is considered non-independent due to his former relationship with Affimed as consultant prior to his appointment as member of the Supervisory Board in 2020. All members of the Supervisory Board are considered independent pursuant to the Nasdaq listing rules.

Appreciation

The Supervisory Board is of the opinion that during the year 2021, 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 2021. In particular, the Supervisory Board would very much like to thank our shareholders for their continued support.

May 20, 2022

On behalf of the Supervisory Board,

Dr. Thomas Hecht,

Chairman of the Supervisory Board

Consolidated Financial Statements

Affimed N.V.
Consolidated statement of comprehensive loss for the year ended December 31, 2021
(in € thousand)

	Note	2021	2020	2019
Revenue	9	**40,366**	**28,360**	**21,391**
Other income - net	10	1,310	626	290
Research and development expenses	11	(81,488)	(49,989)	(43,791)
General and administrative expenses	12	(24,218)	(13,715)	(10,266)
Operating loss		**(64,030)**	**(34,718)**	**(32,376)**
Finance income / (costs) - net	14	**6,509**	**(6,647)**	**15**
Loss before tax		**(57,521)**	**(41,365)**	**(32,361)**
Income taxes	15	(2)	(1)	(4)
Loss for the period		**(57,523)**	**(41,366)**	**(32,365)**
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	18	(7,693)	(242)	(632)
Other comprehensive income / (loss)		**(7,693)**	**(242)**	**(632)**
Total comprehensive loss		**(65,216)**	**(41,608)**	**(32,997)**
Basic and diluted loss per share in € per share (undiluted = diluted)		**(0.48)**	**(0.50)**	**(0.50)**
Weighted number of common shares outstanding		**119,502,384**	**83,471,559**	**64,242,396**

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

Affimed N.V.
Consolidated statement of financial position as at December 31, 2021
(in € thousand)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Intangible assets	16	1,607	1,718
Leasehold improvements and equipment	17	3,814	2,226
Long-term financial assets	18	12,348	20,042
Right-of-use assets	26	972	940
		18,741	24,926
Current assets			
Cash and cash equivalents	19	197,630	146,854
Trade and other receivables	20	4,809	2,439
Inventories		421	246
Other assets	21	3,534	1,260
		206,394	150,799
TOTAL ASSETS		**225,135**	**175,725**
EQUITY AND LIABILITIES			
Equity			
Issued capital		1,234	983
Capital reserves		474,087	345,164
Fair value reserves		(5,973)	1,720
Accumulated deficit		(333,397)	(275,874)
Total equity	22	**135,951**	**71,993**
Non-current liabilities			
Borrowings	24	17,060	231
Contract liabilities	9	7,209	35,992
Lease liabilities	26	368	482
Total non-current liabilities		**24,637**	**36,705**
Current liabilities			
Trade and other payables	25	18,860	11,394
Borrowings	24	580	92
Lease liabilities	26	683	492
Contract liabilities	9	44,424	55,049
Total current liabilities		**64,547**	**67,027**
TOTAL EQUITY AND LIABILITIES		**225,135**	**175,725**

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

Affimed N.V.
Consolidated statement of cash flows for the year ended December 31, 2021
(in € thousand)

	Note	2021	2020	2019
Cash flow from operating activities				
Loss for the period		(57,523)	(41,366)	(32,365)
Adjustments for the period:				
- Income taxes		2	1	4
- Depreciation and amortization		1,334	1,115	906
- Net gain / loss from disposal of leasehold improvements and equipment		0	34	(5)
- Share-based payments	23	11,820	3,381	2,469
- Finance income / costs - net	14	(6,509)	6,647	(15)
		(50,876)	(30,188)	(29,006)
Change in trade and other receivables		(2,369)	(1,065)	33
Change in inventories		(175)	50	(36)
Change in other assets		(2,274)	(1,260)	340
Change in trade, other payables, provisions and contract liabilities		(29,990)	12,848	(791)
		(85,684)	(19,615)	(29,460)
Interest received		0	294	628
Paid interest		(905)	(78)	(224)
Paid income tax		(2)	(1)	0
Net cash used in operating activities		**(86,591)**	**(19,400)**	**(29,056)**
Cash flow from investing activities				
Purchase of intangible assets		(1,654)	(9)	(150)
Purchase of leasehold improvements and equipment		(2,196)	(431)	(1,324)
Cash paid for investments in financial assets		0	(8,101)	(45,131)
Cash received from maturity of financial assets		0	16,547	50,945
Net cash used for investing activities		**(3,850)**	**8,006**	**4,340**
Cash flow from financing activities				
Proceeds from issue of common shares, including exercise of share based payment awards	22	124,460	74,195	31,373
Transaction costs related to issue of common shares	22	(7,412)	(2,294)	(2,215)
Proceeds from borrowings	24	17,500	0	562
Transaction costs related to borrowings		(311)	0	0
Repayment of lease liabilities	26	(564)	(521)	(405)
Repayment of borrowings	24	(92)	(2,128)	(3,277)
Cash flow from financing activities		**133,581**	**69,252**	**26,038**
Exchange-rate related changes of cash and cash equivalents		**7,636**	**(6,238)**	**(917)**
Net changes to cash and cash equivalents		**43,140**	**57,858**	**1,322**
Cash and cash equivalents at the beginning of the period		**146,854**	**95,234**	**94,829**
Cash and cash equivalents at the end of the period		**197,630**	**146,854**	**95,234**

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

Affimed N,V,
Consolidated statement of changes in equity for the year ended December 31, 2021
(in € thousand)

	Note	Issued capital	Capital reserves	Fair value reserves	Accumulated deficit	Total equity
Balance as of January 1, 2019		**624**	**239,055**	**2,594**	**(202,144)**	**40,129**
Issue of common shares		138	28,901			29,039
Exercise of share-based payment awards			26			26
Equity-settled share-based payment awards			2,469			2,469
Loss for the period					(32,365)	(32,365)
Other comprehensive loss				(632)		(632)
Balance as of December 31, 2019		**762**	**270,451**	**1,962**	**(234,508)**	**38,667**
Balance as of January 1, 2020		**762**	**270,451**	**1,962**	**(234,508)**	**38,667**
Issue of common shares		205	68,341			68,546
Exercise of share-based payment awards	23	16	2,991			3,007
Equity-settled share-based payment awards			3,381			3,381
Loss for the period					(41,366)	(41,366)
Other comprehensive loss				(242)		(242)
Balance as of December 31, 2020		**983**	**345,164**	**1,720**	**(275,874)**	**71,993**
Balance as of January 1, 2021		**983**	**345,164**	**1,720**	**(275,874)**	**71,993**
Issue of common shares	22	240	114,197			114,437
Exercise of share-based payment awards	23	11	2,906			2,917
Equity-settled share-based payment awards	23		11,820			11,820
Loss for the period					(57,523)	(57,523)
Other comprehensive loss				(7,693)		(7,693)
Balance as of December 31, 2021		**1,234**	**474,087**	**(5,973)**	**(333,397)**	**135,951**

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

Affimed N,V,
Notes to the consolidated financial statements for the year ended December 31, 2021

1. Reporting entity

Affimed N.V. is a Dutch company with limited liability (naamloze vennootschap) and has its corporate seat in Amsterdam, the Netherlands, registered with the trade register of the Chamber of Commerce (handelsregister van de Kamer van Koophandel) under 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 and Affimed Inc., Delaware, USA (collectively “Affimed”, the “Company” 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 2021. The consolidated financial statements of Affimed N.V. as of and for the year ended 31 December 2021 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 2021.

3. Financial reporting period

These financial statements cover the year 2021, which ended at the balance sheet date of 31 December 2021.

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.

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 83-95.

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. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

The consolidated financial statements were authorized for issuance by the management board on May 20, 2022.

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 15) and monetary assets and liabilities denominated in foreign currencies which are remeasured at period-end exchange rates. The Group did not opt for a valuation of liabilities at fair value through profit or loss. All amounts included in the financial statements are reported in thousands of euros (€ thousand) except where otherwise stated.

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/losses on transactions between group companies are eliminated.

Functional and presentation currency

The consolidated financial statements are presented in euro. The functional currency of the Group's subsidiaries is also the euro. 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 7 for the Group's accounting policies related to revenue recognition and research and development expenses.

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.

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 typically including research programs, platform licenses or intellectual property licenses.

The total consideration is 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. Therefore, we use estimation techniques, such as an expected cost plus margin approach, to determine stand-alone selling prices for such services and licenses. Margins are estimated based on market trends within the pharmaceutical industry. 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.

Revenue from platform licenses or intellectual property licenses granted are recognized at a point in time if their nature is a right to use the licensed 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.

Revenue from platform licenses or intellectual property licenses granted are recognized over time if their nature is to access the licensed intellectual property as it exists throughout the license period. This might be the case when there is significant continuing development to address the content of the platform 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. Therefore, individual performance obligations are generally determined based on contractually agreed milestones and related payments. 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, as well as uncertainties regarding successful regulatory approval, 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, 2020 and 2021, 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 income statement over the period necessary to match them with the costs they are intended to compensate. When the cash in relation to recognized government grants is not yet received, the amount is included as a receivable on the statement of financial position.

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

Leases

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.

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 shares, trade and other receivables, other assets, 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 held to collect solely payments of principal and interest. 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 Therapeutics Inc (“Amphivena”), USA, and common shares in Roivant Sciences Ltd. (“Roivant”) USA (see note 18). The Group has elected to present changes in fair value of these investments through other comprehensive income.

(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 (for warrants issued to SVB (as defined below) see note 24). 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.

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 2019, 2020 or 2021.

(ii) Intangible assets and leasehold improvements and equipment

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

Amortization and depreciation is calculated using the straight-line method over the estimated useful lives, and is recognized in profit or loss. Depreciation and amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

– Laboratory equipment 5-10 years
– Office and IT equipment 3-6 years
– Leasehold improvements over the term of the lease

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.

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 and which are not included in Level 1
- 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, other assets, certificates of deposit, cash and cash equivalents, trade and other payables and loans 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 preferred and common shares in other companies held by the group is based on level 1 and level 3 inputs (see note 18). The Group recognises transfers between levels of the fair value hierarchy as at the date at which the change has occurred.

Loss per share

Loss per common share is calculated by dividing the loss for 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 24) and options under share-based payment programs (see note 23) which potentially have a dilutive effect, however no instruments actually had a dilutive effect due to the net loss generated.

Critical judgments and accounting estimates

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

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

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

(i) Share-based payments

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

(ii) Revenue recognition

The Group's contracts with the majority of our 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.

The Group has entered into research service agreements, collaboration and license agreements with customers for which non-refundable upfront payments are received for research funding purposes, technology access fees and/or milestone payments. Generally, the Group has continuing performance obligations and therefore upfront payments are initially recognized as a contract liability, and the related revenues are subsequently recognized as the related performance obligation is fulfilled. In this context, the determination of the stage of completion requires judgement, in particular with respect to the anticipated total costs of research programs. Technology access fees are generally initially recognized as a contract liability and subsequently recognized over the expected term of the agreement on a straight-line basis.

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

New standards and interpretations not yet adopted

The following new standards and amendments to standards are effective for annual periods beginning after December 31, 2021 and have not been applied in preparing these consolidated financial statements.

Standard/interpretation	**Effective Date** [1]
Amendments to IFRS 3 Business Combinations	January 1, 2022
Amendments to IAS 16 Property, Plant and Equipment	January 1, 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022
Annual Improvements 2018-2020	January 1, 2022
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	January 1, 2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	January 1, 2023

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

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.

Revenue:	**2021**	**2020**	**2019**
Germany	742	194	0
Europe	0	2	1,646
USA	39,624	28,164	19,745
	40,366	**28,360**	**21,391**
Non-current assets as of December 31:	**2021**	**2020**	**2019**
Germany	4,896	3,796	2,017
Czech Republic	1,306	914	870
USA	12,539	20,216	3,558
	18,741	**24,926**	**6,445**

(iii) Major Customers

In 2019 and 2020, the Group's revenue with Genentech Inc. ("Genentech") exceeded 10% of total revenues. In 2021, Genentech's and Roivant's revenue each exceeded 10% of total revenue.

9. Revenue

Collaboration with Genentech

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 €21.6 million as revenue in 2021 (2020: €26.2 million, 2019: €19.7 million) and holds €20.2 million (December 31, 2020: €41.9 million, December 31, 2019: €59.3 million) under contract liabilities, which is recognized as revenue in subsequent periods as services are provided.

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.

Collaboration with Roivant

On November 9, 2020 Affimed and Pharmavant 6 GmbH, a subsidiary of Roivant, announced a strategic collaboration agreement which grants Roivant a license to the preclinical molecule AFM32. Under the terms of the agreement, Affimed received $60 million in upfront consideration, comprised of $40 million in cash and pre-funded research and development funding, and $20 million of common shares in Roivant. Affimed is eligible to receive additional proceeds in the form of option fees contingent on the commencement of additional programs contemplated under the agreement. The Group is eligible to receive up to an additional $2 billion in milestones payments upon achievement of specified development, regulatory and commercial milestones, as well as tiered royalties on net sales.

For the year ended December 31, 2021 the group has recognized €17.7 million (2020: €1.4 million) as revenue and holds €31.3 million (2020: €49.0 million) as contract liabilities, which will be recognized as revenue in subsequent periods as services are provided.

Research service agreements

The Group has entered into certain research service agreements. These research service agreements provide for non-refundable upfront technology access research funding and milestone payments. The Group recognized revenue of €1.1 million, €0.6 million and €1.7 million during the years ended December 31, 2021, 2020 and 2019 respectively.

Contract balances

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

	December 31, 2021	December 31, 2020
Receivables	150	0
Contract liabilities	51,633	91,041

An amount of €39,512 that was recognized in contract liabilities at the beginning of the period was recognized as revenue during the period ended December 31, 2021 (2020: €17,457; 2019: €14,795).

The remaining performance obligations at December 31, 2021 are approximately €51.6 million and are expected to be largely recognized as revenue over the next year (€44.4 million), with a smaller portion being realized the year thereafter (€7.2 million).

Disaggregation of revenue

	2021	2020	2019
Major service lines:			
Collaboration revenue	39,301	27,755	19,685
Service revenue	1,065	605	1,706
	40,366	**28,360**	**21,391**
Revenue:			
Point in time	490	9,180	5,783
Over time	39,876	19,180	15,608
	40,366	**28,360**	**21,391**

10. Other income and expenses - net

Other income and expenses, net, comprises foreign exchange losses of €125 in 2021 (2020: gains of €129, 2019: gain of €251); income from government grants for research and development projects of €344 in 2021 (€348 in 2020, and €19 in 2019) and from research collaborations where costs are shared equally between both parties of €1,072 (2020: €0, 2019: €0).

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:

	2021	2020	2019
Third-party services	54,810	29,324	27,338
Personnel expenses	20,532	13,638	10,154
Legal, consulting and patent expenses	1,301	2,380	1,983
Cost of materials	2,152	1,730	1,547
Amortization and depreciation	1,057	834	725
Other expenses	1,636	2,083	2,044
	81,488	**49,989**	**43,791**

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:

	2021	2020	2019
Personnel expenses	10,713	6,319	5,358
Legal, consulting and audit expenses	8,134	5,601	3,055
Other expenses	5,371	1,795	1,853
	24,218	**13,715**	**10,266**

13. Employee benefits

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

	2021	2020	2019
Wages and salaries	17,882	15,081	11,587
Social security costs	2,332	1,847	1,620
	20,214	**16,928**	**13,207**

The employer's contributions to pension insurance plans of €1,030 (2020: €795, 2019: €696) are classified as payments under a defined contribution plan, and are recognized as an expense.

As of December 31, 2021, Affimed employed 176 full time equivalent employees, including those of our subsidiaries.

14. Finance income and finance costs

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

	2021	2020	2019
Interest SVB Loan Agreement (see note 24)	(712)	(95)	(483)
Foreign exchange differences	7,636	(6,693)	(175)
Interest on certificates of deposit with maturities of more than three months	0	186	602
Other finance income/finance costs - net	(415)	(45)	71
	6,509	**(6,647)**	**15**

15. Income taxes

The Group did not incur any material income tax in the periods presented. As of December 31, 2021, deferred tax assets from differences resulting from intangible assets (€207; 2020: €303), trade and other receivables (€1,194; 2020: €463), borrowings (€44; 2020: €61), lease liabilities (€206; 2020: €194), trade and other payables (€31; 2020: €7), long-term financial assets (€1,149; 2020: deferred tax liability of €1,146) and contract liabilities (€47; 2020: €556), 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, 2021 deferred tax liabilities from temporary differences result mainly from leasehold improvements and

equipment and right-of-use assets (€276; 2020: €280), other assets (€1,054; 2020: €316), trade and other payables (€0; 2020: €60) and borrowings (€93; 2020: €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:

	2021	2020	2019
Loss before tax	(57,521)	(41,365)	(32,361)
Income tax benefit at tax rate of 29.825 %	17,156	12,337	9,652
Adjustments of deferred tax assets	(15,850)	(11,196)	(9,822)
Adjustments for local tax rates	(62)	(41)	5
Non-deductible expenses	(1,434)	(803)	(72)
Other	188	(298)	233
Income taxes	**(2)**	**(1)**	**(4)**

In Germany, Affimed has tax losses carried forward of €288.6 million (2020: €233.7 million) for corporate income tax purposes and of €287.7 million (2020: €234.6 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 of 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 €20 as of December 31, 2021 (2020: €803).

16. Intangible assets

	Licences	Software	Total
Cost as of January 1, 2021	2,032	290	2,322
Additions	2	3	5
Cost as of December 31, 2021	2,034	293	2,327
Accumulated depreciation as of January 1, 2021	382	222	604
Depreciation charge for the year	88	28	116
Accumulated depreciation as of December 31, 2021	470	250	720
Carrying value as of December 31, 2021	**1,564**	**43**	**1,607**

	Licences	Software	Total
Cost as of January 1, 2020	383	346	729
Additions	1,649	9	1,658

Disposals	-	(65)	(65)
Cost as of December 31, 2020	2,032	290	2,322
Accumulated depreciation as of January 1, 2020	380	212	592
Depreciation charge for the year	2	64	66
Disposals	-	(54)	(54)
Accumulated depreciation as of December 31, 2020	382	222	604
Carrying value as of December 31, 2020	**1,650**	**68**	**1,718**

In December 2020, Affimed entered into a patent and technology license agreement providing the Group with an exclusive development and commercialization license. The Group recognized the non-refundable license fee of $2 million (€1.6 million) as an intangible asset and amortizes the acquisition cost, on a straight line basis, over an estimated useful life of 19 years.

17. Leasehold improvement and equipment

	Leasehold improvements	Laboratory and office equipment	Total
Cost as of January 1, 2021	74	5,125	5,199
Additions	-	2,196	2,196
Cost as of December 31, 2021	74	7,321	7,395
Accumulated depreciation as of January 1, 2021	47	2,926	2,973
Depreciation charge for the year	7	601	608
Accumulated depreciation as of December 31, 2021	54	3,527	3,581
Carrying value as of December 31, 2021	**20**	**3,794**	**3,814**

	Leasehold improvements	Laboratory and office equipment	Total
Cost as of January 1, 2020	74	5,038	5,112
Additions	-	431	431
Disposals	-	(344)	(344)
Cost as of December 31, 2020	74	5,125	5,199
Accumulated depreciation as of January 1, 2020	36	2,785	2,821
Depreciation charge for the year	11	462	473
Disposals	-	(321)	(321)
Accumulated depreciation as of December 31, 2020	47	2,926	2,973
Carrying value as of December 31, 2020	**27**	**2,199**	**2,226**

18. Long term financial assets

The Group holds preferred shares in Amphivena previously recognized at their fair value of €2.9 million. In early October 2021, the Board of Amphivena made the decision to wind down the company, and we believe the decision indicates that the investment is fully impaired. Based on current information, we estimate that the investment has a fair value of nil. This fair value change has resulted in an impairment of €2.9 million and has been recognized in other comprehensive income.

The Group also holds common shares in Roivant at their fair value of €12.3 million as of December 31, 2021 (2020: €17.1 million). The overall decrease in the fair value of €4.8 million has been recognized in other comprehensive income. As of December 31, 2020, the fair value of this investment was categorised as Level 3 and was based on observable financing round valuations which was adjusted considering certain assumptions such as the development of quoted market prices of peer companies and other publicly available information as well as quantitative and qualitative information provided by Roivant. During 2021, Roivant listed its common shares on a stock exchange (Nasdaq, US) and they are currently actively traded in that market. Therefore, fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at October 1, 2021, at which time the fair value of the shares was recorded at €11.2 million. As of December 31, 2021 the fair value of the shares in Roivant was based on its quoted market price. Refer to note 30 regarding events that took place subsequent to December 31, 2021.

19. Cash and cash equivalents

	December 31,	
	2021	**2020**
Bank balances	129,972	146,854
Call deposits	67,658	-
	197,630	**146,854**

Call deposits all have original maturities of 3 months or less.

20. Trade and other receivables

The trade receivables as of December 31, 2021 and 2020, of €150 and €0, respectively, are all due in the short-term, do not bear interest and are not impaired. Other receivables are all due within the short-term and mainly comprise prepayments €767 (2020: €313) and value-added tax receivables of €2,737 (2020: €1,321).

21. Other assets

Other assets as of December 31, 2021 mainly consist of a deferred prepayment of €2.9 million for the reservation of manufacturing capacity. The prior year mainly comprised a deferred prepayment of €1.0 million in respect of a research project where certain milestone payments were due.

22. Equity

As of December 31, 2021, the share capital of €1,234 (2020: €983) is composed of 123,419,772 (2020: 98,287,333) common shares with a par value of €0.01.

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. The Company issued approximately 12.5 million common shares under this ATM program, generating net proceeds of approximately €34.5 million. In November 2020, the Company implemented a ATM program providing for additional sales over time of up to $75,000,000 of its common shares. As of December 31, 2021, the Company had issued a further approximately 4.4 million (2020: 7.9 million) shares from this ATM program, generating approximately €24.4 million (2020: €34.5 million) in net proceeds.

In November 2021, the Company implemented a new ATM program providing for additional sales over time of up to $100 million of its common shares. As of December 31, 2021, the Company had issued approximately 0.2 million common shares from this new ATM program and generated approximately €1.6 million in net proceeds.

On January 15, 2021, the Group issued 19,166,667 common shares at a price of $6.00 per share in a public offering, resulting in net proceeds of approximately €88.7 million, incurring €6.1 million in underwriting commissions, legal and consulting expenses which were deducted from equity.

In April 2021 Silicon Valley Bank exercised all of its warrants and accordingly, the Group issued 173,482 common shares, refer to note 24.

In connection with common share issuances in 2021 an amount of €7.1 million (2020: €2.4 million) of direct and incremental transaction cost was deducted from equity.

In the Annual General Meeting of Affimed N.V. held on August 4, 2020 the structure of the authorized share capital was changed as cumulative shares were abolished. As of December 31, 2021, authorized share capital of the company amounts to €3,120 (2020: €3,120) and 311,950,000 (2020: 311,950,000) common shares, each with a nominal value of €0.01 per share.

23. 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 2021 and 2020, the Group granted 4,131,076 and 2,607,809 awards, respectively, to employees, the Management Board and Supervisory Board.

In 2021, 385,355 ESOP 2014 awards were cancelled or forfeited due to termination of employment or termination of consulting agreements with non-employees (2020: 247,684), and 1,114,061 options were exercised at an average exercise price of $3.13 (2020: 1,624,351 options were exercised at an average exercise price of $2.19).

As of December 31, 2021, 10,675,001 ESOP 2014 awards were outstanding (December 31, 2020: 8,043,341), 5,422,591 awards (December 31, 2020: 4,712,122) were vested. The options outstanding at December 31, 2021 had an exercise price in the range of $1.30 to $13.47 (2020: $1.30 to $13.47), a weighted average remaining contractual life of 7.7 years (2020: 7.4 years) and a weighted average exercise price of $5.21. In 2021 and 2020, 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 lifetime of the options is two years. As of December 31, 2020 no options were exercisable and the term of the options expired in 2020. For the year ended December 31, 2021, no options with market conditions were granted.

Share-based payment expense

In 2021, an expense of €11,820 was recognized affecting research and development expenses (€5,892) and general and administrative expenses (€5,928). In 2020, an expense of €3,381 was recognized affecting research and development expenses (€1,524) and general and administrative expenses (€1,857). In 2019, an expense of €2,469 was recognized affecting research and development expenses (€904) and general and administrative expenses (€1,565).

Fair value measurement

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

	2021	2020
Fair value at grant date	$6.18	$2.38
Share price at grant date	$8.18	$3.18
Exercise price	$8.18	$3.18
Expected volatility	95%	93%
Expected life	5.9	5.9
Expected dividends	0.0	0.0
Risk-free interest rate	1.14%	0.89%

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

The risk-free interest rates are based on the yield to maturity of U.S. Treasury strips (as best available indication for risk-free rates), for a term equal to the expected life, as measured as of the grant date.

24. Borrowings

Silicon Valley Bank

On November 30, 2016, Affimed entered into a loan agreement with Silicon Valley Bank (the “SVB loan”) for an initial tranche of €5.0 million and a second tranche drawn in May 2017 of €2.5 million. As of December 31, 2020, the loan was fully repaid.

Pursuant to the loan agreement of 2016, the Group also granted the lender warrants to purchase common shares of Affimed at the respective exercise price for a period of ten years from the grant date. In April 2021, Silicon Valley Bank exercised its warrants and the Group issued 173,482 common shares to Silicon Valley Bank.

In January 2021, the Group entered into a new loan agreement with Silicon Valley Bank German Branch (SVB) which provides Affimed with up to €25 million in term loans in three tranches: €10 million available at closing, an additional €7.5 million upon the achievement of certain conditions, including milestones related to Affimed’s pipeline and market capitalization, and a third tranche of €7.5 million upon the achievement of certain additional conditions related to Affimed’s pipeline and liquidity. The first tranche of €10 million was drawn in February 2021 and the second tranche of €7.5 million in December 2021. Pursuant to the terms of the agreement, the loan bears interest at the greater of the European Central Bank Base Rate and 0%, plus 5.5%, and Affimed is entitled to make interest only payments through December 1, 2022, or June 1, 2023 if Affimed draws on the third tranche of the loan. The loan will mature at the end of November 2025. As of December 31, 2021, the fair value of the liability did not differ significantly from its carrying amount (€17.4 million).

The loan is secured by a pledge of 100% of the 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, 2021	
	Consolidated financial statements	thereof assets pledged
Intangible assets*	1,607	1,604
Leasehold improvements and equipment	3,814	2,762
Inventories	421	367
Trade and other receivables	4,809	3,399
Cash and cash equivalents	197,630	194,136
Total	**208,281**	**202,268**

* Assignment is subject to the occurrence of a defined trigger event.

UniCredit Leasing CZ

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. In

May 2020, an interest-only-period for 6 months was agreed, extending repayment for 6 months until May 2024. As of December 31, 2021, an amount of €231 (December 31, 2020: €323) was outstanding, of which €94 (December 31, 2020: €92) was classified as current liabilities. As of December 31, 2021 and 2020, 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:

	2021	2020
Balance as of January 1	323	2,383
Changes from financing cash flows		
Proceeds from borrowings	17,500	0
Repayment of borrowings	(92)	(2,128)
	17,408	**(2,128)**
Other Changes		
Changes in capitalized borrowing costs, net	(91)	68
Balance as of December 31	17,640	323

25. Trade and other payables

Trade and other payables comprise trade payables of €17,085 (2020: €7,986). Other payables mainly comprise payroll and employee related liabilities for withholding taxes and social security contributions of €1,294 (2020: €2,144) and payables due to employees for unused holidays and other accruals. Other payables are normally settled within 30 days.

26. 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.

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

	Carrying amount			
	Buildings	**Cars**	**Office equipment**	**Total**
Balance as of January 1, 2021	923	2	15	940
Depreciation charge for the year	(595)	(8)	(6)	(609)
Additions to right-of-use assets	614	27	0	641
Balance as of December 31, 2021	942	21	9	972

	Carrying amount			
	Buildings	**Cars**	**Office equipment**	**Total**
Balance as of January 1, 2020	815	9	0	824
Depreciation charge for the year	(568)	(7)	(2)	(577)
Additions to right-of-use assets	676	0	17	693
Balance as of December 31, 2020	923	2	15	940

Cash outflow related to leases are as follows:

	2021	**2020**
Repayment of lease liabilities	564	521
Interest on lease liabilities	46	34
Short-term lease payments	23	70
Cash outflow from leasing	633	625

Future contractually agreed undiscounted lease payments are as follows:

	2021	**2020**
Payments within one year	708	519
Payments between one and five years	379	515
	1,087	**1,034**

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

	2021	**2020**
Balance as of January 1	974	804
Changes from financing cash flows		
Repayment of lease liabilities	(564)	(521)
	(564)	**(521)**
Other Changes		
New lease contracts	641	691
	641	**691**
Balance as of December 31	1,051	974

27. Other commitments and contingencies

Commitments

The Group plans to move to new facilities in 2023 and has entered into a lease contract for offices and laboratories, signed in 2021 with handover taking place between June 1, 2023 and June 30, 2023. Expected payments include monthly rent of €116, a one-time payment of €696 for laboratory construction and a security deposit of €413. The contractual lease term is ten years including a cancellation option after 5 years with an expected start mid-2023. The terms provide for renewal options.

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.

28. Related parties

(i) Shareholders

As of December 31, 2021 and 2020, 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:

	2021	2020	2019
Short-term employee benefits	3,633	2,936	2,598
Termination benefits	0	0	264
Share-based payments	5,235	1,848	1,738
	8,868	**4,784**	**4,600**

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 €392 (2020: €364; 2019: €382). In 2021, the Group recognized expenses for share-based payments for supervisory board members of €847 (2020: €293, 2019: €243).

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, 2021	December 31, 2020
Adi Hoess	5	2
Thomas Hecht	19	16
Mathieu Simon	8	7
Ferdinand Verdonck [1]	(1)	10
Ulrich Grau	16	14
Bernhard Ehmer	20	15
Harry Welten	10	8
Annalisa Jenkins	9	8
Uta Kemmerich-Keil	19	0

[1] left the Supervisory Board in June 2021.

29. 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 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 Group holds investments in financial fixed assets which were obtained through collaboration agreements with external parties and do not relate to investing activities in order to generate any financial income.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency 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 (€12.3 million, 2020: €20.0 million), cash and cash equivalents (€197.6 million, 2020: € 146.9 million) and trade and other receivables (€4.8 million, 2020: €2.4 million) represents the maximum credit exposure of €214.7 million (2020: €169.3 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.

Market interest rates on cash and cash equivalents as well as on term deposits were low, and in some cases negative, resulting in interest expense of €358 (2020: interest income of €186). A shift in interest rates (increase or decrease) could potentially have a material impact on the loss of the Group.

(iv) Other price risks

The fair value of the shares in Amphivena and Roivant depends on the estimated share price and the quoted share price respectively. The total exposure of the Group amounts to €12.3 million (2020: €20.0 million).

(v) Foreign currency risk

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

The Group's entities are exposed to Czech Koruna (CZK), US Dollars (USD) and British Pound (GBP). The net exposure as of December 31, 2021 was €53,487 (2020: €122,322) and mainly relates to US Dollars.

In 2021, if the Euro had weakened/strengthened by 10% against the US dollar with all other variables held constant, the loss would have been €5,482 (2020: €11,155) higher/lower, mainly as a result of foreign exchange gains/losses on remeasurement 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 2021 than in 2020 because of the increased volume of US dollar-denominated transactions.

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

	2021	2020	2019
	CZK or USD or GBP/EUR	**CZK or USD or GBP/EUR**	**CZK or USD or GBP/EUR**
CZK - Average Rate	0.03900	0.03780	0.03896
CZK - Spot rate	0.04023	0.03811	0.03936
USD - Average Rate	0.84552	0.87550	0.89326
USD - Spot rate	0.88292	0.81493	0.89015
GBP - Average Rate	1.16333	1.12397	1.1393
GBP - Spot rate	1.19008	1.11231	1.1754

(vi) Liquidity risk

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

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

In 2019, 2020 and 2021, and subsequent to December 31, 2021, Affimed raised significant funding that it estimates will enable the Group to fund operating expenses and capital expenditure requirements at least into mid-2024.

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.

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. The Company issued approximately 12.5 million common shares under this ATM program, generating net proceeds of approximately €34.5 million.

In November 2020, the Company implemented an ATM program providing for additional sales over time of up to $75,000,000 of common shares. As of December 31, 2021, the Company had issued approximately 4.4 million (2020: 7.9 million) shares, generating approximately €24.4 million (2020: €34.5 million) in net proceeds.

In November 2021, Affimed filed a "shelf registration statement" with the SEC in order to offer and sell securities to the public in multiple. future offerings with indeterminate amount.

In November 2021, the Company implemented a new ATM program providing for additional sales over time of up to $100 million of its common shares. As of December 31, 2021, the Company had issued approximately 0.2 million shares and generated approximately €1.6 million in net proceeds from this new ATM program.

On January 15, 2021 the Group issued 19,166,667 common shares at a price of $6.00 per share in a public offering resulting in gross proceeds before deducting underwriting discounts and commissions and estimated expenses of the offering of $115 million.

In January 2021, the Group entered into a loan agreement with Silicon Valley Bank for up to €25 million, of which the Group has drawn €17.5 million in 2021.

The Group expects that further funding will be required to complete the development of the existing product candidates. Further, funding will also be required to commercialize the products if regulatory approval is received.

The contractual maturities of Borrowings are as follows:

	2021	2020
Payments within one year	580	92
Payments between one and five years	18,682	231
	19,262	**323**

(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.

30. Subsequent events

The average quoted share price of our investment, refer note 15, in Roivant for the week ended May 20, 2022 was $3.66. This results in a decline in the fair value of the investment by €7.5 million.

On April 18, 2022, the Company closed its public offering of 22,500,000 common shares, at the public offering price of $4.00 per share. The exercise of the underwriters' option to purchase over-allotment shares brought the total number of common shares sold by Affimed to 25,875,000 and increased the gross proceeds raised in the offering, before deducting underwriting discounts and commissions and estimated expenses, to $103.5 million.

Company Financial Statements

Company balance sheet of Affimed N.V.

Company profit and loss account of Affimed N.V.

Notes to the Company financial statements of Affimed N.V.

Company balance sheet as at December 31, 2021

(before appropriation of result of the year)

In € thousand	Note	December 31, 2021	December 31, 2020
Assets			
Non current assets			
Financial fixed assets	33	106,640	16,735
Total non current assets		**106,640**	**16,735**
Current assets			
Receivables from subsidiaries	34	406	1,240
Other receivables	35	351	1,312
Other assets		-	201
Cash and cash equivalents	36	34,704	57,604
Total current assets		**35,461**	**60,357**
Total assets		**142,101**	**77,092**
Equity and liabilities			
Shareholders' equity			
Issued capital		1,234	983
Share premium		352,728	235,625
Other reserves		(154,515)	(114,046)
Revaluation reserve		(5,973)	1,720
Unappropriated loss		(57,523)	(52,289)
Total equity	37	**135,951**	**71,993**
Current liabilities			
Payables to subsidiaries	34	4,751	1,611
Other current payables	38	1,399	3,488
Total current liabilities		**6,150**	**5,099**
Total liabilities		**6,150**	**5,099**
Total equity and liabilities		**142,101**	**77,092**

Company profit and loss account for the year ended December 31, 2021

(before appropriation of result of the year)

In € thousand	Note	For the year ended December 31, 2021	For the year ended December 31, 2020
Share in results from participating interests after taxation	33	(44,789)	(39,904)
Other result after taxation	39	(12,734)	(12,385)
Net result		**(57,523)**	**(52,289)**

Notes to the Company financial statements for the year ended 31 December 2021

31. General information

Affimed N.V. (in the following ‘Affimed N.V.’ or the ‘Company’) has its corporate seat in Amsterdam, the Netherlands, registered with the trade register of the Chamber of Commerce (handelsregister van de Kamer van Koophandel) under number 60673389. The Company was founded as Affimed Therapeutics B.V. in 2014.

Affimed N.V. 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 N.V. 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 N.V. The financial information of the Company is included in the Company’s consolidated financial statements, as presented on pages 48 to 81.

32. 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 including the proceeds from the public offering in April 2022 will enable the Company to fund its operating expenses and capital expenditure requirements well into mid-2024.

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 reported in thousands of euros (€ thousand) except where otherwise stated.

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 it 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.

Changes in value in participating interest

The change in value is regarded as a revaluation of the asset in the participating interest to which the provisions of Article 2:390 of the DCC on the revaluation reserve apply. This approach follows from the view that a participating interest measured according to the equity method is regarded as a combination of assets and liabilities and not as an indivisible asset. A revaluation of the asset in the participating interest is regarded as if it were a revaluation of an asset of the legal entity itself .

33. 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.

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, 2021	**16,735**
Capital contributions	142,387
Effect of change in fair value of Amphivena and Roivant shares held by Affimed GmbH	(7,693)
Share in result of Affimed GmbH, net of tax	(44,789)
Net asset value as at December 31, 2021	**106,640**

During the year, the Company contributed capital of €142.4 million to Affimed GmbH, these funds being generated from the proceeds of the public offering and ATM program (see note 37).

Affimed GmbH holds preferred shares in Amphivena and common shares in Roivant Ltd which are both recognized at fair value through other comprehensive income, resulting in a decrease of the net asset value of Affimed GmbH of € 7,693 thousand during the year (see note 18).

34. Receivables from/payables to subsidiaries

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

35. Other receivables

These receivables relate primarily to VAT refunds.

36. Cash and cash equivalents

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

37. Equity

As of December 31, 2021 the number of issued common shares is 123,419,772 (2020: 98,287,333) 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 loss	Total equity
January 1, 2020	**762**	**164,293**	**(95,985)**	**1,962**	**(21,442)**	**49,590**
Issue of common shares	205	70,782	-	-	-	70,987
Share issuance costs	-	(2,441)	-	-	-	(2,441)
Exercise of share-based payments awards	16	2,991	-	-	-	3,007
Allocation of unappropriated losses	-	-	(21,442)	-	21,442	-
Net result	-	-	-	-	(52,289)	(52,289)
Other comprehensive loss	-	-	-	(242)	-	(242)
Share-based payments	-	-	3,381	-	-	3,381
December 31, 2020	**983**	**235,625**	**(114,046)**	**1,720**	**(52,289)**	**71,993**
January 1, 2021	**983**	**235,625**	**(114,046)**	**1,720**	**(52,289)**	**71,993**
Issue of common shares	240	121,304	-	-	-	121,544
Share issuance costs	-	(7,107)	-	-	-	(7,107)
Exercise of share-based payments awards	11	2,906	-	-	-	2,917
Allocation of unappropriated losses	-	-	(52,289)	-	52,289	-
Net result	-	-	-	-	(57,523)	(57,523)
Other comprehensive loss	-	-	-	(7,693)	-	(7,693)
Share-based payments	-	-	11,820	-	-	11,820
December 31, 2021	**1,234**	**352,728**	**(154,515)**	**(5,973)**	**(57,523)**	**135,951**

Issued capital and share premium

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. The Company issued approximately 12.5 million common shares under this ATM program, generating net proceeds of approximately €34.5 million. In November 2020, the Company implemented an ATM program providing for additional sales over time of up to $75,000,000 of its common shares. As of December 31, 2021, the Company had issued a further approximately 4.4 million (2020: 7.9 million) shares from this ATM program, generating approximately €24.4 million (2020: €34.5 million) in net proceeds.

In November 2021, Affimed N.V. filed a "shelf registration statement" with the SEC in order to offer and sell securities to the public in multiple, future offerings with indeterminate amount.

In November 2021, the Company implemented a new ATM program providing for additional sales over time of up to $100 million of its common shares. As of December 31, 2021, the Company had issued approximately 0.2 million common shares from this new ATM program and generated approximately €1.6 million in net proceeds.

On January 15, 2021 the Group issued 19,166,667 common shares at a price of $6.00 per share in a public offering, resulting in net proceeds of approximately €88.7 million, incurring €6.1 million in underwriting commissions, legal and consulting expenses which were deducted from equity.

In April 2021 Silicon Valley Bank exercised all of its warrants and accordingly, the Group issued 173,482 common shares, refer to note 22.

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 18 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

Changes in the revaluation reserve relate to changes in fair value in indirect investments of the Company, i.e. investments held by Affimed GmbH. Affimed GmbH holds preferred shares in Amphivena and common shares in Roivant, both these investments are recognized at their fair value through other comprehensive income. The initial recognition as of January 1, 2018 amounted to €7.3 million for Amphivena. The initial recognition as of November 3, 2020 amounted to €17.1 million for Roivant Ltd. As of December 31, 2021, the accumulated changes in fair value amounted to a decrease of €7.3 million in Amphivena and a decrease of €4.8 million in Roivant. The Company uses "Revaluation reserves" as the equity classification.

Unappropriated result

The result after tax for 2021 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.

Based on the adoption of the 2020 financial statements at the Annual General Meeting on June 15, 2021, the accumulated losses for the year 2020 were transferred to the other reserves.

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

For the year ended December 31, 2021 there is no difference between the net result per the consolidated financial statements and the net result per the Company financial statements.

For the year ended December 31, 2020, as a result of the recording of the unrecognized prior year losses of Affimed GmbH there was a difference between the net result per the consolidated financial statements with the net result per the Company financial statements.

These can be explained as follows:

In € thousand	December 31, 2020
Net result according to the consolidated profit and loss account	(41,366)
Unrecognized share of the losses Affimed GmbH	(10,923)
Total result according to the Affimed N.V. financial statements	(52,289)

The subsidiary Affimed GmbH had a negative net asset value of €10,924 thousand for the year ended December 31, 2019 and was valued at nil because the Company did not fully or partially guarantee the debts of this participating interest, and had no constructive obligation to support Affimed GmbH to pay its debt. The Company's share in the negative equity value of Affimed GmbH also represented the accumulated losses of this participating interest at the reporting date. Following the capital contribution of €56,880 thousand in 2020 which was financed by proceeds from the equity issuances the unrecognised loss from 2019 was recognised in 2020.

38. Other current payables

In € thousand	**December 31, 2021**	**December 31, 2020**
Trade payables	957	1,133
Social security and wage tax	418	1,122
Payables due from the sale of carve out shares	-	1,147
Other liabilities	24	86
Total	1,399	3,488

All current payables are short-term.

The amount due from the sale of carve out shares relate to common shares transferred to certain beneficiaries in connection with a carve-out plan of Affimed N.V. outstanding immediately prior to the initial public offering.

39. Other result after taxation

In € thousand	**2021**	**2020**
Other income (service fee)	2,912	1,304
General and administrative expenses	(20,687)	(9,935)
Other gains/(losses) – net	1	10
Net operating result	**(17,774)**	**(8,621)**
Financial income	5,069	-
Financial expense	(29)	(3,764)
Net financial result	**5,040**	**(3,764)**
Result before taxation	**(12,734)**	**(12,385)**

Taxation	-	-
Result after taxation	**(12,734)**	**(12,385)**

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.

40. Employee benefits and number of employees

The average number of employees of Affimed N.V. during 2021 was approximately four employees and consisted of managing directors only. The managing director's total compensation (including those managing directors which are employed at the US subsidiary, Affimed Inc.) is shown in note 41.

41. Related-party transactions

Director's remuneration 2021

Managing Directors

(in € thousand)	Adi Hoess	Wolfgang Fischer	Andreas Harstrick	Denise Mueller [3]	Arndt Schottelius	Angus Smith [3]	Total
Periodically paid compensation	521	443	368	376	445	393	2,546
Bonuses	262	174	144	162	174	171	1,087
Total cash compensation	**783**	**617**	**512**	**538**	**619**	**564**	**3,633**
2014 Plan share-based payment expense[1]	1,540	810	620	589	677	999	5,235
Total share-based payment expense	**1,540**	**810**	**620**	**589**	**677**	**999**	**5,235**

Supervisory directors (in € thousand)	Thomas Hecht	Bernhard Ehmer	Ulrich Grau	Annalisa Jenkins	Mathieu Simon	Harry Welten	Ferdinand Verdonck [2]	Uta Kemmerich-Keil	Total
Periodically paid compensation	101	57	46	43	39	49	22	35	392
Total cash compensation	**101**	**57**	**46**	**43**	**39**	**49**	**22**	**35**	**392**
2014 Plan share-based payment expense[1]	161	105	105	161	106	161	3	45	847
Total share-based payment expense	**161**	**105**	**105**	**161**	**106**	**161**	**3**	**45**	**847**

[2] left the Supervisory Board in June 2021.

[3] includes maximum contractual allowable allowances

Director's remuneration 2020

Managing directors

(in € thousand)	Adi Hoess	Wolfgang Fischer	Florian Fischer	Andreas Harstrick	Arndt Schottelius	Angus Smith [3]	Total
Periodically paid compensation	493	419	90	256	306	183	1,747
Bonuses	237	155	60	101	116	76	745
Total cash compensation	**730**	**574**	**150**	**357**	**422**	**259**	**2,492**
2014 Plan share-based payment expense[1]	625	324	76	159	179	291	1,654
Total share-based payment expense	**625**	**324**	**76**	**159**	**179**	**291**	**1,654**

Supervisory directors

(in € thousand)	Thomas Hecht	Bernhard Ehmer	Ulrich Grau	Annalisa Jenkins	Berndt Modig	Mathieu Simon	Ferdinand Verdonck	Harry Welten	Total
Periodically paid compensation	103	50	52	18	27	39	57	18	364
Total cash compensation	**103**	**50**	**52**	**18**	**27**	**39**	**57**	**18**	**364**
2014 Plan share-based payment expense[1]	69	39	39	28	7	43	39	28	292
Total share-based payment expense	**69**	**39**	**39**	**28**	**7**	**43**	**39**	**28**	**292**

[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 23 of the consolidated financial statements.

Stock options granted under the Equity Incentive Plan 2014

Awards granted in 2021

Managing directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Adi Hoess	March 23, 2021	370,000	8.48	March 23, 2031
Wolfgang Fischer	March 23, 2021	195,000	8.48	March 23, 2031
Andreas Harstrick	March 23, 2021	195,000	8.48	March 23, 2031
Denise Mueller	March 23, 2021	195,000	8.48	March 23, 2031
Arndt Schottelius	March 23, 2021	195,000	8.48	March 23, 2031
Angus Smith	March 23, 2021	195,000	8.48	March 23, 2031
Total		**1,345,000**		

Supervisory directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Thomas Hecht	March 23, 2021	45,000	8.48	March 23, 2031
Bernhard Ehmer	March 23, 2021	30,000	8.48	March 23, 2031
Ulrich M. Grau	March 23, 2021	30,000	8.48	March 23, 2031
Annalisa Jenkins	March 23, 2021	30,000	8.48	March 23, 2031
Mathieu Simon	March 23, 2021	30,000	8.48	March 23, 2031
Harry Welten	March 23, 2021	30,000	8.48	March 23, 2031
Uta Kemmerich-Keil	September 24, 2021	60,000	6,59	September 24, 2031
Total		**255,000**		

Awards granted in 2020
Managing directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Adi Hoess	August 4, 2020	350,000	3.80	August 4, 2030
Wolfgang Fischer	August 4, 2020	190,000	3.80	August 4, 2030
Andreas Harstrick	March 1, 2020	200,000	2.36	March 1, 2030
Arndt Schottelius	April 20, 2020	275,000	2.30	April 20, 2030
Angus Smith	July 13, 2020	350,000	4.41	July 13, 2030
Total		**1,365,000**		

Supervisory directors

Beneficiary	Grant date	Number of options	Strike price USD	Expiration date
Thomas Hecht	August 4, 2020	35,000	3.80	August 4, 2030
Bernhard Ehmer	August 4, 2020	20,000	3.80	August 4, 2030
Ulrich M. Grau	August 4, 2020	20,000	3.80	August 4, 2030
Annalisa Jenkins	August 31, 2020	60,000	3.45	August 31, 2030
Mathieu Simon	August 4, 2020	20,000	3.80	August 4, 2030
Ferdinand Verdonck	August 4, 2020	20,000	3.80	August 4, 2030
Harry Welten	August 31, 2020	60,000	3.45	August 31, 2030
Total		**235,000**		

For further disclosures related to the stock options we refer to note 23 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).

42. 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)	For the year December 31, 2021		
	KPMG Accountants N.V. 2021	Other KPMG network 2021	Total KPMG 2021
Audit of the financial statements	60	438	498
Other audit engagements	-	26	26
Tax-related advisory services	-	5	5
Other non-audit services	-	-	-
	60	469	529

(in € thousand)	For the year December 31, 2020		
	KPMG Accountants N.V. 2020	Other KPMG network 2020	Total KPMG 2020
Audit of the financial statements	60	302	362
Other audit engagements	-	68	68
Tax-related advisory services	-	-	-
Other non-audit services	-	1	1
	60	371	431

43. Subsequent events

The average quoted share price of our investment, refer note 15, in Roivant for the week ended May 20, 2022 was $3.66. This results in a decline in the fair value of the investment by €7.5 million.

On April 18, 2022, the Company closed its public offering of 22,500,000 common shares, at the public offering price of $4.00 per share. The exercise of the underwriters' option to purchase over-allotment shares brought the total number of common shares sold by Affimed to 25,875,000 and increased the gross proceeds raised in the offering, before deducting underwriting discounts and commissions and estimated expenses, to $103.5 million.

Signing of the financial statements

May 20, 2022

Originally signed by:

Management Board:

Dr. Adi Hoess, CEO

Dr. Wolfgang Fischer, COO

Dr. Andreas Harstrick, CMO

Denise Mueller, CBO

Dr. Arndt Schottelius, CSO

Angus Smith, CFO

Supervisory Board:

Dr. Thomas Hecht, Chairman

Dr. Bernhard Ehmer

Dr. Ulrich Grau

Dr. Annalisa Jenkins

Dr. Mathieu Simon

Harry Welten

Uta Kemmerich-Keil

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 to which the shareholders 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. The management board may resolve, with the approval of the supervisory board, to reserve the profits or part of the profits.
10.1.5. The profit remaining after application of article 10.1.4 shall be at the disposal of the general meeting. The general meeting may resolve to carry it to the reserves or to distribute it among the shareholders.
10.1.6. 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 shareholders a dividend in the form of shares in the capital of the company instead of a cash payment.
10.1.7. 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 shareholders to the debit of one or several reserves which the company is not prohibited from distributing by virtue of the law.
10.1.8. 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.
10.1.9. 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 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. Any proposal for distribution of a dividend on shares and any resolution to distribute an interim dividend on 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.

10.2.4. 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.

10.2.5. 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.

10.2.6. 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

Other participation

- Amphivena Therapeutics Inc., USA (participation below 5%)

- Roivant Sciences Ltd., UK (participation below 5%)

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 2021 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 2021 and of its result and its cash flows for the year 2021 then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

— the accompanying company financial statements give a true and fair view of the financial position of Affimed N.V. as at 31 December 2021 and of its result for the year 2021 then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2021 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:

1 the consolidated statement of financial position as at 31 December 2021;

2 the following consolidated statements for the year 2021: the statement of comprehensive loss, the statement of cash flows and the statement of changes in equity; and

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

The company financial statements comprise:

1 the company balance sheet as at 31 December 2021;

2 the company profit and loss account for the year 2021; and

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

Basis for our opinion

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

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

Our audit procedures were determined in the context of our audit of the financial statements as a whole. Our observations in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters should be viewed in that context and not as separate opinions or conclusions.

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 677 thousand — 0,3% of total assets

Group audit
— Audit coverage of 99% of total assets — Audit coverage of 98% of revenue

Going concern and Fraud/Noclar
— Going concern: no significant going concern risks identified — Fraud & Non-compliance with laws and regulations (Noclar): management override of controls and revenue recognition.

Key audit matters
— Revenue recognition of the collaboration agreement with Genentech Inc. and Roivant Sciences Ltd.

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 677 thousand (2020: EUR 648 thousand). The materiality is determined with reference to the total assets (0,3%).

We consider total assets as the most appropriate benchmark because Affimed N.V. (or hereafter: the Company) is currently in its research and development phase and this 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 identified during our audit in excess of EUR 32 thousand would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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

Our group audit mainly focused on significant components 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 financial statements.

We have:

— performed audit procedures ourselves at group level in respect of the company financial statements;

— made use of the work of KPMG Germany for the audit of the components that are significant to the group. We have sent detailed instructions to KPMG Germany, covering significant areas including the relevant risk of material misstatement and set out the information required to be reported to the group audit team. In order to be sufficiently involved in the several component auditor's phases, we had communication with KPMG Germany to our satisfaction through instructions, exchange of mails and virtual meetings (conference calls) and also performed a remote file review.

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. By performing the audit of the complete reporting package we covered 99% of total assets and 98% of revenue.

Audit response to going concern – no significant going concern risks identified

The Board of Directors has performed its going concern assessment and has not identified any significant going concern risks. Our main procedures to assess the Board of Directors' assessments were:

— we considered whether the Board of Directors' assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;

— we analyzed the Company's financial and liquidity position as at year-end and compared it to the previous financial year as well as expected research and development cash outflows in terms of indicators that could identify significant going concern risks;

— we considered whether the developments in the Company's share price indicate a significant going concern risk.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on the Board of Directors' going concern assessment.

Audit response to the risk of fraud and non-compliance with laws and regulations

In chapter 'risk management and control systems' of the management board report, the Board of Directors describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations and the Supervisory Board reflects on this.

As part of our audit we have gained insights into the Company and its business environment, and assessed the design and implementation and, where considered appropriate, tested the operating effectiveness of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with the finance employees, management and those charged with governance. As part of our audit procedures, we:

— assessed other positions held by the Board of Directors and paid special attention to procedures and governance/compliance in view of possible conflicts of interest;

— evaluated correspondence with supervisory authorities and regulators as well as legal confirmation letters.

— assessment of matters reported on the Company's complaints procedures and results of management's investigation of such matters;

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and identified the following areas as those most likely to have a material effect on the financial statements:

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

— employment law (reflecting the Company's significant and geographically diverse work force);

— health and safety law (reflecting the nature of the Company's (R&D) operations);

— environmental law (reflecting environmental impact restrictions, waste and contamination related to the Company's production and distribution processes).

We evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

Based on the above and on the auditing standards, we identified the following fraud risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

Management override of controls (a presumed risk)

Risk:

— Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

— We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries.

— We performed a data analysis of high-risk journal entries and evaluated key estimates and judgments for bias by the Company's management, including retrospective reviews of prior years' estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.

— We incorporated elements of unpredictability in our audit.

Revenue recognition (a presumed risk)

Risk:

— Given the high level of management judgment in the determination of measuring the progress on the performance obligation satisfied over time in relation to revenue recognition of the collaboration agreements with Genentech Inc. and Roivant Sciences Ltd., a significant risk of fraud is identified as described in the key audit matters below.

Responses:

— We refer for a detailed description of our responses to the key audit matter below.

We communicated our risk assessment, audit responses and results to management and the Supervisory Board, on which we have not identified any findings nor internal control deficiencies relating risk of fraud and non-compliance.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Our key audit matters

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

Compared to last year the key audit matter with respect to the valuation of shares held in unlisted equity investments in Roivant Sciences Ltd. and Amphivena Therapeutics Inc. are not included as the shares of Roivant Sciences Ltd. became public (are public listed as per 2021) and the shares of Amphivena Therapeutics Inc. have been impaired to zero due to discontinued operations.

Revenue recognition of collaboration agreement with Genentech Inc. and Roivant Sciences Ltd.

Description

There is a risk due to fraud and error that collaboration agreements with Genentech Inc. (hereafter: Genentech) and Roivant Sciences Ltd. (hereafter: Roivant), as disclosed in note 9 (Revenue), were not accounted for properly which could lead to inappropriate financial reporting.

According to the existing collaboration agreements of Affimed N.V, accounting for both the Genentech as Roivant collaboration agreements involves amounts that are very material to the Company's financial statements, and will require the appropriate technical expertise and the application of significant judgment and estimates by management. Furthermore, there is a general presumption in auditing standards that a material misstatement due to fraudulent financial reporting relating to revenue recognition may result from an overstatement of revenues through, for example, premature revenue recognition.

We identified a significant risk of fraud and error that revenues from Genentech and Roivant collaboration agreement may be overstated. The risk of fraud results from the pressure that management may have to achieve performance targets at the reporting period-end, due to manipulation of the timing of revenue recognition on the method and the measure of progress used to recognized revenue for each identified performance obligation. The risk of error relates to the significant estimate on measuring the progress of a performance obligation satisfied over time in which the risk arises that incurred costs that do not contribute to the progress in satisfying the performance obligations are improperly included in measuring the progress. The employee costs to complete the exclusive targets is a key estimation that give rise to a significant risk on inappropriate revenue recognition in order to overstate the percentage of completion calculation.

Our response

In order to address the identified risk of error and risk of fraud as described above, we obtained an understanding from the collaboration agreements of Roivant and Genentech and 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:

- Perform walkthrough of the process relating the recognition of revenues from the Genentech and Roivant agreements.
- Identify and test relevant controls over the appropriateness of revenue recognition from the Genentech and Roivant agreements.
- Determination of when performance obligations have been satisfied and timing of revenue should be recognized, including analysis of related journal-entries.

— Obtaining external confirmation from Genentech and Roivant regarding the stage of progress of the Targets (e.g. budget, timelines and (discussed) updates on the progress of the Targets) in order to determine if the performance obligations is fully satisfied and that we can agree with the recognized revenue in the reporting period associated with this performance obligation; determination the accuracy of the remaining contract liabilities; and
— Assessing the disclosures in the consolidated financial statements in respect of the revenue recognition principles with reference to the requirements of the prevailing accounting standards.

Our observation

The results of our procedures were satisfactory.

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 for the management board report and other information.

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 General Meeting of Shareholders as auditor of Affimed N.V. on 15 June 2021, as of the audit for the year 2021 and have operated as statutory auditor ever since the 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. In that respect the Board of Directors, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

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 the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

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

Zwolle, 23 May 2022

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 Company's internal control;

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

— 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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;

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

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

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.