

Interim Report
FIRST QUARTER 2014



Research and development of protein-based
therapeutics to improve the lives of patients
with severe diseases



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Key events during the First Quarter 2014

Affibody Medical AB (publ) (“Affibody” or “the Company”), a Swedish biotech company focused on developing next generation biopharmaceuticals based on its unique proprietary technology platforms: Affibody® molecules and Albumod™, today issued its Report for the first quarter 2014.

Financial Highlights

- » Revenue for the 1st quarter 2014 was SEK 9.9 (12.3) million
- » Operating result for the period amounted to SEK -2.8 (1.7) million
- » EBITDA for the period amounted to SEK -2.7 (1.7) million
- » Net result for the period amounted to SEK -3.1 (1.2) million
- » Cash and cash equivalents at the end of the period amounted to SEK 31.2 (21.5) million
- » Cash flow for the period was SEK -1.8 (0.3) million

Significant events during the first quarter

- » Investor AB acquired all HealthCap’s shares in Affibody

Significant events after the end of the period

- » The first patient was included in a PET Imaging Study of HER2 Expression in Breast Cancer at Herlev University Hospital
- » An Annual General Meeting on May 8 elected Håkan Åström, Jakob Lindberg, Mathias Uhlén and Jonathan Knowles as Directors of the Board

(SEKk)	2014 (3m)	2013 (3m)	2013 (12m)
Revenue	9 880	12 331	68 183
Operating result	-2 841	1 681	8 484
Operating margin	-29%	14%	12%
Net result	-3 063	1 249	6 629

CEO Statement

The start of 2014 has been exciting for us. This period marks a start for our journey to become a clinically validated company. In the last few years it has been clear that Affibody as a company can attract collaboration partners for our technology from different parts of the world. This does in our mind validate our license driven business model.

Financially we have continued to perform well and we now believe that we have a financial foundation that can support the investments needed to take our lead internal project to a first in human in 2015. The fact that we have successfully taken our company to a position where we can fund clinical trials without raising additional funds strongly supports our self-sustaining financial model.

It is now quite apparent that the key next step for Affibody is to validate our technology broadly in clinical trials. In a recent paper in the Journal of Nuclear Medicine Professor Jens Sørensen and colleagues (Sorensen et al, JNM, May 2014) convincingly presents the clinical benefits of our HER2 targeted imaging agent ABY-025. This is the first of what we hope will be many many more papers on the clinical utility of our technology.

Our goal is that at least 100 subjects should have been exposed to our technology in the next 18 months. If this progression develops in the way which we hope we will have a clinically well validated technology before the end of 2016.

Solna in May 2014

David Bejker
President and CEO



"The first quarter marks a start for our journey to become a clinically validated company"

David Bejker
President and CEO

Our mission is to improve the lives of patients with serious diseases by being a research-driven company with a long-term commitment to development of protein-based drugs.

About Affibody

Affibody is a Swedish biotech company focused on developing next generation biopharmaceuticals based on its unique proprietary technology platforms: Affibody[®] molecules and Albumod[™].

Affibody is developing a portfolio of innovative drug projects and, in addition, offers the half-life extension technology, Albumod[™], for outlicensing.

Affibody has ongoing commercial relationships with several companies such as Algeta, Amylin, Swedish Orphan Biovitrum, GE Healthcare, Daewoong, Daiichi Sankyo and Thermo Fisher.

Affibody was founded in 1998 by researchers from the Royal Institute of Technology and the Karolinska Institute and is based in Solna, Sweden. The major shareholder in the Company is Investor AB. Further information can be found at: www.affibody.com

Mission

Our mission is to improve the lives of patients with serious diseases by being a research-driven company with a long-term commitment to development of protein-based drugs.

Business Model

Affibody shall operate a self-sustaining business that develops and commercializes products based on the company's technology platforms in collaboration with other companies for considerations including licensing- and royalty fees.

Business goal

Affibody's goals are to:

- » Annually enter into one new partnership agreement
- » Annually develop one internal project to candidate drug.

Strategy

Affibody prioritizes a partner-based development model that reduces the financial exposure. To increase the value of licensing agreements, Affibody also runs its own development projects towards clinical phase.

Operations are conducted by highly qualified resources in research and development and are based on the company's proprietary technology platforms.

Operational review

Products on the market

GE Healthcare

The product MabSelect Sure™ was launched by GE Healthcare Bio-Sciences AB in 2004, as a result of a collaboration with Affibody for the development of affinity ligands for large scale affinity purification. The product generates royalties and constitutes Affibody's largest revenue source. The product generates royalties until 2019 and contributes to that Affibody, unlike many other biotech companies, conducts operations that can generate balanced cash flows.

ThermoFisher

Thermo Fisher (formerly Finnzymes Oy) and Affibody has collaborated on the development of an Affibody® molecule for a hot start PCR application. The collaboration resulted in the product Phusion™ Hot Start High-Fidelity DNA Polymerase, launched by Finnzymes Oy in 2006. This product generates royalties until 2015.

Projects in Clinical Development

GE Healthcare

In 2012 Affibody signed an agreement with GE Healthcare for collaboration on the development of an agent for HER2-targeted imaging of breast and gastric cancer. Under the collaboration, Affibody conducts early clinical trials together with academic groups.

Sobi

In 2009, Affibody signed an agreement with Sobi. The collaboration aims to develop new targeted therapies for inflammatory and autoimmune diseases. Sobi has gained access to Affibody's both technology platforms for the development of drugs against a defined target. In November 2013, Sobi announced its intention to bring a novel investigational biopharmaceutical drug candidate, SOBI002 into a phase I trial. SOBI002 works as a potent and selective inhibitor of

complement protein C5, a key protein in human immunological and inflammatory processes and central to a number of important diseases.

Projects in preclinical research and development

Algeta

In 2011 Algeta ASA acquired a license to Affibody's technologyplatforms to develop new tumor-targeting drug candidates based on the alpha emitter Thorium-227.

Amylin

In 2010 Affibody signed a license agreement with Amylin regarding the use of Albumod™. The technology will be applied to a number of molecules from Amylin's library of proprietary compounds to enhance the efficacy by extending their half-life in the circulation.

Daewoong

In 2013 Affibody signed a license agreement with Daewoong regarding the use of Albumod™. The technology will be applied to increase the efficacy of one of Daewoong's patented compounds by prolonging the half-life in the circulation.

Daiichi Sankyo

In 2013 Affibody signed a license agreement with Daiichi Sankyo regarding the use of Albumod™. The technology will be applied to increase the efficacy of one of Daiichi Sankyo's patented compounds by prolonging the half-life in the circulation.

Sobi

In 2012 Affibody signed another agreement with Sobi in order to develop new treatments for interleukin-1 (IL-1)-driven inflammatory diseases. The agreement includes an initial two year period during which Sobi has an option to enter into a license agreement with worldwide exclusive rights to any or all of the development projects.



Financial summary - First quarter 2014

Significant events during the reporting period and after close of the reporting period

The ongoing partnerships have developed well during the reporting period. After the end of the period, an Annual General Meeting (EGM), held on May 8 elected Håkan Åström, Jakob Lindberg, Mathias Uhlén and Jonathan Knowles as Directors of the Board.

Also after the end of the period, the first patient was included in a PET Imaging Study of HER2 Expression in Breast Cancer at Herlev University Hospital, a study that will expand on the previous clinical experience with ABY-025 imaging and investigate HER2 expression in breast cancer patients before and after treatment.

Revenue

Revenue for the quarter amounted to SEK 9.9 (12.3) million and the majority of the revenue came from royalties and other compensations from commercial partners.

Operating Costs

Total operating costs for the quarter amounted to SEK 12.7 (10.6) million. The costs consisted of research and development costs of SEK 10.1 (8.3) million, administrative costs of SEK 2.4 (2.3) million and marketing and sales of SEK 0.3 (0.1) million. Depreciation of fixed assets amounted to SEK 0.1 (0.0) million and were related to laboratory equipment. Of the operating costs, SEK 0.6 (0.8) million were related to the incentive programs.

Operating result

The operating result for the quarter amounted to SEK -2.8 (1.7) million.

Financial items

Financial income for the quarter amounted to SEK 0.1 (0.1) million and consisted of interest income. Financial costs for the quarter amounted to SEK 0.3 (0.5) million and consisted of considerations to a partner for the prepayment of royalties.

Taxes

No corporate income tax was reported during the period (-). The Group's unutilized tax losses have not been assigned any value in the balance sheet as they are not expected to be utilized within the conventional period.

Net Result

Net result for the quarter amounted to SEK -3.1 (1.2) million.

Cash Flow

Cash flow from current operations, before changes in working capital, amounted to SEK -2.3 (2.1) million and included non-cash items of SEK 0.7 (0.8) million, mainly related to the depreciation of tangible assets and employee stockownership plans. The cash flow from working capital changes was SEK 0.5 (-1.8) million. Capital expenditure for the quarter, primarily laboratory equipment, amounted to SEK 0.0 (0.0) million and cash flow for the quarter amounted to SEK -1.8 (0.3) million.

Financial Position

As of March 31, 2014, cash amounted to SEK 31.2 (21.5) million. The equity ratio at the end of the quarter was 64 (66) %.

Shareholders' Equity

Total equity in the Group as of March 31, 2014 was SEK 28.3 (23.3) million.

Parent company

Affibody Medical AB's revenue for the period amounted to 1.2 (-) million and the costs, mainly consisting of administrative costs in relation to management and financing activities amounted to 1.6 (1.5) million. Net result for the quarter amounted to SEK -0.4 (-1.5) million. Cash and cash equivalents as of March 31, 2014 amounted to SEK 7.9 (7.3) million and the equity amounted to 246.2 (251.3) million.

Employees

Per March 31, 2014 the number of employees amounted to 22 (19).

Incentive program

Per the end of the reporting period, a total of 16 658 104 Employee Stock Options (ESOPs) were outstanding. Twenty options give the holder a right to subscribe to one new share in Affibody Medical. Affibody Medical has issued a total of 23 379 516 warrants of which 16 658 104 to ensure delivery of shares under the employee stock option above and the remainder for hedging of social security contributions and other costs related to the programs. Twenty warrants entitle the holder to subscribe for one new ordinary share. In 2014, no additional option programs have been issued. For more information about incentive programs see the Annual Report for 2013.

Significant risks and uncertainties

No changes in the company's risk assessment have taken place during the period. A detailed presentation of significant risks and uncertainties is available in the Annual Report 2013.

General information

Affibody Medical AB (previously Affibody Holding AB) (publ) (registration number 556714-5601) is a public limited company with registered office in Stockholm in Sweden. "Affibody" and "the Company" refers to Affibody Medical AB, and where appropriate, including subsidiaries.

AGM

An Annual General Meeting (EGM), held on May 8, 2014 elected Håkan Åström, Jakob Lindberg, Mathias Uhlén and Jonathan Knowles as Directors of the Board shares.

The share

As of March 31, 2014 the registered share capital amounted to 52 704 850 SEK divided into 10 540 970 shares. Together with the warrants issued, the total number of shares, after full exercise of these warrants, amounts to 11 709 945. Affibody Medical AB has only one share-class and the shares carry one vote each and are entitled to equal shares of distributable earnings.

Accounting principles

This report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting principles are in accordance with International Financial Reporting Standards (IFRS), and the EU-approved interpretations of those standards, International Financial Reporting Interpretations Committee (IFRIC) and Chapter 9 of the Annual Accounts Act. This report has been prepared using the same accounting policies and methods of computation as the Annual Report for 2013. No new IFRS standards effective from 2014 will have an effect on Affibody's financial statements. The

extent and nature of financial assets and liabilities are essentially the same as at 31 December 2013. Similar to what was the case at the end of 2013, the recorded values are the same as fair values. The Parent Company follows the Swedish Financial Reporting Board and the recommendation RFR 2, meaning that the parent company, in the reporting of the legal entity, shall apply all EU-approved IFRS and statements as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and considering the relationship between accounting and taxation.

Forward-looking statement

This interim report includes statements that are forward-looking. Actual results may differ from those stated. Internal factors such as the successful management of research and intellectual property rights may affect future results. There are also external conditions such as the economic climate, political changes and competing research that may affect Affibody's results.

Other

Amounts are expressed in SEKk (thousands Swedish kronor) unless otherwise stated. Figures in parentheses refer to the corresponding period last year. The Board of Directors and the CEO of Affibody Medical provide their assurance that the interim report provides a fair and true overview of the parent company's and the group's operations, financial position and results, and describes material risks and uncertainties faced by the parent company and the companies in the group. See under the heading "Significant risks and uncertainties" and in other information provided for a description of the operational risks.

Stockholm on May 20, 2014

Håkan Åström **Jonathan Knowles**
Chairman Board Member

Mathias Uhlén **Jakob Lindberg**
Board Member Board Member

David Bejker
President and CEO

This report has not been subject to review by the company's auditor.

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Financial Calender

- » The interim report for January-June 2014 will be published on August 22, 2014.
- » The interim report for January-September 2014 will be published on November 20, 2014.

Affibody Medical AB (publ)

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Financial statements for the group

Consolidated statement of comprehensive income

(SEKk)	jan-mar 2014	jan-mar 2013	12m 2013
Sales	9 880	12 331	67 594
Other revenue	-	-	589
Total	9 880	12 331	68 183
Operating costs			
Marketing and sales costs	-260	-132	-1 262
Administrative costs	-2 378	-2 267	-15 022
Research and development costs	-10 084	-8 251	-43 415
Total operating costs	-12 722	-10 650	-59 699
Operating profit / loss	-2 841	1 681	8 484
Net financial items			
Other interest income and similar profit/loss items	104	85	338
Other interest expense and similar profit/loss items	-325	-517	-2 194
Total net financial items	-221	-432	-1 855
Profit / loss after financial items	-3 063	1 249	6 629
Income tax	-	-	-
Net result	-3 063	1 249	6 629
Other comprehensive income	-	-	-
Comprehensive income	-3 063	1 249	6 629

Consolidated balance sheet

(SEKk)	2014-03-31	2013-03-31	2013-12-31
ASSETS			
Non-current assets			
Property, plant and equipment	1 515	292	1 617
Total non-current assets	1 515	292	1 617
Current assets			
<i>Other receivables</i>			
Accounts receivable	4 435	2 637	4 281
Other receivables	312	1 006	338
Prepaid expenses and accrued income	6 655	9 806	11 077
Total receivables	11 402	13 450	15 696
Cash and cash equivalents	31 241	21 511	33 072
Total current assets	42 643	34 961	48 769
Total assets	44 158	35 254	50 386

(SEKk)	2014-03-31	2013-03-31	2013-12-31
EQUITY AND LIABILITIES			
Equity			
Share capital	52 705	52 705	52 705
Other capital contribution	575 143	572 444	574 651
Accumulated result including result for the period	-599 536	-601 853	-596 473
Total equity	28 312	23 296	30 883
Non-current liabilities			
Provisions	2 468	1 777	2 342
Total non-current liabilities	2 468	1 777	2 342
Current liabilities			
Accounts payable	3 357	2 820	6 709
Other payables	1 834	3 735	2 819
Accrued expenses and deferred income	8 188	3 627	7 635
Total current liabilities	13 378	10 182	17 162
Total equity and liabilities	44 158	35 254	50 386
Pledged assets	-	-	-
Contingent liabilities	-	-	-

Consolidated changes in Equity

(SEkk)	Share capital	Other capital contribution	Accumulated losses	Total
Closing balance Dec 31 2012	52 705	571 820	-603 102	21 423
Net result Jan-Mar 2013	-	-	1 249	1 249
Employee Stock Ownership Plan	-	624	-	624
Closing balance Mar 31 2013	52 705	572 444	-601 853	23 296
Closing balance Dec 31 2013	52 705	574 651	-596 473	30 883
Net result Jan-Mar 2014	-	-	-3 063	-3 063
Employee Stock Ownership Plan	-	492	-	492
Closing balance Mar 31 2014	52 705	575 143	-599 536	28 312

Consolidated cash flow statement

(SEKk)	jan-mar 2014	jan-mar 2013	12m 2013
Current operations			
Profit / loss after financial items	-3 063	1 249	6 629
Adjustments for non-cash flow items			
Depreciation	102	27	238
Other non-cash flow items	618	794	3 570
Cash flow from current operations before income tax	-2 343	2 070	10 437
Income tax paid	-	-	-
Cash flow from current operations before changes in working capital	-2 343	2 070	10 437
Cash flow from working capital changes			
Change in trade, other receivables and current assets	4 294	-2 568	-5 405
Change in trade, other payables and other current liabilities	-3 782	765	8 332
Cash flow from current operations	-1 831	266	13 363
Investment activities			
Investments in property, plant and equipment	-	-	-1 536
Sale of property, plant and equipment	-	-	-
Cash flow from investment activities	-	-	-1 536
Financing activities			
Cash flow from financing activities	-	-	-
Cash flow for the period	-1 831	266	11 828
Cash and cash equivalents at beginning of period	33 072	21 245	21 245
Cash and cash equivalents at end of period	31 241	21 511	33 072

Financial statements for the parent company

Statement of Comprehensive Income for the parent company

(SEKk)	jan-mar 2014	jan-mar 2013	12m 2013
Revenue	1 200	-	5 289
Total	1 200	-	5 289
Operating expenses			
Marketing and sales costs	-	-	-
Administrative costs	-1 599	-1 503	-11 650
Research and development costs	-	-	-
Total operating expenses	-1 599	-1 503	-11 650
Operating profit / loss	-399	-1 503	-6 361
Net financial items			
Other interest income and similar profit/loss items	37	36	126
Other interest expense and similar profit/loss items	-1	-1	-1
Total net financial items	35	35	125
Profit / loss after financial items	-364	-1 467	-6 235
Income tax	-	-	-
Net loss	-364	-1 467	-6 235
Other comprehensive income			
Comprehensive income	-364	-1 467	-6 235

Parent company's balance sheet

(SEKk)	2014-03-31	2013-03-31	2013-12-31
ASSETS			
Non-current assets			
Shares in group companies	220 200	220 200	220 200
Total non-current assets	220 200	220 200	220 200
Current assets			
<i>Other receivables</i>			
Accounts receivable	-	100	-
Other receivables	71	852	97
Receivables from group companies	22 843	26 749	23 275
Total receivables	22 914	27 701	23 372
Cash and cash equivalents	7 862	7 281	7 595
Total current assets	30 776	34 982	30 967
TOTAL ASSETS	250 976	255 182	251 167

(SEKk)	2014-03-31	2013-03-31	2013-12-31
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	52 705	52 705	52 705
Total restricted equity	52 705	52 705	52 705
<i>Non restricted equity</i>			
Share premium reserve	214 529	214 529	214 529
Profit/loss brought forward	-20 719	-14 485	-14 485
Accumulated loss for the period	-364	-1 467	-6 235
Total non restricted equity	193 446	198 576	193 809
Total equity	246 150	251 281	246 514
Current liabilities			
Accounts payable	178	658	100
Other payables	914	1 039	928
Accrued expenses and deferred income	3 734	2 204	3 625
Total liabilities	4 826	3 901	4 653
TOTAL EQUITY AND LIABILITIES	250 976	255 182	251 167
Pledged assets	-	-	-
Contingent liabilities	-	-	-

Parent company's changes in equity

(SEKk)	RESTRICTED EQUITY		NONE RESTRICTED EQUITY		Total equity
	Share capital	Share premium reserve	Profit/loss brought forward	Accumulated loss for the year	
Closing balance Dec 31 2012	52 705	214 529	-12 989	-1 495	252 749
Result for the period Jan - Mar 2013	-	-	-	-1 467	-1 467
Accounting of loss 2012	-	-	-1 495	1 495	-
Closing balance Mar 31 2013	52 705	214 529	-14 484	-1 467	251 281
Closing balance Dec 31 2013	52 705	214 529	-14 484	-6 235	246 514
Result for the period Jan - Mar 2014	-	-	-	-364	-364
Accounting of loss 2013	-	-	-6 235	6 235	-
Closing balance Mar 31 2014	52 705	214 529	-20 719	-364	246 150

Cash flow statement for the parent company

(SEKk)	jan-mar 2014	jan-mar 2013	12m 2013
Current operations			
Profit / loss after financial items	-364	-1 467	-6 235
Adjustments for non-cash flow items			
Other non-cash flow items	-	-	-
Cash flow from current operations before changes in working capital	-364	-1 467	-6 235
Income tax paid	-	-	-
Cash flow from working capital changes			
Change in trade, other receivables and current assets	457	166	4 305
Change in trade, other payables and other current liabilities	173	329	1 271
Cash flow from current operations	267	-973	-659
Investment activities			
Cash flow from investment activities	-	-	-
Financing activities			
Cash flow from financing activities	-	-	-
Cash flow for the period	267	-973	-659
Cash and cash equivalents at beginning of period	7 595	8 254	8 254
Cash and cash equivalents at end of period	7 862	7 281	7 595



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