Financial Statements for the year ended December 31, 2020

Lava Therapeutics B.V.

Utrecht

The Netherlands

UNAUDITED

Index to consolidated financial statements

Consolidated Financial Statements

Consolidated statements of profit or loss and other comprehensive income (loss)

(In thousands of euros, except share and per share amounts)

		Year Ended December 31,		
	Notes	2020	2019	2018
Revenue				
Research and license revenue	4	3.186	-	-
Total revenue		3.186	-	-
Operating expenses:				
Research and development	5	(13.639)	(7.470)	(2.173)
General and administrative	6	(2.344)	(1.111)	(463)
Total operating expenses		(15.983)	(8.581)	(2.636)
Operating loss		(12.797)	(8.581)	(2.636)
Interest expense, net	7	(294)	(78)	(12)
Foreign currency exchange loss, net	8	(458)	(16)	(2)
Total non-operating expenses		(752)	(94)	(14)
Loss before income tax		**(13.549)**	**(8.675)**	**(2.650)**
Income tax benefit (expense)	9	(35)	-	-
Loss for the period		**(13.584)**	**(8.675)**	**(2.650)**
Foreign currency translation adjustment for the period		(347)	-	-
Total comprehensive loss for the period		**(13.931)**	**(8.675)**	**(2.650)**
Loss per share, in Euros				
Basic and diluted loss per share attributable to ordinary equity holders	10	(€ 7.521,68)	(€ 4.284,08)	(€ 1.308,80)
Basic and diluted weighted average number of ordinary shares		1.806	2.025	2.025

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of financial position

(In thousands of euros)

		December 31,			January 1,
	Notes	2020	2019	2018	2018
Assets					
Non-current assets:					
Property and equipment, net	11	906	654	20	1
Right-of-use assets	12	311	370	58	78
Non-current assets and security deposits		626	26	-	-
Total non-current assets		**1.843**	**1.050**	**78**	**79**
Current assets:					
Trade receivables and other		929	61	-	-
Prepaid expenses and other current assets		95	55	129	5
Deferred offering costs		661	-	-	-
VAT receivable		274	134	267	47
Cash and cash equivalents	13	12.881	6.544	13.961	266
Total current assets:		14.840	6.794	14.357	318
Total assets		**16.683**	**7.844**	**14.435**	**397**
Equity and Liabilities					
Equity					
Share capital		-	-	-	2
Share premiun	14	35.159	17.066	17.066	1.063
Equity-settled employee benefits reserve	18	801	324	151	-
Foreign currency translation reserve		(347)	-	-	-
Accumulated deficit		(29.406)	(12.179)	(3.504)	(854)
Total equity		**6.207**	**5.211**	**13.713**	**211**
Non-current liabilities					
Customer advances and deferred revenue	4	1.480	-	-	-
Lease liabilities	12	221	211	51	71
Borrowings	15	2.935	1.134	-	-
Total non-current liabilities		**4.636**	**1.345**	**51**	**71**
Current liabilities					
Trade payables and other	16	760	376	546	57
Lease liabilities	12	168	229	20	9
Accrued expenses and other current liabilities	17	1.362	683	105	49
Customer advances and deferred revenue	4	3.550	-	-	-
Total current liabilities		**5.840**	**1.288**	**671**	**115**
Total liabilities		**10.476**	**2.633**	**722**	**186**
Total equity and liabilities		**16.683**	**7.844**	**14.435**	**397**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity

(In thousands of euros, except for per share amounts)

		Preference											
	Note	Series A shares	Series A Share premium	Series B shares	Series B Share premium	Series C shares	Series C Share premium	Ordinary share shares	Share capital	Equity-settled employee benefits reserves	Foreign currency translation reserve	Accumulated losses	Total
Balance at January 1, 2018		**7.945**	**€ 1.063**		**€ -**	**-**	**€ -**	**2.025**	**€ 2**	**€ -**	**€ -**	**€ -854**	**€ 211**
Loss for the period		-	-	-	-	-	-	-	-	-	-	(2.650)	(2.650)
Issuance of Series B preferred shares, net			2	17.646	16.001		-	-	(2)	-	-	-	16.001
Share-based compensation expense	18	-	-	-	-	-	-	-	-	151	-	-	151
Balance at December 31, 2018		**7.945**	**€ 1.065**	**17.646**	**€ 16.001**	**-**	**€ -**	**2.025**	**€ -**	**€ 151**	**€ -**	**€ -3.504**	**€ 13.713**
Loss for the period		-	-	-	-	-	-	-	-	-	-	(8.675)	(8.675)
Share-based compensation expense	18	-	-	-	-	-	-	-	-	173	-	-	173
Balance at December 31, 2019		**7.945**	**€ 1.065**	**17.646**	**€ 16.001**		**€ -**	**2.025**	**€ -**	**€ 324**	**€ -**	**€ -12.179**	**€ 5.211**
Loss for the period		-	-	-	-	-	-	-	-	-	-	(13.584)	(13.584)
Issuance of Series C preferred shares, net		-	-	-	-	18.705	18.529	-	-	-	-	-	18.529
Repurchase of Series A and common shares		(3.250)	(436)				-	(750)			-	(3.643)	(4.079)
Share-based compensation expense	18	-	-	-	-	-	-	-	-	478	-	-	478
Foreign currency translation adjustment		-	-	-	-	-	-	-	-	-	(347)	-	(347)
Balance at December 31, 2020		**4.695**	**€ 629**	**17.646**	**€ 16.001**	**18.705**	**€ 18.529**	**1.275**	**€ -**	**€ 802**	**€ -347**	**€ -29.406**	**€ 6.207**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

(In thousands of euros)

	Notes	Year Ended December 31, 2020	2019	2018
Cash flows from operating Activities				
Loss before income tax		(13.584)	(8.675)	(2.650)
Adjusted for:				
Depreciation and amortization of non-current assets		185	90	1
Foreign currency exchange (gain) loss, net		458	-	-
Non-cash lease amortization	12	217	143	20
Share-based compensation expense	18	478	173	151
Changes in working capital:				
Accounts receivable		(868)	33	-
VAT receivable		(140)	39	(220)
Other assets		(640)	73	(124)
Trade accounts payable	16	230	(169)	489
Deferred revenue	4	5.030	-	-
Deferred offering costs		(263)	-	-
Other liabilities	17	434	578	56
Net cash provided by (used in) operating activities		(8.463)	(7.715)	(2.277)
Cash flows from investing activities				
Purchase of property and equipment	11	(437)	(724)	(20)
Change in restricted cash		-	(26)	-
Net cash used in investing activities		(437)	(750)	(20)
Cash flows from financing activities				
Series B financing, net		-	-	16.001
Series C financing, net		18.529	-	-
Series A repurchase		(4.079)	-	-
Proceeds from borrowings	15	1.801	1.134	-
Payment of principal portion of lease liabilities		(209)	(86)	(9)
Net cash provided by financing activities		16.042	1.048	15.992
Net increase (decrease) in cash and cash equivalents		7.142	(7.417)	13.695
Cash and cash equivalents at the beginning of year	13	**€ 6.544**	**€ 13.961**	**€ 266**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(805)	-	-
Cash and cash equivalents at end of the period	13	**€ 12.881**	**€ 6.544**	**€ 13.961**
Supplemental schedule of noncash investing and financing activities:				
Deferred offering costs in accounts payable and accrued expenses		€ 398	€ 0	€ 0

The accompanying notes are an integral part of these consolidated financial statements.

Notes to consolidated financial statements
For the year ended December 31, 2020
(In thousands of euros, unless otherwise stated)

1. Corporate information

Lava Therapeutics B.V., or the Company, which was founded in 2016, is a private limited company incorporated and domiciled in the Netherlands. The Company's registered office is Yalelaan 60, 3584CM in Utrecht. The Company is registered at the Chamber of Commerce under number 65335740.

The Company's 100% subsidiary, Lava Therapeutics, Inc., which was founded in August 2019, is incorporated in the United States.

The Company and its subsidiary, or the Group, are a biotechnology company focused on transforming cancer treatment by developing a platform of novel bispecific antibodies engineered to selectively induce gamma-delta T cell-mediated immunity against tumor cells. The Group's approach activates a specific and relatively abundant gamma-delta effector T cell subset called Vγ9Vδ2 T cells. These cells can naturally distinguish tumor cells from healthy cells through their ability to sense certain intracellular metabolites that are enriched in cancer cells. Vγ9Vδ2 T cell activation and killing of patient-derived tumor cells by the Group's gamma-delta bsTCEs is potent and specific thereby providing a significant opportunity to deliver therapeutics to patients. The Group is currently advancing a pipeline of multiple gamma-delta bsTCEs for the potential treatment of both hematologic and solid malignancies.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are included below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

a) Basis of preparation

These financial statements are the first EU-IFRS financial statements. The company's date of transition is 1 January 2018, which is the beginning of the earliest period presented. These financial statements have been prepared to bridge from the historic Dutch GAAP statements prepared for statutory purposes in The Netherlands to the future 2021 financial statements prepared based on IFRS. These statements will be publicly available through the company's website. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

The consolidated financial statements of the Group have been prepared on a historical cost basis.

The preparation of the consolidated financial statements in conformity with IFRS requires the application of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a greater degree of judgment or complexity, or areas in which assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

Explanation of transition to IFRS 1

As stated above, these are the Group's first consolidated financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2020 and 2019, the comparative information presented in these financial statements for the year ended 31 December 2018 and in the preparation of an opening IFRS statement of financial position at 1 January 2018 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has not adjusted amounts reported previously in financial statements prepared in accordance with Dutch GAAP other than related to a different choice in valuation model for the Share Based Payments, because the GAAP analysis performed resulted in the conclusion that based on the nature of the company's business and its current business phase (mainly research and development) there are no differences between EU-IFRS and Dutch GAAP that need to be disclosed. The transition from previous GAAP to IFRS has not affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes.

Reconciliation of comprehensive loss as of December 31, 2020, 2019 and 2018:

	For the year ended December 31,		
(EUR in thousands)	2020	2019	2018
Total comprehensive loss for the period under Dutch GAAP	(13.878)	(8.612)	(2.639)
IFRS 16 Leases	(60)	(56)	(11)
Share-based compensation expense	7	(7)	-
Total comprehensive loss for the period under IFRS	**(13.931)**	**(8.675)**	**(2.650)**

Reconciliation of shareholders' equity as of December 31, 2020, 2019 and 2018:

	For the year ended December 31,		
(EUR in thousands)	2020	2019	2018
Equity under Dutch GAAP	6.337	5.281	13.727
Accumulated losses (effect IFRS 16 leases)	(130)	(70)	(14)
Equity under IFRS	**6.207**	**5.211**	**13.713**

Going concern

These consolidated financial statements have been prepared by management on the assumption that the Group will be able to continue as a going concern, which presumes that the Group will, for the foreseeable future, be able to realize its assets and discharge its liabilities in the normal course of business.

Through December 31, 2020, the Group funded its operations with proceeds from sales of equity financings, collaboration and licensing agreements, government grants and borrowings under various agreements. Since inception the Group has incurred recurring net losses.

For the year ended December 31, 2018, the Group incurred a loss of €2,677.1 million generated negative operating cash flow of €2.3 million. As at December 31, 2018, the Group had a net asset position of €13.7 million and no debt, net cash and cash equivalents of €14 million. The Group also had a working capital surplus (defined as total current asset less total current liabilities) of € 13.7 million.

For the year ended December 31, 2019, the Group had an accumulated deficit of €12.2 million.

For the year ended December 31, 2020, the Group had an accumulated deficit of €29.4 million. The group expects to continue to generate operating losses in the foreseeable future. The Group expects that its cash and cash equivalents of €12.9 million as of December 31, 2020 and the committed equity financing of cumulative preference C shares or, the Series C Preferred, of €47.2 million, which consist of net proceeds from the remaining two tranches and was received by the Company on March 18, 2021, will be sufficient to fund its operating expenses and capital expenditure requirements for at least twelve months following the issuance of the 2020 financial statements.

Cash requirements and cash resource needs will vary significantly depending upon the amount and related timing of expenditures required to complete ongoing development and pre-clinical and clinical testing of products as well as regulatory efforts and collaborative arrangements necessary for the Group's products that are currently under development.

The Group will continue to seek financing to fund expansion of its operations, including but not limited to, further development of its products and services and efforts to meet regulatory requirements in the United States and other countries. The Group relies on capital raises to fund its future growth until which time it derives meaningful revenues through commercial product sales or strategic partnerships to provide the necessary cash flows to support its cost structure. The Group is actively exploring various options to secure financing and improve its financial position. The

Group would consider exploring potential strategic partnerships, which could provide a capital infusion to the Group. There is no assurance, however, that the Group will complete any of these arrangements or obtain them on terms and conditions favorable to the Group.

The future viability of the Group beyond that point is dependent on its ability to generate revenue and positive cash flows by obtaining equity and/or borrowings financing to fund future operations.

The following matters have been considered by management in determining the appropriateness of the going concern basis of preparation in these consolidated financial statements:

Financing

In September 2020, the Group closed an oversubscribed financing of preference C shares (or, the Series C Preferred) that yielded gross proceeds of €71.0 million and net €61.6 million, to fund the advancement of our pipeline and platform. See Note 14 for further details.

Research and license revenue

In May 2020, the Group entered into a research and license agreement with Janssen Biotech, Inc., or, the Janssen Agreement. The Group's performance obligations under the terms of this agreement include discovery, research and certain early pre-clinical development of bispecific antibodies. Payments to the Group include a non-refundable upfront payment, payments based upon the achievement of defined development and commercial milestones, and tiered royalties on product sales under the agreement.

The Group evaluates its research and license agreement in accordance with IFRS 15 *Revenue from contracts with customers*. IFRS 15 requires a five-stage approach, including (i) identification of the contract; (ii) identification of performance obligations; (iii) determination of the transaction price; (iv) allocation of the transaction price; and (v) recognition of revenue.

Upfront payment

The non-refundable upfront payment received by the Group under the Janssen Agreement was recorded as deferred revenue. Such amounts are recognized on a straight-line basis over 24 months, the term of the agreement.

Research and Development milestones

The Janssen Agreement includes milestone payments that are triggered by the achievement of predefined milestones. These milestone payments represent variable consideration that are not initially recognized within the transaction price. Revenue from milestones will be recognized at the time the specified milestone events have been achieved.

Sales milestones and royalty payments

The Janssen Agreement also includes certain sales-based milestone and royalty payments upon successful commercialization of a licensed product. In accordance with IFRS 15, the Company recognizes revenues from sales-based milestone and royalty payments at the later of (i) the occurrence of the subsequent sale; or (ii) the performance obligation to which some or all of the sales-based milestone or royalty payments has been allocated or has been satisfied. The Group anticipates recognizing these milestones and royalty payments if and when subsequent sales are generated from a licensed product by Janssen.

COVID-19

In March 2020, the COVID-19 virus caused a worldwide pandemic. Although the short- and long-term effects of this pandemic is unknown, management expects that the Group business operations can be directly or indirectly impacted by this situation. Currently there are no significant impacts on our operations, but we acknowledge there are risks and uncertainties with respect to:

- Availability of supplies and equipment for our laboratories
- Availability of staff
- Start dates of clinical trials due to risks of opening clinical sites and patient recruitment
- Fundraising and access to the capital market

Management closely monitors the situation and, to its best ability, is focusing on mitigating measures and contingency plans to limit and prevent any potential impact on our business operations as much as possible. However, the full impact of the COVID-19 outbreak continues to evolve as of the date of issuance of these financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Group's financial condition, liquidity, and future results of operations.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2020, 2019 and 2018. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group 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. Subsidiaries are consolidated from the date on which control over the subsidiary is transferred to the Group and are deconsolidated from the date that control over the subsidiary ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The consolidated companies are listed below:

- Lava Therapeutics INC, USA (100%), incorporated on August 6, 2019 with start activities in 2020.

c) Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in Euro, or EUR, which is the Group's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized within foreign currency exchange loss, net, in the consolidated statements of profit or loss and other comprehensive income (loss). Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized within foreign currency translation adjustment in the consolidated statements of profit or loss and other comprehensive income (loss).

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into Euro as follows:

- Monetary assets and liabilities are translated at the closing rate at the reporting date; and
- Income and expenses for each statement of profit or loss or other are translated at average exchange rates.

d) Segment information

In accordance with IFRS, the Group's business activities are organized into one reportable segment, which is consistent with the basis of the internal reports that the management regularly reviews in allocating resources and assessing performance.

e) Research and development expenses

The Group expenses research and development expenses as incurred and does not capitalize them pursuant to IAS 38, Intangible Assets. The Group's research and development expenses consist primarily of costs incurred in performing research and development activities, including personnel-related expenses such as salaries, share-based compensation and benefits, facility costs, depreciation and external costs of outside vendors engaged to conduct preclinical and clinical development activities. The Group accounts for a governmental R&D payroll tax subsidy from Wet Bevordering Speur en Ontwikkelingswerk or (WBSO) as a reduction from the research and development personnel-related expenses.

f) General and administrative expenses

The Group's general and administrative expenses consist of personnel-related expenses for employees involved in general corporate functions, including accounting, finance, tax, legal and human relations, costs associated with outside professional fees such as legal counsel and auditors, costs associated with use by these functions of facilities and equipment, such as depreciation expenses, premises maintenance expenses and other general corporate expenses. General and administrative expenses are expensed as incurred.

g) Share-based awards

Share options granted to employees and consultants providing similar services are measured at the grant date fair value of the equity instruments granted. The grant date fair value is determined through the use of an option-pricing model considering the following variables:

a) the exercise price of the option;
b) the expected life of the option;
c) the current value of the underlying shares;
d) the expected volatility of the share price;
e) the dividends expected on the shares; and
f) the risk-free interest rate for the life of the option.

The Group issues equity-settled share-based awards and accounts for these awards in accordance with IFRS 2, *Share-based Payments*. For the Group's share option plans, management's judgement is that the Black-Scholes valuation formula is the most appropriate methods for determining the fair value of the Group's share options considering the terms and conditions attached to the grants made and to reflect exercise behavior. Since the Group is a private company, there is no published share price information available. Consequently, the Group needs to estimate the fair value of its shares and the expected volatility of that share value. These assumptions and estimates are further discussed in note 18 to the financial statements.

The result of the share option valuations and the related compensation expense that is recognized for the respective vesting periods during which services are received is dependent on the model and input parameters used. Even though management considers the fair values reasonable and defensible based on the methodologies applied and the information available, others might derive a different fair value for the Group's share options.

h) Employee benefits

The Group provides defined contribution plans to its employees. Contributions to defined contribution plans are expensed when employees provide services. The Group has no further payment obligations once the contributions have been paid. The Group's post-employment schemes do not include any defined benefit plans.

i) Income taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

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 on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates, and joint arrangements to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused 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 used. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be utilized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

j) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise of cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

k) Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Property, plant, and equipment include major expenditures for new assets, improvements and replacement assets that extend the useful lives of assets or increase their revenue-generating capacities. Repair and maintenance costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Building improvements	10
Laboratory equipment	5
Office equipment	5
Information and communication equipment (ICT)	5

Depreciation of property, plant and equipment used for Laboratory equipment and ICT equipment is included within Research and development expenses in the consolidated statement of profit or loss and other comprehensive income (loss). Depreciation of all other property, plant and equipment is allocated between Research and development and General and administrative expenses based on headcount.

The carrying amount of an item of property, plant and equipment is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant, and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in “Gain / (loss) on disposal of non-current assets, net” in the consolidated statement of profit or loss and other comprehensive income (loss) when the asset is derecognized.

Management of the Group reviews the carrying amount of property, plant, and equipment for impairment when there is an indication that the carrying amount may exceed the expected recoverable amount.

l) Impairment of long-lived assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized in the consolidated statements of profit or loss and other comprehensive income (loss) consistent with the function of the assets, for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal each reporting period.

m) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

n) Value added tax

Expenses and assets are recognized net of the amount of value added tax, or VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item.
The net amount of the VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

o) Financial instruments

(i) ***Financial assets***

The Group's financial assets are comprised of cash and cash equivalents, trade and other receivables, security deposits other current and non-current assets. All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset. Purchases and sales of financial assets are recognized on the settlement date; the date that the Group receives or delivers the asset. The Group classifies its financial assets primarily as cash and cash equivalents and receivables. Receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. They are included in current assets.

Financial assets are derecognized when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full.

(ii) ***Financial liabilities***

The Group's financial liabilities are comprised of trade and other payables, lease liabilities, and borrowings. All financial liabilities are recognized initially at fair value.
After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. The effective interest method amortization is included in finance costs in the consolidated statements of profit or loss and other comprehensive income (loss).
Payables and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled, or expires.

(iii) ***Fair value measurements***

The Group does not hold any financial assets and financial liabilities other than those measured at amortized cost. Management assessed that the carrying values of the Group's financial assets and financial liabilities measured at amortized cost are a reasonable approximation of their fair values.

p) Leases

The Group is party to lease contracts relating to laboratory and office facilities located in the Netherlands and the U.S.

(i) *Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

(ii) *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and equity in the consolidated financial statements and the accompanying disclosures. Estimates and judgments are based on historical experience and other factors, including expectations of future events, and are continually evaluated. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Deferred tax assets

Deferred tax assets have not been recognized in respect of tax losses, because the Group has no history of generating taxable profits and at the statement of financial position date, there is no convincing evidence that sufficient taxable profit will be available against which the tax losses can be utilized.

In order to promote innovative technology development activities and investments in new technologies, a corporate income tax incentive has been introduced in Dutch tax law called the Innovation Box. Profits from self-developed qualifying intangible assets are effectively subject to a 7% income tax rate for 2020 and 9% income tax rate for 2021 and future years, instead of the general headline rate of 25%. Lava Therapeutics B.V. believes it qualifies for the Innovation Box and is in this respect currently in a process for obtaining advance certainty from the Dutch tax authorities.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

New standards, interpretations and amendments adopted by the Group

The Group applied IFRS 16 Leases for the first time in 2018. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Group.

The Group adopted the following standards, interpretations, or amendments as of January 1, 2020, none of which had a significant impact on the Group's financial statements:

- Amendment to IFRS 3: Definition of a Business.
- Amendments to IAS 1 and IAS 8: Definition of Material.
- Amendments to References to Conceptual Framework in IFRS Standards.
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (Phase 1).

The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (Phase 2).
- Amendments to IFRS 17: Insurance Contracts.

IFRS 16 Leases

IFRS 16 establishes principles for the recognition, measurement, presentation, and disclosure of all leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective approach. Under this method, the standard is applied retrospectively, comparative information is not restated, and the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. However, as the Group is adopting IFRS 16 for the first time, it is required to restate comparative information back through the first period presented in the consolidated financial statements. As a result, the date of initial application of IFRS 16 for the Group is January 1, 2018.

a) Nature of the effect of adoption of IFRS 16

The Group has three lease contracts for office and laboratory space, including two new lease contracts that were entered into in 2019. Prior to the adoption of IFRS 16, the Group classified each of its leases (all of which it was the lessee) as operating leases. None of the leases were capitalized, and the lease payments were recognized in profit or loss on a straight-line basis over the lease term. Upon adoption of IFRS 16, the Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized in the statement of financial position immediately before the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Group elected to use the practical expedient of using a single discount rate for its leases, as it considers its leases to have reasonably similar characteristics.

Based on the foregoing, as of January 1, 2018:

- Right-of-use assets of 78 thousand were recognized and presented separately in the consolidated statement of financial position.
- Lease liabilities of 80 thousand were recognized.

The following table provides a reconciliation of the lease commitments at December 31, 2017 to lease liabilities at January 1, 2018 (the date of initial application of IFRS 16 for the Group):

(EUR in thousands)	
Total lease commitments	**107**
Less: imputed lease interest	-27
Total lease liabilities	**80**
Current	9
Non-current	71

The incremental borrowing rate applied to the lease liabilities was 16.0%.

b) Summary of new accounting policies

The Group applied the following accounting policies upon adoption of IFRS 16:

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of use assets are subject to impairment.

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group classifies cash payments for the principal portion of lease liabilities within financing activities and cash payments for the interest portion of the lease liabilities within operating activities.

4. Revenue

Research and license agreement

In May 2020, the Group entered into the Janssen Agreement. As part of the Janssen Agreement, the Group received a non-refundable upfront payment of €7.4 million. As of December 31, 2020, there was €5.0 million of unearned income related to this payment. The revenue has been recognized for eight months beginning in May 2020. The unearned income is being recognized as revenue on a straight-line basis over the remaining 16-month term of the research activities under the Janssen Agreement. The Janssen Agreement includes research, development and commercial milestones, which would initiate additional milestone payments. The Group is entitled to receive tiered royalties based on commercial sales levels from low to mid-single digit percentages of net sales of licensed products. Royalties are payable on a licensed product-by-licensed product and country-by-country basis beginning with the first commercial sale of such licensed product in such country of sale and expiring ten years after such sale, subject to specified and capped reductions for the market entry of biosimilar products, loss of patent coverage of licensed products, and for payments owed to third parties for additional rights necessary to commercialize licensed products in the territory and expires ten (10) years after such sale. The Group is eligible to receive a research milestone and further payments upon the achievement of certain development and commercial milestones.

Upfront payment

The Group's deferred revenue balance relates to amounts received, but not yet earned under the Janssen Agreement. The following table presents changes in the deferred revenue balance:

(EUR in thousands)	
Balance at January 1, 2020	**-**
Deferral of revenue	(7.397)
Recognized during the period	2.367
Balance at December 31, 2020	**(5.030)**

Research and Development milestones

In December 2020, the Group achieved the first Research Milestone, as defined in the Janssen Agreement, triggering a milestone payment of €0.8 million.

Revenue for the year ended December 31, 2020 was €3.2 million, which consisted of €2.4 million related to the upfront payment and €0.8 million related to the development milestones. No revenue was recognized in the year ended December 31, 2019 and 2018.

5. Research and development expenses

Research and development expenses include the following categories:

(EUR in thousands)	For the year ended December 31, 2020	2019	2018
Personnel-related cost	1.969	1.305	450
Pre-clinical and clinical trial expenses	10.028	4.594	1.003
Research and development activities expenses	917	1.351	557
Share-based compensation expense	188	163	141
Other expenses	536	57	22
	13.639	7.470	2.173

6. General and administrative expenses

General and administrative expenses include the following categories:

(EUR in thousands)	For the year ended December 31, 2020	2019	2018
Personnel-related expenses	1.168	393	157
Professional and consultant fees	565	608	248
Facilities, fees and other related costs	321	100	48
Share-based compensation expense	290	10	10
	2.344	1.111	463

7. Interest expense, net

(EUR in thousands)	For the year ended December 31, 2020	2019	2018
Interest expense on borrowings	219	12	1
Interest expense related to leases	75	66	11
	294	78	12

8. Foreign currency exchange loss, net

Foreign currency exchange loss, net was primarily due to the foreign currency cash position held by the Netherlands parent as well as transactions with partners and vendors denominated in currencies other than the euro. Foreign currency exchange loss for the year ended December 31, 2020, 2019 and 2018 was €458 thousand, €16 thousand and €2 thousand, respectively.

9. Taxation

The Group is subject to income taxes in the Netherlands and the United States.

Netherlands

No tax charge or income was recognized during the reporting periods since the Group is in a loss-making position and has a history of losses. As at December 31, 2020 the Group has Dutch tax loss carryforwards of €24.9 million. The 2020 taxable amounts are not final as the 2020 Dutch corporate income tax return are still in draft. The 2019 Dutch corporate income tax return is final but, has not been filed yet.

As a result of the Dutch corporate income tax law, tax loss carryforwards are subject to a time limitation of six years. However, tax-losses incurred up to and including the 2018 tax year, can be set-off against any profit in the nine following years:

(EUR in thousands)

Year	Loss per year	Expiration per year
2016	71	2025
2017	779	2026
2018	2.491	2027
2019	8.440	2025
2020	13.104	2026
	24.885	

On the basis of the 2020 annual accounts according to IFRS, there are accounting-to-tax differences of €0.5 million (2019: €0.3 million, 2018: €0.16 million). These differences relate to the IFRS 16 lease amounts and expenses which were treated as non-deductible for Dutch corporate income tax purposes and non-deductible share-based payments and other non-deductible mixed expenses of €0.5 million (2019: €0.3 million, 2018: €0.16 million).

Up to and including 2020, deferred income tax assets and liabilities are only recognized for temporary differences in relation to the IFRS 16 lease assets and liabilities.

Deferred income tax assets can also be recognized for tax losses to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group recognizes deferred tax assets arising from unused tax losses or tax credits only to the extent there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized the Group. Management concluded that there is not sufficient probability as per IAS 12, *Income Taxes,* that there will be future taxable profits available in the foreseeable future against which the unused tax losses can be used; therefore, a deferred tax asset has not been recognized.

The statute of limitation in the Netherlands is five years, starting from the day after the end of the tax year and any extensions granted for filing the corporate income tax returns. The tax authorities are allowed to audit years for which a final assessment has already been imposed. Since inception, which was in 2016, all tax years are currently open for an audit by the Dutch tax authorities.

United States

A minimal tax charge was recognized during the reporting periods due to the U.S. profitable position. The activities of Lava Therapeutics, Inc. started in 2020 and are limited and regards only to the CEO and CMO for Lava Therapeutics B.V. who are both domiciled in the United States. The remuneration of Lava Therapeutics, Inc. is based on the costs incurred for the services rendered including a profit mark-up.

10. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit/(loss) for the period attributable to common equity holders of the parent by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by dividing the profit/(loss) attributable to common equity holders of the parent (after adjusting for the effect of dilution) by the weighted average number of common shares outstanding after adjustments for the effects of all dilutive potential common shares.

At December 31, 2020, 2019 and 2018 outstanding share-based awards were excluded from the diluted weighted average number of common shares calculation because their effect would have been anti-dilutive.

The following table reflects the loss and share data used in the basic and diluted EPS calculations:

(EUR in thousands, except per share data)	For the year ended December 31, 2020	2019	2018
Loss attributable to the parent entity	(13.584)	(8.675)	(2.650)
Loss attributable to ordinary equity holders of the parent entity	**(13.584)**	**(8.675)**	**(2.650)**
Weighted average number of ordinary shares	1.806	2.025	2.025
Basic and diluted loss per share (EUR)	**(7.521,68)**	**(4.283,77)**	**(1.308,64)**

11. Property, plant and equipment

Movements in property, plant and equipment were as follows:

(EUR in thousands)	Building Improvements	Lab Equipment	Inventory and Furniture	Inventory ICT	Total
Cost					
Balance at January 1, 2018				**1**	**1**
Additions				20	20
Balance at December 31, 2018	**-**	**-**	**-**	**21**	**21**
Additions	36	613	28	47	724
Balance at December 31, 2019	**36**	**613**	**28**	**68**	**745**
Additions	55	333	4	45	437
Balance at December 31, 2020	**91**	**946**	**32**	**113**	**1.182**
Accumulated depreciation					
Balance at January 1, 2018				**-**	**-**
Charge for the year				1	1
Balance at December 31, 2018	**-**	**-**	**-**	**1**	**1**
Charge for the year	1	79	3	7	90
Balance at December 31, 2019	**1**	**79**	**3**	**8**	**91**
Charge for the period	6	158	5	16	185
Balance at December 31, 2020	**7**	**237**	**8**	**24**	**276**
Carrying amounts					
Balance at December 31, 2018	**-**	**-**	**-**	**20**	**20**
Balance at December 31, 2019	**35**	**534**	**25**	**60**	**654**
Balance at December 31, 2020	**84**	**709**	**23**	**89**	**906**

12. Leases

Right-of-use assets

The following table provides information about the Group’s right-of-use assets:

(EUR, in thousands)	
Balance at January 1, 2018	**78**
Additions	-
Depreciation charges	(20)
Balance at December 31, 2018	**58**
Additions	455
Depreciation charges	(143)
Balance at December 31, 2019	**370**
Additions	158
Depreciation charges	(217)
Balance at December 31, 2020	**311**

Lease liabilities

The following table provides information about the maturities of the Group's lease liabilities at December 31, 2020, 2019 and 2018:

(EUR, in thousands) Year	2020	2019	2018
2019	-		29
2020	-	259	34
2021	211	243	23
2022	233	-	-
Total lease commitments	**444**	**502**	**86**
Less: imputed lease interest	(55)	(62)	(15)
Total lease liabilities	**389**	**440**	**71**
Current portion	**168**	**229**	**20**
Non-current portion	**221**	**211**	**51**

The average incremental borrowing rate applied to the lease liabilities was 15.6%, 15.6% and 16.0% during the years ended December 31, 2020, 2019 and 2018, respectively.

Cash outflows related to leases during the year ended December 31, 2020, 2019 and 2018 was €285 thousand, €151 thousand and €32 thousand, respectively.

13. Cash and cash equivalents

	December 31,		
(EUR in thousands)	2020	2019	2018
Short-term deposits	1.000	100	-
Current bank accounts	11.881	6.444	13.961
	12.881	**6.544**	**13.961**

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Information about the credit risk over cash and cash equivalents is presented in note 20.

14. Share capital, share premium and other capital reserves

The following table provides information about the Group's share capital as of December 31, 2020, 2019 and 2018:

	Authorized			Issued and fully paid			Share premium		
	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2020	December 31, 2019	December 31, 2018
Common shares of EUR 0.01 each	**2.025**	**2.025**	**2.025**	**1.275**	**2.025**	**2.025**	€ -	€ -	€ -
Preference Series A shares of EUR 0.01 each	7.945	7.945	7.945	4.695	7.945	7.945	€ 629	€ 1.065	€ 1.065
Preference Series B shares of EUR 0.01 each	17.646	17.646	17.646	17.646	17.646	17.646	€ 16.001	€ 16.001	€ 16.001
Preference Series C shares of EUR 0.01 each	18.705	-	-	18.705			€ 18.529	€ -	€ -
Preference shares of EUR 0.01 each	**44.296**	**25.591**	**25.591**	**41.046**	**25.591**	**25.591**	€ **35.159**	€ **17.066**	€ **17.066**
	46.321	**27.616**	**27.616**	**42.321**	**27.616**	**27.616**	€ **35.159**	€ **17.066**	€ **17.066**

Preferred Series Shares

In 2017, the Group issued and sold 7,945 Series A Preferred at a price of €134.32 per share for gross proceeds of €1.1 million. The Group incurred minimal issuance costs.

In 2018, the Group issued and sold 17,646 Series B Preferred at a price of €906.78 per share for gross proceeds of €16.0 million. The Group incurred minimal issuance costs.

In September 2020, the Group closed an oversubscribed financing of Series C Preferred that resulted in tranche-based commitments of €71.0 million gross and €61.6 million net. In connection with the Series C Preferred financing, the Group agreed to sell the Series C Preferred in three tranches. In connection with the funding of the tranches the Group is obligated to repurchase 6,500 shares of Series A preferred of approximately €8.7 million and 1,500 common shares.

On September 15, 2020, the first tranche of gross of €19.1 million, with €0.5 million of issuance costs and 18,705 shares of Series C Preferred, was funded and 3,250 shares amounted to €4.1 million of Series A Preferred were repurchased, resulting in net proceeds of €14.4 million. In March 2021, the remaining milestones required to fund the remaining two tranches of the Series C Preferred financing were waived, and the funding of both tranches was authorized. The funding was received on March 18, 2021 and the two remaining tranches yield additional net proceeds of €47.2 million in the aggregate, after repurchasing the 3,250 shares of Series A Preferred and 750 common shares from one investor.

Series A Preferred accrue an annual non-compounding dividend of 5% per subscription price per share, while Series B and C Preferred accrue an annual non-compounding dividend of 8% per subscription price per share. No Series B Preferred Dividend or Series A Preferred Dividend or dividends on Ordinary Shares shall be declared, paid or set aside unless the full Liquidation Preference on all outstanding Series C Shares shall have been paid first. Preferred stock- holders are also entitled to liquidation preferences.

Each preferred stockholder is entitled to cast the number of votes equal to the number of whole shares of common stock into which the shares of preferred stock held by such holder are convertible at the time of such vote**.** Series A, B and C stockholders, exclusively and as a separate class, are entitled to elect one director of the Company. Shares of preferred stock are convertible into common stock at the option of the holder at any time and without payment of any additional consideration on a one for one basis.

Shares of preferred stock are automatically converted into shares of common stock at the earlier of (i) the closing of a firm-commitment underwritten public offering resulting in at least $60 million of proceeds in the aggregate to the Company, prior to deductions for underwriting discounts, commission and expenses, or (ii) the date and time, or occurrence of an event, specified by a vote of the Preferred Majority.

It is proposed that the year’s loss of EUR 13.584 thousand be carried forward by transfer to the other reserves.

The following table provides information about the Group's major shareholders on a non-diluted basis:

	December 31,		
	2020	**2019**	**2018**
Vesuvius Holding B.V.	13.1 %	33.3 %	33.3 %
MRL Ventures	7.2 %	8.0 %	8.0 %
Gilde Healthcare	26.0 %	28.0 %	28.0 %
Versant Ventures	26.0 %	28.0 %	28.0 %
Novo Holdings A/S	9.4 %	-	-
Sanofi Foreign Participations B.V.	5.7 %	-	-
Redmile Biopharma Investments	5.7 %	-	-
Other shareholders	6.9 %	2.7 %	2.7 %
	100.0 %	**100.0 %**	**100.0 %**

15. Borrowings

(EUR in thousands)				December 31, 2020	December 31, 2019	December 31, 2018
	Stated interest rate	Currency	Maturity	Amount, incl. accrued interest	Amount, incl. accrued interest	Amount, incl. accrued interest
Project financing	10,0%	EUR	31.12.2023	2.935	1.134	-
Total				2.935	**1.134**	-
Current				-	-	-
Non-current				**2.935**	**1.134**	-

Innovation credit

In 2019, the Group applied for, and received a €5.0 million Innovation Credit (the "Credit") from Rijksdienst voor Ondernemend Nederland, or RVO. The Credit contributes to the development of one of the Group's main projects, and certain assets of that project are pledged as a guarantee.

Borrowings under the Credit, which bear interest at 10%, will be received in quarterly installments through 2023, based on the level of the underlying cost base of the project in each period. The repayment of principal and accrued interest is due on December 31, 2023.

At December 31, 2020, the Group had €2.9 million in borrowings under the Credit, all of which was classified as long-term (December 31, 2019: €1.1 million).

The Credit contains customary limitations on the Group and its shareholders, including the shareholders of the Group not being permitted to subtract assets (including cash) by means of dividend, interest, or repayment of loans as long as the Credit has not been repaid in full. The Group needs to file a progress report after each of the five reporting periods: March 2020, December 2020, December 2021, October 2022, and July 2023. Based on the progress report, RVO will decide to continue to pay future installments if the following conditions are met:

- Activities during reporting period were completed successfully
- Perspective on completion of the project and future commercialization are still good
- The Group has financed its own contribution in the project sufficiently

At December 31, 2020, the Group was in compliance with all of the terms of the Credit.

Interest expense incurred during the year ended December 31, 2020 and 2019 was €201 thousand and €12 thousand, respectively.

16. Trade payables and other

(EUR in thousands)	December 31, 2020	2019	2018
Trade payables	761	376	546
	761	**376**	**546**

The average credit period on domestic purchases of certain goods is 7-30 days. No interest is charged on the trade payables from the invoice received. Information about the Group's exposure to currency and liquidity risk in relation to its trade and other payables is included in note 20.

17. Accrued expenses and other current liabilities

(EUR in thousands)	December 31, 2020	2019	2018
Personnel-related expenses	93	114	10
Research and development external project costs	770	369	19
Professional fees	168	187	22
Deferred offering costs	244	-	-
Corporate income taxes (US)	50	-	-
Other provisions	37	13	53
	1.362	**683**	**104**

18. Share-based compensation

18.1 Description of equity incentive plans

(i) Netherlands

The Group established a foundation "Stichting Administatiekantoor Lava Therapeutics", or the Foundation. The Foundation has an agreement with the Group to facilitate the administration of share-based compensation awards.

Options granted under the Group's share option programs entitle the eligible participant to purchase depositary receipts for common shares in the Group, subject to meeting the vesting conditions. The ownership of such depositary receipts is conditional to the terms and conditions of the foundation's Conditions of Administration. Under defined circumstances, the participants are obliged to offer the acquired depositary receipts to the Foundation.

In 2018, the group established a share option plan that entitles employees, directors, and consultants providing services to purchase depository receipts for common shares in the Group. Under this plan, holders of vested options are entitled to purchase depository receipts for common shares at the exercise price determined at the date of the grant.

Upon exercise of options, the Foundation issues to such individuals non-voting depositary receipts representing the underlying common shares, against payment of the option exercise price. The voting rights associated with the common shares remain with the Foundation.

(ii) United States

In 2020, the Group established a U.S. share option plan that entitles employees, directors and consultants providing services to give the right to acquire a number of common shares. Under the U.S. plan, the holders of vested options are entitled to purchase number of common shares at the exercise price determined at the date of the grant.

In both stock option plans, the options granted under the share option programs vest in installments over a four-year period from the grant date. 25% of the options vest on the first anniversary of the vesting commencement date, and the remaining 75% of the options vest in 36 monthly installments for each full month of continuous service provided by the option holder thereafter, such that 100% of the options shall become vested on the fourth anniversary of the vesting commencement date. The options granted are exercisable once vested.

Share-based options

During 2020, the board of directors granted 6,622 options to employees and non-employees (2019: 393 and 2018: 642).

The 1,205 options granted during February 2020, were granted at an €1,074.72 exercise price. During December 2020, the board of directors approved the repricing of the February 2020 grant to €500.34 exercise per share. The incremental fair value per option of €89.66 was determined using the Black-Scholes formula, and it is recognized as an expense in addition to the original grant date fair value over the remainder of the vesting period. During December 2020, 3,633 options were granted at an exercise price of €500.34 per share and 1,654 options were granted at an exercise price of €0.01 per share with performance tranche vesting milestones. The performance vesting conditions were based on the Series C second and third tranches, which were expected to be achieved by March 1, 2021. The performance vesting schedule would begin vesting on March 1, 2021 over a four-year period from the grant date. 25% of the options vest on the first anniversary of the vesting commencement date, and the remaining 75% of the options vest in 36 monthly installments.

The following table provides information about share-based awards as of December 31, 2020, 2019 and 2018:

	NL			US		
	Number of options	Weighted average exercise price €	Weighted average remaining contractual term (yrs)	Number of options	Weighted average exercise price €	Weighted average remaining contractual term (yrs)
Outstanding at January 1, 2018	573	0.01	3.67			
Granted	642	0.01				
Exercised	-					
Forfeited	(30)					
Outstanding at December 31, 2018	1.185	0.01	3.23	-		
Granted	393	0.01				
Exercised	-					
Forfeited	(30)					
Outstanding at December 31, 2019	1.548	0.01	2.55	-		
Granted	1.784	0.01		4.838	500.34	
Exercised	-					
Forfeited	-					
Outstanding at December 31, 2020	3.332	0.01	3.04	4.838	500.34	9.5
Exercisable at December 31, 2020	605	0.01		433	500.34	
Exercisable at December 31, 2019	279	0.01		-		
Exercisable at December 31, 2018	10	0.01		-		

18.2 Measurement of fair values

The fair value of the employee share options has been measured using the Black-Scholes model. Service and non-market performance conditions attached to the transactions were not taken into account in measuring fair value.

The assumptions used in the measurement of the fair values and the weighted average of the share options granted during the period ending on December 31, 2020, 2019 and 2018:

	2020		2019	2018
	NL	US	NL	NL
Expected annual volatility	75.5% - 90.0%	75.5% - 90.0%	90,00%	75.5%
Expected life, years	3.08	5.08 - 6.08	3.92	3.95
Fair value of the common share	€397.50 - €500.32	€500.34	€365.55	€458.48
Exercise price	€ 0.01	€ 500.34	€ 0.01	€ 0.01
Dividend yield	—	—	—	—
Risk-free interest rate	(0.62%	(0.67%) - (0.72%)	(0.44%) - (0.76%)	(0.38%) - (0.49%)
Weighted average grant date fair value	€ 492.82	€ 500.34	€ 365.54	€ 458.48

Since the Group is a private company, company-specific historical and implied volatility information is not available. Expected volatility is therefore estimated based on the observed daily share price returns of publicly traded peer companies over a historic period equal to the period for which expected volatility is estimated. The group of comparable listed companies are publicly traded entities active in the business of developing antibody-based therapeutics, treatments and drugs and are selected taking into consideration the availability of meaningful trading data history and market capitalization. The Group will continue to use this group for calculation of expected volatility data until sufficient historical market data is available for estimating the volatility of our common shares after the closing of this offering.

Valuation of common shares

The fair value of the common shares is determined by the Group's management board and supervisory board and takes into account our most recently available valuation of common shares performed by an independent valuation firm and the assessment of additional objective and subjective factors the Group believes are relevant and which may have changed from the date of the most recent valuation through the date of the grant.

The Group's management board and supervisory board consider numerous objective and subjective factors to determine their best estimate of the fair value of our common shares as of each grant date, including:

- the progress of our research and development programs;
- achievement of enterprise milestones, including entering into collaboration and licensing agreements, as well as funding milestones;
- contemporaneous third-party valuations of our common shares for our most recent share issuances;
- our need for future financing to fund operations;
- the rights and preferences of our preference shares and our preference shares relative to our common shares;
- the likelihood of achieving a discrete liquidity event, such as a sale of our Company or an initial public offering given prevailing market conditions; and
- external market and economic conditions impacting our industry sector.

In determining the fair values of the common shares as of each grant date, three generally accepted approaches were considered: income approach, market approach and cost approach. In addition, the guidance prescribed by the American Institute of Certified Public Accounts, or AICPA, *Audit and Accounting Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation* has been considered.

The “prior sale of company stock” method, a form of the market approach, has been applied to estimate the total enterprise value. The prior sale of company stock method considers any prior arm’s length sales of the Group’s equity securities. Considerations factored into the analysis include: the type and amount of equity sold, the estimated volatility, the estimated time to liquidity, the risk-free rate, the timing compared to the common shares valuation date and the financial condition and structure of the Group at the time of the sale. As such, the value per share has been benchmarked to the external transactions of Group stock and external financing rounds. For determining the value of the Group’s shares, the prior sale of company stock method has been relied on to estimate the total value of the Group’s equity. Throughout this period, financing rounds were held, which resulted in the issuance of preferred shares. The preferred shares were transacted with numerous existing and new investors, and therefore the pricing in these financing rounds is considered a strong indication of fair value.

Given that there are multiple classes of equity, the Option Pricing Method, or OPM, has been applied in order to allocate equity to the various equity classes. The OPM treats securities as call options on the enterprise’s equity value, with exercise prices based on the liquidation preference and conversion features of preferred stock and strike prices of options. An incremental discount for lack of marketability, or DLOM, was applied with a range from 10% to 25%, corresponding to the time to exit to reflect the increased risk arising from the inability to readily sell the shares. Under this method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as the basis to determine the DLOM.

The related share-based compensation expense for the year ended December 31, 2020, 2019 and 2018 was €478 thousand, €173 thousand and €151 thousand, respectively, as referenced in notes 5 and 6.

19. Related parties

Key management compensation

Key management includes members of the Group’s executive committee and the board of directors. The compensation paid or payable to key management for the Board and employee services includes their participation in share-based compensation arrangements. The compensation paid to these individuals are presented below for the year ended December 31, 2020, 2019 and 2018. The disclosure amounts are based on the expense recognized in the consolidated statements of profit or loss and other comprehensive income (loss).

	For the year ended December 31,		
(EUR in thousands)	2020	2019	2018
Key management compensation			
Short term employee benefits	1.314	829	430
Share-based payments	322	137	126
Post-employment benefits	64	34	11
	1.700	**1.000**	**567**

Director and shareholder compensation

A member of the Group’s board of directors and existing shareholder receives consultancy fees. The compensation paid to this individual is presented below for the year ended December 31, 2020, 2019 and 2018. At December 31, 2020, related party expenses of €6 thousand were reported in the Group’s trade payables and other balances (at December 31, 2019: €17 thousand and at December 31, 2018: €35 thousand). The disclosure amounts are based on the expense recognized in the consolidated statements of profit or loss and other comprehensive income (loss).

	For the year ended December 31,		
(EUR in thousands)	2020	2019	2018
Director and shareholder compensation			
Consultancy fees	48	79	86
	48	79	86

20. Financial instruments, risk management and capital management

20.1 Financial assets and financial liabilities

The following table shows the carrying amounts of financial assets and financial liabilities. The Group does not hold any financial assets and financial liabilities other than those measured at amortized cost. Management assessed that the carrying values of the Group's financial assets and financial liabilities measured at amortized cost are a reasonable approximation of their fair values.

20.2 Financial risk management

	For the year ended December 31,		
(EUR in thousands)	2020	2019	2018
Financial assets measured at amortized cost			
Cash and cash equivalents (note 13)	12.881	6.554	13.961
Trade receivables and other	929	61	0
Other non--current assets and security deposits	626	26	0
Total financial assets	**14.436**	**6.640**	**13.960**
Financial liabilities measured at amortized cost			
Trade and other payables (note 16)	760	376	546
Lease liabilities (note 12)	389	440	71
Borrowings (note 15)	2.935	1.134	0
Accrued expenses and other current liabilities (note 17)	1.362	683	105
Total financial liabilities	**5.446**	**2.633**	**722**

The Group is exposed to a variety of financial risks: market risk and credit risk. The Group's overall risk management program seeks to minimize potential adverse effects of these financial risk factors on the Group's financial performance.

20.2.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk, which mostly impacts the Group, comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include cash and cash equivalents, accounts receivable and trade and other payables.

The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

20.2.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily accounts receivable) and from its cash and cash equivalents held with banks.

Cash and cash equivalents

The Group held cash and cash equivalents at December 31, 2020, 2019 and 2018 of €12.9 million, €6.5 million and €14 million, respectively. As at December 31, 2020,2019 and 2018 the Group held 100% of its cash and cash equivalents with large, well known institutions.

20.3 Capital management

The Group manages its capital to ensure that companies in the Group will be able to continue as a going concern while the maximizing return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in note 15 offset by cash and cash equivalents) and equity (as detailed in the consolidated statements of financial position).

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements.

No changes were made in the objectives, policies, or processes for managing capital during the years ended December 31, 2020, 2019 and 2018.

21. Contingencies

Legal proceedings

From time to time, the Group is involved in legal proceedings and adjudications generally incidental to its normal business activities, none of which has had, individually or in the aggregate, a material adverse impact on the Group. In accordance with IFRS, the Group accrues for loss contingencies when a present obligation (legal or constructive) has arisen as a result of a past event, payment is probable, and the amount can be estimated reliably. These estimates are based on an analysis made by internal and external legal counsel considering information known at the time. Legal costs in connection with loss contingencies are expensed as incurred. The Group believes that the resolution of all current and potential legal matters will not have a material adverse impact on its financial position or results of operations.

Contingent liabilities

On January 1, 2017, the Group entered into a license and assignment agreement with Stichting VUmc, or the VUmc Agreement, for the contingent transfer of patent rights, and non-severable improvements. Under the VUmc Agreement, the Group is obligated to pay royalties, as well as a milestone payment in the case of certain events, including the listing of the majority of the shares of the Group on a recognized stock exchange, or ten years after the agreement's effective date. In the case of the listing of a majority of the shares of the Group on a recognized stock exchange or other change of control, or an Exit, as defined in the VUmc Agreement, the Group is obligated to pay VUmc a tiered percentage of the Group value. The Exit payment is capped at a specified amount in the high-teens of millions of Euros and is subject to an offset in the amount of the royalties that the Group have paid or that have accrued under the VUmc Agreement as of the date of the Exit. The prerequisites of the obligations have not been met and as a result are not reflected in our consolidated financial statements for the years ended December 31, 2020, 2019 and 2018

As of September 2020 the Group has an obligation to repurchase 3,250 shares of Series A Preferred and 750 common shares of approximately €4.6 million at the closing of the second tranche of the Series C Preferred financing, which was effectuated on March 18, 2021.

In accordance with IFRS, these obligations are not reflected in the accompanying consolidated statements of financial position.

22. Events after the reporting date

Series C preferred financing

In March 2021, the Group received the remaining two tranches of the Series C Preferred shares amounting to gross €51.9 million and 45,000 preferential shares and repurchased €4.6 million and 3,250 Series A Preferred shares and 750 common shares, resulting in net proceeds of €47.2 million.

Contingent liabilities

On February 25, 2021, the VUmc Agreement was restated, as the Group had indicated to Stichting VUmc that it intended to realize an initial public offering, which would qualify as an Exit, as defined in the VUmc Agreement. In accordance with the restated agreement, if the intended initial public offering were to occur, then the Exit payment to Stichting VUmc shall be changed to the following:

• Within five (5) days of the closing of the intended initial public offering, the Group shall issue to Stichting VUmc common shares equal to: (a) €3.0 million divided by (b) the initial public offering price and shall pay to Stichting VUmc €200,000;

• On the first anniversary of the intended initial public offering, the Group shall pay Stichting VUmc 50% of the amount equal to: (a) the Exit payment (as reduced for any royalties paid prior to the intended initial public offering) minus (b) € 3.2 million. Such payment shall be made at the election of the Group in cash or Group common shares valued using the closing price of Group common shares on the date two trading days prior to the first anniversary of the intended initial public offering; and

• On the second anniversary of the intended initial public offering, the Group shall pay to Stichting VUmc 50% of the amount equal to: (a) the Exit payment (as reduced for any royalties paid prior to the intended initial public offering) minus (b) € 3.2 million. Such payment shall be made at the election of the Group in cash or Group common shares valued using the closing price of Group Common Shares on the date two trading days prior to the second anniversary of the intended initial public offering.

Company-only Financial Statements

Company-only statements of profit or loss

(In thousands of euros, except share and per share amounts)

		Year Ended December 31,		
	Notes	2020	2019	2018
Result of participations	24	64	-	-
Company result after taxes		(13.648)	(8.675)	(2.650)
Loss for the period		**(13.584)**	**(8.675)**	**(2.650)**

The accompanying notes are an integral part of these financial statements.

Company-only statements of financial position

(In thousands of euros)

	Notes	December 31, 2020	December 31, 2019	December 31, 2018	January 1, 2018
Assets					
Non-current assets:					
Property and equipment, net	23	902	654	20	1
Right-of-use assets	12	311	370	58	78
Financial assets	24	64	0	0	
Non-current assets and security deposits		605	26	-	-
Total non-current assets		**1.881**	**1.050**	**78**	**79**
Current assets:					
Trade receivables and other		929	61	-	-
Prepaid expenses and other current assets		85	55	129	5
Deferred offering costs		661	-	-	-
VAT receivable		274	134	267	47
Intercompany receivables	24	337	-	-	-
Cash and cash equivalents	25	12.408	6.544	13.961	266
Total current assets:		14.693	6.794	14.357	318
Total assets		**16.574**	**7.844**	**14.435**	**397**
Equity and Liabilities					
Equity					
Share capital		-	-	-	2
Share premiun	14	35.159	17.066	17.066	1.063
Equity-settled employee benefits reserve	18	801	324	151	-
Foreign currency translation reserve		(347)	-	-	-
Accumulated deficit		(29.406)	(12.179)	(3.504)	(854)
Total equity		**6.207**	**5.211**	**13.713**	**211**
Non-current liabilities					
Customer advances and deferred revenue	4	1.480	-	-	-
Lease liabilities	12	221	211	51	71
Borrowings	15	2.935	1.134	-	-
Total non-current liabilities		**4.636**	**1.345**	**51**	**71**
Current liabilities					
Trade payables and other	26	743	376	546	57
Lease liabilities	12	168	229	20	9
Accrued expenses and other current liabilities	27	1.271	683	105	49
Customer advances and deferred revenue	4	3.550	-	-	-
Total current liabilities		**5.731**	**1.288**	**671**	**115**
Total liabilities		**10.367**	**2.633**	**722**	**186**
Total equity and liabilities		**16.574**	**7.844**	**14.435**	**397**

The accompanying notes are an integral part of these financial statements.

Notes to Company-only financial statements
For the year ended December 31, 2020
(In thousands of euros, unless otherwise stated)

Basis of preparation

The financial statements are prepared in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The financial statements are prepared under the historical cost convention and presented in euro's (EUR). Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

As the financial data of the Company are included in the consolidated financial statements, the income statement in the company financial statements is presented in its condensed form (in accordance with article 402, Book 2 of the Dutch Civil Code). In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements. For an appropriate interpretation, the Company financial statements should be read together with the consolidated financial statements.

The Company prepared its consolidated financial in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. All amounts are presented in thousands of euros, unless stated otherwise. The balance sheet and income statement references have been included. These refer to the notes.

Reconciliation of Dutch GAAP to IFRS
The Company has assessed the differences between the applied previous accounting framework and IFRS and identified differences. As a result there are differences between the equity presented in these financial statement and those reported previously in the statutory financial statements prepared under Dutch Accounting Standards. Reference is further made to the Notes of the consolidated financial statements.

Accounting principles

Financial assets
Participations, over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.
The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.
If the valuation of a participation based on the net asset value is negative, it will be stated at nil. If and insofar as Lava Therapeutics B.V. can be held fully or partially liable for the debts of the participation or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this. Newly acquired participations are initially recognised on the basis of the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.
The amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the net result achieved by the participation is recognised in the profit and loss account. Participations over which no significant influence can be exercised are valued at historical cost. The result represents the dividend declared in the reporting year, whereby dividend not distributed in cash is valued at fair value.
In the event of an impairment loss, valuation takes place at the recoverable amount; an impairment is recognised and charged to the profit and loss account. See also note Impairment of non-current assets.

Result from participations (valued at net asset value):
The result is the amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the earnings achieved by the participation to the extent that this can be attributed to Lava Therapeutics B.V.

23. Property, plant and equipment

Movements in property, plant and equipment were as follows:

(EUR in thousands)	Building Improvements	Lab Equipment	Inventory and Furniture	Inventory ICT	Total
Cost					
Balance at January 1, 2018				**1**	**1**
Additions				20	20
Balance at December 31, 2018	**-**	**-**	**-**	**21**	**21**
Additions	36	613	28	43	720
Balance at December 31, 2019	**36**	**613**	**28**	**64**	**741**
Additions	55	333	4	45	437
Balance at December 31, 2020	**91**	**946**	**32**	**109**	**1.178**
Accumulated depreciation					
Balance at January 1, 2018				**-**	**-**
Charge for the year				1	1
Balance at December 31, 2018	**-**	**-**	**-**	**1**	**1**
Charge for the year	1	79	3	7	90
Balance at December 31, 2019	**1**	**79**	**3**	**8**	**91**
Charge for the period	6	158	5	16	185
Balance at December 31, 2020	**7**	**237**	**8**	**24**	**276**
Carrying amounts					
Balance at December 31, 2018	**-**	**-**	**-**	**20**	**20**
Balance at December 31, 2019	**35**	**534**	**25**	**56**	**650**
Balance at December 31, 2020	**84**	**709**	**23**	**85**	**902**

24. Financial assets

List of group companies

Lava Therapeutics B.V. has direct interests in the subsidiaries listed in note 2 (in the notes to the consolidated financial statements).

The composition of the Financial assets is as follows:

(EUR in thousands)	share in capital	December 31, 2020	2019	2018
Participation Lava Therapeutics INC, USA	100%	64	0	-
		64	**0**	**-**

The movement in the investment in the subsidiary Lava Therapeutics INC is as follows:

(EUR)	Investments in consolidated subsidiaries
Balance at January 1, 2018	**-**
Investments	-
Share of result of investments	-
Balance at December 31, 2018	**-**
Investments	1
Share of result of investments	-
Balance at December 31, 2019	**1**
Investments	-
Share of result of investments	63.525
Balance at December 31, 2020	**63.526**

Lava Therapeutics INC was founded in August 2019 as 100% subsidiary of Lava Therapeutics B.V. and started its activities in January 2020.

Intercompany receivables

(EUR in thousands)	For the year ended December 31, 2020	2019	2018
Intercompany account Lava Therapeutics INC	337	-	-
	337	**-**	**-**

Result of participations

(EUR in thousands)	For the year ended December 31, 2020	2019	2018
Result from Lava Therapeutics INC, USA	64	-	-
	64	**-**	**-**

25. Cash and cash equivalents

(EUR in thousands)	December 31, 2020	2019	2018
Short-term deposits	1.000	100	-
Current bank accounts	11.408	6.444	13.961
	12.408	**6.544**	**13.961**

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Information about the credit risk over cash and cash equivalents is presented in note 20.

26. Trade payables and other

(EUR in thousands)	December 31, 2020	2019	2018
Trade payables	743	376	546
	743	**376**	**546**

The average credit period on domestic purchases of certain goods is 7-30 days. No interest is charged on the trade payables from the invoice received. Information about the Group's exposure to currency and liquidity risk in relation to its trade and other payables is included in note 20.

27. Accrued expenses and other current liabilities

(EUR in thousands)	December 31, 2020	2019	2018
Personnel-related expenses	52	114	10
Research and development external project costs	770	369	19
Professional fees	168	187	22
Deferred offering costs	244	-	-
Other provisions	37	13	53
	1.271	**683**	**104**

28. Average number of employees

The average number of employees can be specified as follows:

	2020	2019	2018
R&D	19,3	11,0	2,2
G&A	2,9	2,6	1,0
Total average number of employees	**22,2**	**13,6**	**3,2**

As per December 31, 2020 the total fulltime employment amounts to 24,4 employees (December 31, 2019: 15,9 and December 31, 2018: 4,7)
No employees were active outside the Netherlands (nor in 2019 or 2018).

29. Directors' and supervisory directors' remuneration

Reference is made to note 19 in the consolidated financial statements.

30. Disclosure of government subsidies

Government subsidies:
The company accounted for the following government subsidies in 2020:
Subsidy for research and development (WBSO) amounting to € 899 thousand (2019: € 556 thousand and 2018: € 139 thousand). The subsidy is deducted from the Research & Development personnel related cost.

Utrecht, March 19, 2021
Lava Therapeutics B.V.

Managing director
P.W.H.I. Parren

Managing director
S.A Hurly

Supervisory board
K. Dhingra

Supervisory board
E.J van den Berg

Supervisory board
J.J.P. Jean-Mairet

Supervisory board
N. Lüneborg

Supervisory board
S.E. Luzi

Supervisory board
G. Magni

Other Information

Reference to the auditor's opinion

The independent auditors' report has not been issued pending finalization of the audit.

Provisions of the Articles of Association relating to profit appropriation

According to article 25 of the Articles of Association, the other reserves are at the free disposal of the General Meeting. Furthermore, Dutch law prescribes that the General Meeting is authorized to allocate the profit made and to determine the distribution of it, unless the Articles of Association have indicated differently. Any profit distribution may only be made to the extent that the amount of equity exceeds the legal and statutory reserves and the resolution to distribute the profit has been approved by the managing board.