LUDWIG INSTITUTE FOR CANCER RESEARCH LTD

2020 FINANCIAL REPORT

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2020

	Notes	USD 2020	USD 2019
Assets			
Cash and cash equivalents	2, 3	17,521,540	22,191,698
Financial assets	2, 4, 9	1,506,755,798	1,238,255,422
Trade receivables		70,961	158,608
External funding receivables	2	1,125,067	1,881,616
Other short-term receivables	5, 12	4,696,069	4,597,044
Prepaid expenses and accrued income		2,237,969	1,938,493
Total current assets		**1,532,407,404**	**1,269,022,881**
Financial assets	2, 6	509,893,559	358,696,889
Investments	2, 7	444,772	1,057,754
Net deferred tax assets	2, 17	3,961,371	3,856,929
Leasehold improvements, equipment and other assets	2	23,528	30,187
Total non-current assets		**514,323,230**	**363,641,759**
Total assets		**2,046,730,634**	**1,632,664,640**
Liabilities			
Short-term accounts payable		4,211,435	7,041,881
Other short-term liabilities	3, 9, 11	24,095,317	573,224
Short-term provisions	12	3,484,508	3,174,473
Accrued short-term expenses		4,831,536	7,415,367
Deferred income	2, 13	11,301,593	10,420,512
Total short-term liabilities		**47,924,389**	**28,625,457**
Other long-term liabilities	14	1,831,997	1,478,955
Long-term provisions	15	13,529,645	12,443,549
Total long-term liabilities		**15,361,642**	**13,922,504**
Total liabilities		**63,286,031**	**42,547,961**
Shareholders' equity			
Share capital	1	49,618	49,618
Donated capital	1	572,000,000	572,000,000
General legal retained surplus	1	9,924	9,924
Voluntary retained surplus	1	1,411,385,061	1,018,057,137
Total shareholders' equity		**1,983,444,603**	**1,590,116,679**
Total liabilities and shareholders' equity		**2,046,730,634**	**1,632,664,640**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	USD 2020	USD 2019
Operating income			
Contributions and dividends	2	46,604	887,888
External funding	2, 13	18,159,039	20,463,487
License fees and royalties		1,742,642	2,230,765
Other operating income	8	1,095,336	153,681
Total operating income		**21,043,621**	**23,735,821**
Operating expenses			
Salaries and social benefits	10, 16	34,405,822	38,839,553
Laboratory supplies		3,645,657	5,745,947
Equipment and leasehold improvements	2, 8	551,159	987,705
Clinical trial studies		3,758,047	4,149,041
Core collaborative research programs	2	19,513,648	19,620,764
Other collaborative research programs	2	5,942,212	8,178,337
Occupancy		4,589,651	4,981,825
Travel, conferences and seminars		128,606	676,712
Professional fees and services		11,550,882	5,504,486
Patent and inventors' costs		956,608	1,030,159
Depreciation	2	20,840	19,425
Other operating expenses		1,425,132	2,042,943
Total operating expenses		**86,488,264**	**91,776,897**
Other items			
Share of operational loss and capital items in associated entity	6, 7	(853,333)	(128,028)
Gain on foreign exchange		507,821	168,290
Loss on foreign exchange		(1,380,274)	(501,637)
Interest and other other financial cost		(28,838)	(149)
Interest and other other financial income		2,885,994	2,713,017
Gain on financial assets and investments	2, 4, 9	570,547,272	311,534,022
Loss on financial assets and investments	2, 4, 9	(111,816,934)	(69,325,438)
Total other items		**459,861,708**	**244,460,077**
Surplus for the year before taxes		394,417,065	176,419,001
Taxes			
Current income tax income / (expense)	2, 17	42,100	(59,495)
Deferred income tax income / (expense)	2, 17	(250,160)	316,192
Total taxes		**(208,060)**	**256,697**
Retained surplus			
(Deficit) / Surplus for the year after taxes		394,209,005	176,675,698
Voluntary retained surplus at the beginning of the year		1,018,057,137	837,219,110
Net change in restricted funds	2, 13	(881,081)	4,162,329
Voluntary retained surplus at the end of the year		**1,411,385,061**	**1,018,057,137**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	USD 2020	USD 2019
Operating activities			
(Deficit) /Surplus for the year after taxes		394,209,005	176,675,698
Net change in restricted funds	13	(881,081)	4,162,329
Adjustments for non-cash items			
Share of operational loss capital items in associated entity	6, 7	853,333	128,028
Net loss / (gains) on financial assets		(365,533,141)	(239,810,237)
Deferred tax changes	2, 17	(104,442)	(579,754)
Forex (loss) / gain on cash and cash equivalents		532,726	110,444
Depreciation / Impairment	2	30,764	1,833,811
Other movements in operating assets and liabilities			
Increase / (Decrease) in provisions		1,396,131	2,787,472
(Increase) in current and non-current financial assets and investments		(93,543,749)	(6,513,243)
Decrease / (Increase) in receivables		745,171	942,307
Decrease in prepayments and accrued income		(299,476)	(326,323)
(Decrease) / Increase in current liabilities		20,691,647	2,013,493
(Decrease) in accrued liabilities and deferred income		(1,702,750)	(2,923,386)
Increase in long-term liabilities and long-term accrued expenses		353,042	(29,062)
Cash flow from operating activities		**(43,252,820)**	**(61,528,423)**
Investing activities			
Investment in tangible fixed assets	2	112,819	(3,977)
Investment in financial assets		(613,316,443)	(531,076,997)
Sale of financial assets and repayment of loans		652,319,012	587,120,751
Cash flow from investing activities		**39,115,388**	**56,039,777**
Net cash (outflow) / inflow		**(4,137,432)**	**(5,488,646)**
Cash and cash equivalents at January 1		22,191,698	27,790,788
Forex effect on cash and cash equivalents		(532,726)	(110,444)
Net cash (outflow) / inflow		(4,137,432)	(5,488,646)
Cash and cash equivalents at December 31		**17,521,540**	**22,191,698**

CONSOLIDATED STATEMENT OF CAPITAL CHANGES FOR THE YEAR ENDED DECEMBER 31, 2020

Shareholders' equity

The share capital consists of 50 fully paid shares of nominal value CHF 1,000 each. The shareholders do not have any interest in the assets or income of the Ludwig Institute for Cancer Research Ltd. Their sole power is to exercise their voting rights in accordance with the exclusively charitable and scientific purposes of the Institute.

USD	Share Capital	General legal retained surplus	Donated capital	Voluntary retained surplus	Shareholders' equity
Balance at December 31, 2018	49,618	9,924	572,000,000	837,219,110	1,409,278,652
(Deficit) / Surplus for the year	0	0	0	176,675,698	176,675,698
Net change in restricted funds	0	0	0	4,162,329	4,162,329
Balance at December 31, 2019	**49,618**	**9,924**	**572,000,000**	**1,018,057,137**	**1,590,116,679**
(Deficit) / Surplus for the year	0	0	0	394,209,005	394,209,005
Net change in restricted funds	0	0	0	(881,081)	(881,081)
Balance at December 31, 2020	**49,618**	**9,924**	**572,000,000**	**1,411,385,061**	**1,983,444,603**

Donated capital

Universe Tankships, Inc. made the following donations to LICR Fund, Inc.:

	Year	USD Amount
Initial donation	1990	500,000,000
Second donation	1991	24,000,000
Third donation	1992	48,000,000
Total		**572,000,000**

Voluntary retained surplus

The Statutes of the Ludwig Institute for Cancer Research Ltd stipulate that the surplus for the year is not to be distributed to shareholders and accordingly the available voluntary retained surplus is carried forward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

1. Accounting principles and scope of consolidation

Basis of presentation

The accompanying consolidated financial statements of the Ludwig Institute for Cancer Research Ltd (the Institute) are presented in accordance with generally accepted accounting principles in Switzerland (Financial Reporting Standards - Swiss GAAP FER).

Scope of consolidation

The consolidated financial statements include the financial results of the Institute, a not-for-profit organization incorporated in Zurich, Switzerland, the LICR Fund, Inc. (the Fund), a not-for-profit membership corporation incorporated in Delaware, U.S.A, which was established to receive, hold and invest funds on behalf of the Institute and which is effectively controlled by the Institute, and Universe Tankships, Inc. (UTI), a Marshall Islands corporation, which is a wholly-owned subsidiary of the Institute.

All inter-company transactions and balances have been eliminated. No minority interests exist for either the Fund or UTI.

Ludwig Technologies, Inc., a Delaware, USA corporation wholly-owned subsidiary of the Institute, has been accounted for at acquisition cost. Similarly, investments of insignificant value or negative equity, in which the Institute holds at least 20% but not more than 50%, have been accounted for at acquisition cost and, if applicable, adjusted for impairment losses.

Vaccitech Oncology Limited (VOLT), Oxford, UK, is a company founded in 2019 to collaborate with Vaccitech Limited. The Institute's share is 24% of the capital and is accounted for at acquisition cost and, if applicable, adjusted for impairment losses.

Nature of operations

The Institute carries out its scientific and clinical activities at various Branches in conjunction with hospitals in university medical centers. During 2020 the Institute’s research Branches were situated in Lausanne, Oxford and San Diego and research laboratories in Brussels, at the Memorial Sloan Kettering Cancer Center in New York and at the Wistar Institute in Philadelphia. In addition, administrative offices were maintained in New York and Zurich. The Institute has a broadly based research program that addresses the challenge of cancer using the disciplines of cell biology, genetics, immunology, molecular biology and virology.

Reclassification interest in 2019 figures

In order to distinguish between operating and financial items, we disclose as of 2020 interest income, previously recorded together with contributions, and interest cost, previously recorded in other operating expenses, newly in the other items section of the Income Statement. 2019 figures were reclassified for comparability.

2. Accounting policies and valuation standards

Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, funds on call and cash deposits.

Core and other collaborative research programs
Collaborative research programs are divided into core and other collaborative research programs. The Lausanne Branch, the Oxford Branch, Memorial Sloan Kettering Cancer Center (MSKCC), New York and the Wistar Institute, Philadelphia are considered as core, whereas all other research activities are considered as other.

Current assets - Financial assets
Investments in debt and equity securities with readily determinable fair values are reported at fair value based upon the last quoted market price or published net asset value for certain investment funds with characteristics similar to a mutual fund. Publicly traded investments are valued at the last reported sales price on the date of valuation, as quoted on major securities exchanges. Securities that are not traded on major securities exchanges are valued based on quotations received from leading vendors. Forward foreign currency contracts are valued at the average of closing bid and ask quotations from banks and brokers. Pooled investments are funds that are not held at the Fund’s custodian bank. These funds are part of multiple investors’ commingled funds, which are invested in one or more asset classes by a fund manager. These investments are valued at their closing net asset value per share on the valuation date, which is their redeemable value.

The Fund invests in limited partnerships formed for the purpose of earning returns from alternative investment strategies. Investments in limited partnerships held by the Fund are reported at net asset value as a practical expedient for fair value, which generally represents the Fund’s proportionate share of the net assets of the investee partnerships as reported by partnership and reviewed by management for reasonableness. The underlying partnerships in which the Fund invests may hold nonmarketable securities, the fair value of which has been determined by the general partners of the respective partnerships. The Fund’s proportionate share of net asset values may differ significantly from the fair values that would have been used had a ready market existed. The Fund’s proportionate share of the change in values of the investee partnerships is recorded as a gain or loss on financial assets and investments in the Consolidated Income Statement. Investments in mutual funds are valued at their closing published net asset value per share on the valuation date, which was their redeemable value.

Securities transactions are recorded on the trade date. Realized gains and losses on security transactions are calculated on the average cost basis.

The Fund invests in various investment securities. Investment securities are subject to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and could materially affect the amounts reported in the Balance Sheet.

Non-current assets – Financial assets and investments
Financial assets held by the Fund which are subject to a redemption or lockup period of more than one year are presented as non-current assets.

Financial assets held by other consolidated entities are presented as non-current assets based on the intention to keep them for the longer term.

If fair values are readily determinable, these financial assets are reported at fair value based upon the last quoted market price.

Investments in companies where the holding is greater than 20% of the share capital are valued using the equity method, unless they are of insignificant value or hold negative equity.

Other financial assets and investments are accounted for at acquisition cost and adjusted for impairment losses, if applicable.

External funding
External funding received from any outside source, whether of a cash or a non-cash nature, is recorded in the books of the Institute upon receipt as Deferred income. External funding received is converted to income when the corresponding expenditure is incurred. Any unspent external funding is deferred to future accounting periods until the corresponding expenditure is incurred or excess funding is returned to the external funding partner once the project has been concluded. External funding pledged but not received in respect of an expenditure that has been incurred is recorded as income and is accounted for on the balance sheet as External funding receivables.

Tangible and intangible assets
The Institute's expenditure on research equipment, leasehold improvements and other assets is expensed in the year it is incurred in accordance with accepted practice for cancer research organizations. The resale value of research equipment is minimal and no significant income is generated therefrom. With respect to UTI as a taxable entity, purchases of equipment and leasehold improvements are capitalized and depreciated.

All operating expenditure, including the cost of patenting and licensing intellectual property, is expensed in the year it is incurred.

Taxes
The Institute and the Fund are tax-exempt organizations and accordingly are not subject to income and capital taxes. UTI is subject to income and capital taxes. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Withholding taxes on foreign dividends and interest have been provided for in accordance with the applicable countries' tax rates.

3. Pledged assets

The Institute has pledged assets held by a financial institution to that institution amounting to USD 1.2 million in 2020 and USD 1.1 million in 2019. These amounts are included under Cash and cash equivalents and are used as collateral for various letters of credit amounting to a total of USD 0.7 million. The letters of credit have been issued to the lessors of various office premises occupied by the Institute.

The Fund obtained an advised line of credit through its financial institution on April 10, 2019. The total credit available under this agreement is USD 25.0 million and USD 15.0 million as of December 31, 2020 and 2019, respectively, out of which USD 22.5 million remains outstanding at December 31, 2020. There were no amounts outstanding as of December 31, 2019. The expiration date is August 30, 2021 and the agreement may be terminated by either party with written notice. The line of credit is collateralized by qualifying assets with a fair value of approximately USD 72.0 million and USD 36.0 million at December 31, 2020 and 2019, respectively.

4. Current assets - Financial assets

Financial assets held as current assets as at December 31, 2020 and 2019 were as follows:

	USD	
Description	2020	2019
Invested cash and cash equivalents		
- US Dollars	13,357,504	9,794,867
- Other currencies	1,098,520	195,857
Equity investments	56,884,234	50,757,039
Fixed income investments		
- Government	35,060,142	30,785,830
- Corporate	11,929,150	3,551,225
Investments at net asset value	1,368,082,660	1,131,606,907
Due from brokers	19,533,161	10,326,883
Net unrealized gain on forward contracts	810,427	1,236,814
Total current financial assets	**1,506,755,798**	**1,238,255,422**

5. Other short-term receivables

Other short-term receivables of USD 4,696,069 as at December 31, 2020 and USD 4,597,044 as at December 31, 2019 did not include doubtful debts. Other short-term receivables mainly consists of a receivable from the Swiss VAT authorities (see 12. Other short-term provision).

6. Non-current assets - Financial assets

Description	USD 2020	2019
Arima Genomics		
Net investment	210	0
Share in capital and voting rights	3.34%	0.00%
CT Atlantic AG		
Net investment	0	9,924
Share in capital and voting rights	0.00%	3.19%
Epigenome Technologies, Inc.		
Net investment	24	0
Share in capital and voting rights	5.00%	0.00%
iOx Therapeutics Limited		
Net investment	33	33
Share in capital and voting rights	9.90%	9.90%
iTeos Therapeutics, Inc.		
Net investment	24,824,184	1,501,274
Share in capital and voting rights	2.10%	7.56%
Life Sciences Pharmaceuticals, Inc.		
Net investment	1,457	1,457
Share in capital and voting rights	13.65%	13.65%
Other		
Fixed income securities	5,010,000	5,075,220
Investments at net asset value	478,197,701	350,595,672
Loans to staff	27,953	34,354
US 457(b) Pension plan (see Note 14)	1,831,997	1,478,955
Total financial assets	**509,893,559**	**358,696,889**

The Institute is committed to disseminating its know-how to the global research community. The holdings in the start-up organizations shown under Financial assets in the Balance Sheet are the result of licensing arrangements, with start-up organizations or their successors, transferring Institute research knowledge to these companies. Participation in these entities does not form part of the Institute's long term strategy and the respective Financial assets, if not quoted on a stock exchange, are valued at acquisition cost and if applicable, adjusted for impairment losses.

iTeos Therapeutics, Inc., Delaware, USA, was founded in 2012 and is a joint spin-off of the Institute and the de Duve Institute at the Catholic University of Louvain (Belgium). iTeos Therapeutics', Inc. research program focuses on the development of small-molecule immunomodulators that can increase the efficacy of cancer immunotherapy, as well as leverage the spontaneous tumor immune response. The start-up nominal share capital, including the premium on capital stock, amounted to EUR 3,076,498 (USD 4,056,055). Due to various financing rounds in which the Institute did not participate, the Institute's portion of the shares dropped from 49.75% in 2012 to currently 2.10%.

As of December 31, 2020, the shares of iTeos Therapeutics, Inc. achieved a stock market value of USD 24,824,184. The share value was adjusted to this value.

The Institute has granted various housing loans to San Diego Branch staff. The outstanding long-term receivables amounted to USD 27,953 as at December 31, 2020 and USD 34,354 as at

December 31, 2019. Short-term receivables for these loans are recorded under Other short-term receivables and amounted to USD 6,400 in 2020 and USD 6,400 in 2019.

7. Non-current assets - Investments

Description	USD 2020	USD 2019
Investment in Vaccitech Oncology Limited (VOLT)		
Share capital	1,458	1,313
Share premium	6,187,956	4,937,249
Cumulated results	(4,338,393)	(533,451)
percentage owned and voting rights	24.00%	24.00%
Net investment at January 1	1,057,226	0
Share of capital and premium change	240,464	1,185,254
Share of net loss	(853,333)	(128,028)
Translation adjustment	(112)	0
Net investment at December 31, VOLT	**444,245**	**1,057,226**
Miscellaneous investments	527	527
Total investments at December 31	**444,772**	**1,057,753**

On January 16, 2019, the Institute entered into an investment agreement with Vaccitech Limited, Oxford, United Kingdom (Vaccitech) and Vaccitech Oncology Limited, Oxford, United Kingdom (VOLT). Vaccitech is an Oxford-based biopharmaceutical company that holds certain intellectual property rights relating to a platform technology, which it is developing for several therapeutic and prophylactic indications in humans and animals. Vaccitech has licensed intellectual property rights associated with viral vectors for use within the field of oncology to VOLT. The objective of this collaboration is to translate the evaluation of the cancer vaccine checkpoint combination into clinical trials with cancer patients whose tumors expressing MAGE-A3 and/or NY-ESO-1 antigens, to determine the safety and efficacy of the immunotherapy combination. The original investment was USD 2,999,641 and impairments have been performed to reach the current value.

With respect to miscellaneous investments in which the Institute holds at least 20%, the following information is provided:

i. The nominal share capital of Recepta Biopharma S.A., Sao Paulo, Brazil, is BRL 1,000. The company conducts medical research and develops, produces and commercializes humanized antibodies for the diagnosis of human cancer. The Institute holds 26.1% of the shares and of the voting rights.

ii. In order to administer intellectual property assets in areas other than cancer, in 2010 the Institute founded Ludwig Technologies, Inc., Delaware, USA. The nominal share capital is USD 100. Ludwig Technologies, Inc. holds 14.05% of the shares and of the voting rights in the company Extended Delivery Pharmaceuticals, LLC, Connecticut, USA. This biotechnology company is developing a long-acting type of insulin.

iii. In 2010, the Institute entered into a joint venture with The Cancer Research Institute, New York, USA, and formed the company Cancer Vaccine Acceleration Company, LLC, Delaware, USA. The purpose of the company is to identify novel opportunities for the development of cancer vaccine and immunotherapy and to obtain, hold and develop intellectual property. The nominal share capital is USD 200, of which the Institute holds 50% of the shares and of the voting rights.

8. Tangible fixed assets

During the years ended December 31, 2020 and December 31, 2019, the purchase of equipment and other assets and expenditure on leasehold improvements, amounting to USD 551,159 and USD 987,705 respectively, was expensed in the year of acquisition. Receipts arising from the disposal of equipment and other assets amounting to USD 0 and USD 1,552, respectively, were credited in full to Other operating income.

9. Forward currency contracts

The Fund entered into forward contracts in order to hedge their exposure to changes in foreign currency rates on their assets and liabilities denoted in foreign currencies. In 2020 and 2019, unrealized gains of USD 1,091,518 and USD 1,673,368 and unrealized losses of USD 281,091 and USD 436,554, respectively, arose from contracts open at year end and are included in gain and loss on financial assets and investments in the Income Statement and in the Current assets - Financial assets in the Balance Sheet. They represent the changes in fair value of the contracts from the time of the Fund's conclusion of the contracts.

The notional values of the forward foreign currency contracts held by the Fund translated at the relevant year-end exchange rates were as follows:

	USD	
Description	2020	2019
Forward currency purchases	42,407,215	49,720,464
Forward currency sales	43,217,642	50,957,277

10. Pension Schemes

Pension schemes have been established at all Institute locations.

The consolidated annual cost of the employer's contributions in 2020 and 2019 for all plans amounted to USD 1,784,723 and USD 2,003,300 respectively, and is accounted for as Salaries and social benefits.

The following table shows all the pension schemes for which information is required under Swiss GAAP FER 16. All amounts are in thousands:

USD	Deficit 31.12.20	Share of Commit-ment* 31.12.2020	Share of Commit-ment* 31.12.2019	Net Change in Commit-ment	Contri-butions 2020	Total Income / (Expense) 2020	Total Income / (Expense) 2019
LGI Qualified plan (USA)	(5,191)	(5,191)	(4,233)	(958)	0	(958)	(1,896)
LGI Supplemental plan (USA)	(8,338)	(8,338)	(8,211)	(127)	(86)	(213)	(966)
AXA Foundation for Occupational Benefits (CH)	N/A	0	0	0	(335)	(335)	(330)

* Economic commitment

In **Switzerland**, the Institute operates a scheme with the AXA Foundation for Occupational Benefits (AXA) for staff employed in Switzerland.

In **Belgium**, a scheme was in place during 2020 and 2019 providing target benefits upon retirement to staff at the Brussels Branch. The plan is administered by and funds are invested with the AG Insurance Company, Brussels. The insurance company recalculates the contributions to be paid to finance the target pension benefits on an annual basis. A new plan was introduced per January 1, 2018, for personnel joining the Institute thereafter. This plan is based on defined contribution and administrated with the AG Insurance company as well.

In the **United Kingdom**, the Institute is a registered employer with the Universities Superannuation Scheme (the USS scheme) which, under the defined benefits section, sets the level of contributions based on the advice of the scheme's actuary. The main employer is Universities UK. In view of the size of the scheme and the Institute's limited participation in the management of the scheme, this scheme is treated as a defined contribution scheme. The last actuarial valuation took place on March 31, 2017, and this showed, under the Technical Provisions basis as required by the UK Pensions Regulator, a funding level of 89%. Taking account of the underfunding of the scheme, various changes to the benefit structure are under discussion between the main employer and representatives of the members, the University and College Union. As the Institute has less than 20 active staff members in the scheme, it is not party to the consultation process. The only proposal that would affect the Institute's financing of the scheme is the employer contribution rate which is expected to continue at 21.1% of salary and shall increase by October 2021 to 23.7%.

Following legislation introduced in the United Kingdom in September 2005, special provisions apply in the event of either an employer winding up a pension scheme or causing a cessation event to occur as a registered employer of a multi-employer pension scheme. In these cases, the employer is required to make additional funding available to buyout all liabilities with an insurance company (defined either as "buyout-debt" or "Section 75 debt") or, for multi-employer schemes with continuing indirect participation, to enter into an approved withdrawal agreement (AWA). Subject to agreement with the trustee of the pension scheme and the pension regulator, under an AWA, a guarantee is to be provided by the employer to the trustee of the pension scheme and the additional funding requirement is deferred until the trustee requires it to be paid or the scheme commences wind-up.

The Institute's Board of Directors has reviewed the position taking into account the various on-going employment situations in the United Kingdom. As the USS scheme continues to have active members, and it is intended to retain the scheme for active members, the Board has concluded that there is no need to make provision for buyout-debt as at December 2020 and 2019.

In the event that a buyout-debt liability would be incurred for the USS scheme in the United Kingdom, the cost thereof, based on information provided by the scheme representative using the last valuation as of March 31, 2017 and current estimation as of end of 2020, is estimated to be GBP 9.1 million (USD 12.4 million) as at December 31, 2020 and GBP 6.9 million (USD 9.1million) as at December 31, 2019.

In the **United States of America**, the Institute operated The Ludwig Institute for Cancer Research Retirement Savings Plan (the LICRRS Plan). The LICRRS Plan is organized under Section 403(b) of the Internal Revenue Code and is a defined contribution scheme.

The total of short-term liabilities related to pension schemes is set out in Note 11.

In the **United States of America**, The Ludwig Group Inc. (LGI), a wholly owned subsidiary of UTI, maintained both a qualified and a supplemental retirement plan. LGI did not make any contributions to the qualified plan in 2020 or 2019, nor does it expect to make any contributions in 2021. In the supplemental plan, contributions of USD 86,115 were paid in 2020 and USD 126,762 in 2019. Benefits of USD 1,483,199 in 2020 and USD 1,367,655 in 2019 were paid out in respect of both plans. The qualified plan is funded and the supplemental plan is unfunded. The long-term provisions in respect of the two LGI plans are set out in Note 15.

11. Other short-term liabilities

	USD	
Description	**2020**	**2019**
Other short-term liabilities to third parties (see also note 3)	23,920,737	1,450,888
Other short-term liabilities to pension funds	174,580	19,067
Other short-term liabilities to governing bodies	0	7,664
Total other short-term liabilities	**24,095,317**	**1,477,619**

12. Short-term provisions

USD	**Tax related**	**Total**
Provisions as per December 31, 2018	3,121,794	3,121,794
Additions	0	0
Utilizations	0	0
Release of provisions	0	0
Currency adjustments	52,679	52,679
Provisions as per December 31, 2019	**3,174,473**	**3,174,473**
Additions	0	0
Utilizations	0	0
Release of provisions	0	0
Currency adjustments	310,035	310,035
Provisions as per December 31, 2020	**3,484,508**	**3,484,508**

Tax related

The Institute is registered for Value Added Tax (VAT) in Switzerland.

During 2017, the Institute was invoiced for an amount of CHF 3,762,506 (USD 4,223,738) by the Swiss Federal Tax Administration with respect to the amounts claimed by the tax authorities for the years 2007 to 2009.

Of this amount, CHF 2,769,717 (USD 3,109,247) was in respect of VAT claimed by the Swiss Federal Tax Administration for the years 2007 to 2009 and CHF 992,789 (USD 1,114,491) was in respect of interest charged on the tax claimed. The Institute settled the amounts invoiced under reservation, noting that the Institute continues to dispute the claims. The total payment is recorded in the books under Other short-term receivables.

Following a reassessment by Institute Management in 2017 regarding the claims made by the Swiss Federal Tax Administration, it was decided to retain a provision in the amount of CHF 3,104,000 (USD 3,484,508).

13. Deferred income

	USD	
Description	**2020**	**2019**
Deferred income at January 1	10,420,512	14,582,841
Usage of deferred income	(7,339,008)	(11,688,260)
Additional deferred income	8,220,089	7,525,931
Deferred income at December 31	**11,301,593**	**10,420,512**
Net change in restricted funds	**881,081**	**(4,162,329)**

In accordance with the provisions of Swiss GAAP FER 21, all changes in deferred income (restricted funds) are shown gross in the captions External funding and Net change in restricted funds in the Consolidated Statement of Income and Expenditure (see Note 2, Accounting policies and valuation standards - External funding).

14. Other long-term liabilities

	USD	
Description	**2020**	**2019**
US 457(b) Pension plan	1,831,997	1,478,955
Total other long-term liabilities	**1,831,997**	**1,478,955**

The US 457(b) Pension plan, a non-qualified, tax advantaged deferred compensation retirement plan, is available to some Institute employees in the United States. The Institute provides the plan and the employees defer compensation into it on a pre-tax basis. The total liability includes the return on investment credited to the employee accounts and is offset by a respective financial asset (see Note 6 Non-current assets – Financial assets).

15. Long-term provisions

Long-term provisions relate to the two Ludwig Group, Inc. (LGI) pension plans as described in Note 10.

USD	Total	Supplemental plan	Qualified plan
Provisions as at December 31, 2018	9,708,756	7,372,043	2,336,713
Additions	4,102,448	965,085	3,137,363
Utilizations	(1,367,655)	(126,762)	(1,240,893)
Provisions as at December 31, 2019	**12,443,549**	**8,210,366**	**4,233,183**
Additions	2,569,295	214,106	2,355,189
Utilizations	(1,483,199)	(86,115)	(1,397,084)
Provisions as at December 31, 2020	**13,529,645**	**8,338,357**	**5,191,288**

16. Directors' emoluments

Emoluments consist of (i) Directors' fees, (ii) Salaries and social benefits, and (iii) Other remuneration. Directors' fees were paid by the Institute and the Fund; Salaries and social benefits were paid by the Institute and LGI and other remuneration was paid by the Institute.

	USD	
Description	**2020**	**2019**
Directors' fees	345,022	314,235
Salaries and social benefits	1,973,103	1,929,590
Other remuneration	0	200
Total emoluments	**2,318,125**	**2,244,025**

In 2020 and 2019, the President of the Institute and the Fund and the Institute’s Scientific Director received salaries and social benefits but did not receive director's fees. The Chairperson and the remaining members of the two Boards received director's fees but did not receive salaries nor social benefits. Two members of the Board of Directors received other remuneration in 2019.

The remuneration of the two Boards of Directors, the Chairperson of the two Boards, the President of the Institute and the Fund and the Institute’s Scientific Director are subject to review by the Institute’s and the Fund’s Compensation Committees, respectively.

Salaries are benchmarked against objective, third party comparable levels of compensation for fairness and reasonableness. The individual levels of Directors’ fees have remained unchanged since 1998.

As at December 31, 2020 and 2019, the Boards of the Institute and the Fund each had nine members plus an emeritus board member.

17. Taxes

As a foreign entity, UTI is not subject to U.S. income taxes. The income tax provision relates to taxes for LGI, which conducts its operations in the United States. LGI’s pre-tax income was approximately USD (126,000) in 2020 and USD 192,000 in 2019.

18. Other related party transactions

The Institute is a party to a Research Collaboration and License Agreement with Vaccitech Oncology Limited. In 2020 and 2019 income from cost recovery and licensing amounted to USD 20,302 and USD 11,906, respectively.

19. Lease commitments, collaborative research and member contracts

All such commitments not recorded in the Balance Sheet, with a notice period of three months or more, are set out by year below:

	USD	
Description	2020	2019
2020	0	32,402,715
2021	39,424,604	32,547,885
2022	43,923,873	32,945,209
2023	20,022,347	6,394,729
2024	15,493,754	2,263,835
2025	14,701,449	107,040
2026-2031	4,237,383	71,360
Commitments not recorded in the Balance Sheet	**137,803,410**	**106,732,773**

20. Internal control system and annual risk assessment

The Institute's and the Fund's management are responsible for the design, operation and maintenance of an internal control system (ICS). The Institute's and the Fund's Boards of Directors are ultimately responsible for the identification and assessment of risks, definition of the ICS framework and monitoring of management actions to ensure the adequacy and effectiveness of the control environment. The Institute's and the Fund's ICS over financial reporting is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and is designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles in Switzerland / Financial Reporting Standards – Swiss GAAP FER.

The Institute and the Fund have adopted a risk-based approach to internal control and accept that it is neither possible nor cost effective to build a control environment that is risk free. Accordingly, the ICS in place is designed to manage rather than to eliminate risks. The ICS is an on-going process designed to identify the principal financial reporting risks, to evaluate the nature and extent of those risks and to manage them efficiently.

In 2020, the Institute's and the Fund's managements conducted risk assessments of the key processes documented in the form of process flowcharts. Risks within those key processes were identified and evaluated as to their likelihood and impact based on predefined scales, incorporating quantitative and qualitative criteria. For each of the identified risks, the risk level was calculated as a multiple of the likelihood and impact. Top risks for each process were identified based on their respective risk level and classified further as financial reporting or operational risks. Key controls were defined and implemented to mitigate those top financial reporting risks. Non-financial reporting risks are considered to be outside of the ICS and are addressed through other policies and procedures.

The Institute's and Fund's managements assessed the effectiveness of the ICS over financial reporting during the year under review and reported thereon to the Institute's and Fund's Audit Committees.

The respective Audit Committees have the delegated responsibility to oversee the development and operation of the ICS, to receive reports from the Risk and Compliance Officer and External Auditors, to review the ICS documentation and to agree to any actions necessary to implement recommended improvements. The Audit Committees received reports from the Institute's Risk and Compliance Officer with regard to the ICS at all of their respective meetings during the year.

The Boards of Directors of the Institute and the Fund assessed the effectiveness of the ICS for financial reporting throughout the year and believe that the ICS for financial reporting was properly in effect as of December 31, 2020.

As part of the ICS, the internal audit function continued to operate and verify the adequacy and effectiveness of internal controls, carry out work to test the controls and provide reports to the two Audit Committees. The operations of the Ludwig Lausanne Branch were reviewed by internal audit during 2020 and a report thereof was submitted to the Institute's Audit Committee.

Risk assessments are carried out on an annual basis by the Risk and Compliance Officer reporting to the Audit Committees. They are based on annual self-reassessment of risks and controls by the ICS process owners, information obtained through interviews of the Institute's and the Fund's management and key personnel and further evaluation and testing of controls when carrying out internal audits.

21. Approval of the consolidated financial statements

The consolidated financial statements of the Ludwig Institute for Cancer Research Ltd as at December 31, 2020, together with the Report of the Auditors, dated May 21, 2021, are hereby submitted to the General Meeting of Shareholders.

22. Subsequent events

There are no subsequent events to report, which might have a material impact on the consolidated financial statements.

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Report of the Statutory Auditor to the General Meeting of Shareholders of Ludwig Institute for Cancer Research Ltd, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Ludwig Institute for Cancer Research Ltd, Zurich which comprise the balance sheet, income statement, statement of cash flows, statement of capital changes and notes on pages 4 to 21 for the year ended 31 December 2020.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and dis-closures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2020 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Martin Schaad
Licensed Audit Expert
Auditor in Charge

Timothy Scott
Licensed Audit Expert

Zurich, 21 May 2021

PERFORMANCE REPORT

PURPOSES OF THE ORGANIZATION

The Ludwig Institute for Cancer Research Ltd (the Institute) is an international not-for-profit organization with a 49-year legacy of pioneering discoveries relating to cancer. The Institute provides its scientists around the world with the resources and the flexibility to realize the life-changing potential of their work and advance their discoveries for the benefit of cancer patients. This philosophy, combined with robust translational programs, maximizes the potential of breakthrough discoveries.

The Institute conducts its own basic cancer research as well as clinical trials, making it a bridge from the most basic questions of life to the most pressing needs of cancer care. Since its inception, the Institute has invested USD 2.1 billion of its own resources and USD 0.7 billion from external funding in cancer research. Internal support for its research comes from an investment pool valued at around USD 2.0 billion. This investment portfolio is held and managed by LICR Fund, Inc. (the Fund).

The Institute now has around 570 full-time equivalent scientists, clinicians, postdoctoral fellows, students and support staff located in four countries who are focused on multiple aspects of cancer research. The Institute is part of the larger Ludwig Cancer Research (Ludwig) community, which also includes the Ludwig Centers at six U.S. institutions, all pursuing research to advance the scientific understanding of cancer and improve its prevention, diagnosis and treatment.

The Institute’s research activities are principally organized through Branches. Each Branch occupies defined space and functions in close association with a local university, research institute and / or not-for-profit hospital. A number of individual investigators, laboratories and Centers complement the Institute's Branches through a wide range of collaborative research programs, thereby extending the international reach and research footprint of the Institute.

EXTERNAL FUNDING

The Institute continued to attract significant external funding to support its core research programs.

In 2020, the Institute recorded income of USD 13.1 million from industrial and philanthropic resources and USD 5.1 million from government sources. The total income of USD 18.2 million was 11.3% lower than the 2019 amount received of USD 20.5 million. Although there were substantial increases, namely from the Cancer Research Institute, New York, USA, of USD 2.9 million and Poseidon Innovation, LLC, New York, USA, of USD 0.5 million, there are a number of funding sources that have decreased due to the anticipated end of collaborations. These include the US National Institutes of Health, New York, USA, with USD 2.7 million, the Fondation des Fondateurs, Zurich, Switzerland, with USD 2.0 million and the National Brain Tumor Society Cure GBM, LLC, Newton MA, USA, with USD 0.5 million. The general decrease is mainly due to wind-down activities in San Diego and for the clinical trials program.

The five highest providers of external funding to the Institute were as follows:

The Cancer Research Institute, New York, USA (USD 6.3 million), the US National Institutes of Health (USD 4.6 million the University of California, San Diego, USA (USD 1.4 million), the Université Catholique de Louvain, Brussels, (USD 1.2 million) and the De Duve Institute, Brussels, Belgium (USD 0.7 million).

SEGMENT REPORTING

The total operating expenses of USD 87.4 million in 2020 and USD 91.8 million in 2019 consist of the following segments:

	million USD			
Description	2020	2019	Variance	% of total 2020
Branch and laboratory expenditure				
Brussels	4.6	4.6	0.0	5%
Lausanne	7.6	8.2	-0.6	9%
Memorial Sloan Kettering Cancer Center	0.8	0.7	0.1	1%
Oxford	9.3	7.1	2.2	11%
San Diego (including SMD*)	20.5	27.7	-7.2	24%
Sao Paulo	1.8	0.4	1.4	2%
Stockholm	0.0	0.2	-0.2	0%
Uppsala	0.0	0.0	0.0	0%
Wistar Institute	1.0	1.1	-0.1	1%
Total Branch and laboratory expenditure	**45.6**	**50.0**	**-4.4**	**53%**
Non-Branch expenditure				
Administration	17.0	13.9	3.1	20%
Clinical Trials	9.8	11.1	-1.3	11%
Fund management	7.8	7.0	0.8	9%
Intellectual property	2.3	2.1	0.1	3%
Programs	4.0	7.6	-3.6	5%
Total Non-Branch Expenditure	**40.9**	**41.8**	**-0.9**	**47%**
Total Institute	**86.5**	**91.8**	**-5.3**	**100%**

*Small Molecule Discovery Group

NOT-FOR-PROFIT REPORTING

The Institute and the Fund prepare, by entity, various statistical and information returns which require analysis of expenditure between i) program service, ii) management and general and iii) grant writing costs.

Using this analysis, on a consolidated basis, for the year 2019 (the latest year where analysis data is currently available), total expenditure of USD 89.2 million are broken down into program service expenditure - USD 70.0 million (78%); management and general expenditure - USD 17.5 million (20%); and grant writing expenditure – USD 1.7 million (2%).

For 2018, total expenditure of USD 91.3 million is analyzed as program service expenditure - USD 71.2 million (78%); management and general expenditure - USD 18.4 million (22%) and grant writing expenditure - USD 1.7 million (2%).

MANAGING BODIES AND SENIOR STAFF

The Statutes and By-laws of the Institute determine the responsibilities and the authority of the following organs of the company:

- The Board of Directors
- Management (comprising the Executive Officers and Branch Directors)

The Board is elected at the General Meeting of Shareholders held each year in June for a one-year term of office. The members of the Institute's Board of Directors are automatically members of the Board of Directors of the Fund.

The individuals who served as members of the Board of Directors of both the Institute and the Fund during 2020 were as follows:

John L. Notter (Chairperson)
Chi Van Dang, MD, PhD
Nancy Ellen Davidson, MD
Olivier Dunant
John D. Gordan III
Alexandra C. Johnson
Judge Barbara S. Jones
Edward A. McDermott Jr.
Philip A. Pizzo, MD
Alexander Borissov was the Secretary to the Board.

The Executive Officers of the Institute constitute its management and consisted of the President, the Scientific Director, the Executive Vice-President for Technology Development and the Chief Financial Officer.

These posts were held as of December 31, 2020, by the following individuals:

President	Edward A. McDermott Jr.
Scientific Director	Chi Van Dang, MD, PhD
Executive Vice-President for Technology Development	Jonathan C.A. Skipper, PhD
Chief Financial Officer	Thomas Bänninger

The Executive Officers were supported by:

Senior Vice-President for Human Resources	Kimberly McKinley-Thomas
Senior Vice-President for Intellectual Property	Pär Olsson, PhD
Senior Vice-President for Communications	Rachel Reinhardt
Vice-President for Clinical Trials Management and Chief Medical Officer	Ralph Venhaus, MD

The Institute has a Scientific Advisory Committee that provides advice to the Scientific Director on scientific matters and reviews the performance and plans of scientific staff. As of December 31, 2020, the Scientific Advisory Committee was composed of:

Philip D. Greenberg, MD
Juanita L. Merchant MD, PhD
Robert Schreiber, PhD
Victor Velculescu, MD, PhD
Karen H. Vousden, PhD
W.K. Alfred Yung, MD.

Each Branch of the Institute is managed by a Director who is responsible for its scientific program and administration.

The leadership of the Institute's Branches as of December 31, 2020 was as follows:

Lausanne	George Coukos, MD, PhD
Oxford	Xin Lu, PhD
San Diego	Jonathan C.A. Skipper, PhD

Some Executive Officers, Branch Directors and other senior staff members hold academic positions within the host institutions with which the Institute is associated.

RESULTS OF WORK ON INSTITUTE RESEARCH PROGRAMS IN 2020

Scientific Publications

Laboratory and clinical research to further the prevention, early detection, understanding and control of cancer is conducted at the Institute's Branches and through collaborations with other institutions. In 2020, progress was made in the study of tumor biology, cancer genomics, cancer prevention, the tumor microenvironment and tumor immunology.

Ludwig laboratories remained productive despite lockdowns and social distancing requirements ordered by governments and institutions around the world in response to the COVID-19 pandemic. The Institute's researchers adapted workflow to the "new normal," resuming their experiments, lab meetings and a steady stream of publication in peer reviewed journals. Many noted that reengineering operations to adapt to the new work conditions exposed inefficiencies in routine processes of biomedical research and improved their own approach to scientific research and collaboration in ways likely to outlast the pandemic.

The Institute remains committed to prompt and active dissemination of its research results. In the year 2020, the publication record by location was as follows:

	Primary Research Articles	Reviews/ Book Chapters/ Commentaries	Total
Brussels	10	6	16
Lausanne	61	36	97
New York/MSK	22	3	25
Oxford	35	12	47
San Diego	37	5	42
Sao Paulo	15	1	16
Total	**180**	**63**	**243**

Clinical Trials
Seven Institute-sponsored clinical trials were ongoing in 2020. Institute investigational study agents are being provided for an additional clinical trial sponsored and managed by the Memorial Sloan Kettering Cancer Center. These eight trials, together with 18 previously completed studies, were supported by 11 active Institute regulatory dossiers [eight Investigational New Drug (IND) applications (USA), one Drug Master File (DMF), two Clinical Trial Applications (CTA) in Switzerland and in the UK, respectively]. Over the year, the Institute made no new regulatory submissions and 54 supplemental submissions to its active regulatory dossiers in three countries.

Clinical Trial Sites
The following sites had active Ludwig Institute-managed trials in 2020:

Switzerland

- Centre Hospitalier Universitaire Vaudois (CHUV), Lausanne, Switzerland

United Kingdom

- Churchill Hospital, Oxford, United Kingdom
- Coventry University Hospital, Coventry, United Kingdom
- Ninewells Hospital, Dundee, Scotland, United Kingdom
- Nottingham City Hospital, Nottingham, United Kingdom
- Southampton General Hospital, Southampton, United Kingdom

North America

- Banner MD Anderson Cancer Center, Gilbert, AZ, USA
- Cleveland Clinic, Cleveland, OH, USA
- Dana-Farber Cancer Institute, Boston, MA, USA
- Dartmouth-Hitchcock Cancer Center, Lebanon, NH, USA
- Emory Hospital, Atlanta, GA, USA
- H. Lee Moffitt Cancer Center and Research Institute, Tampa, FL, USA
- Karmanos Cancer Institute, Detroit, MI, USA
- Massachusetts General Hospital, Boston, MA, USA
- Medical College of Wisconsin, Milwaukee, WI, USA
- Memorial Sloan-Kettering Cancer Center, New York, NY, USA
- Mount Sinai Hospital, New York, NY, USA
- Roswell Park Cancer Institute, Buffalo, NY, USA
- University of California (UCSD) Moores Cancer Center, La Jolla, CA, USA
- University of Maryland Greenebaum Comprehensive Cancer Center, Baltimore, MD, USA
- University of Miami, Miami, FL, USA
- University of Virginia, Charlottesville, VA, USA
- Women and Infants Hospital, Providence, RI, USA

TECHNOLOGY DEVELOPMENT

One of the main objectives of the Institute is to bring its scientific discoveries to public benefit as quickly and effectively as possible. Given that the significant costs involved in drug development are far beyond the resources available to it, the Institute enters into research, development and licensing agreements with commercial drug development organizations that have the financial, management and technological resources necessary to develop Institute discoveries for diagnostic and therapeutic purposes.

To facilitate this work, the Institute has established a comprehensive patent protection and licensing capability. Several new patents were issued and technology licenses completed this past year. In 2020, 13 new U.S. patents and six new European patents were issued, and eight new U.S. applications and a further six new international patent applications were filed. In addition, the Institute was party to 193 license, sublicense and option agreements with commercial organizations at the start of 2020. During the year, an additional 13 agreements were implemented while eight agreements either expired or were terminated. At the end of 2020, the Institute's portfolio comprised a total of 198 agreements. The majority of these license agreements allow companies to commercialize Institute reagents or products derived from such technologies for laboratory research purposes, as companion diagnostic candidates or for a company’s own in-house commercial research. A subset of these agreements grant rights to commercial companies using Institute discoveries for the development of therapeutic and diagnostic products. These programs remain at various stages of product development, from pre-clinical testing to phase 1, 2 and 3 clinical trials. Sargramostim (or Leukine), a recombinant granulocyte macrophage colony-stimulating factor (GM-CSF) used for myeloid reconstitution after bone marrow transplantation or neutropenia induced by chemotherapy, is a marketed product derived directly from the Institute’s research.

Cancer immunotherapy continues to be a focus of the Institute’s translational and clinical research, as reflected in the patents issued and filed by the Institute and its partners. Over the past year, the Institute has filed several new patent applications claiming novel constructs and cell expansion methodologies applicable to the design and development of innovative cellular therapies. In addition, the discovery and patenting of new genomic and epigenetic insights and related technologies reflects the Institute’s established expertise in the field and an emerging focus in seeking useful applications for its technologies and know-how.

Over the last ten years, checkpoint antibody immunotherapies targeting PD-1/L1 and CTLA-4 have been approved in a broad range of cancer indications, resulting in significant improvements in disease outcome for a subset of cancer patients. However, many advanced stage patients do not respond or subsequently suffer relapse following treatment with existing checkpoint blockade immunotherapies, so continued research with these or complementary immune modulatory agents remains a critical cancer research endeavor. The Institute has ongoing clinical research collaborations with several pharmaceutical and biotechnology companies including AstraZeneca, Bristol Myers Squibb, Boehringer Ingelheim, CureVac, Oncovir and Targovax, together with the Cancer Research Institute, New York (CRI). These collaborations involve clinical studies evaluating PD-1/L1 immunotherapies in combination with additional novel therapeutics or standard therapies, to improve therapeutic outcomes for cancer patients. During 2020, four Institute sponsored clinical trials were actively enrolling patients.

The Institute's research and technology development activities have also resulted in the generation of additional novel immune checkpoint antibodies, which are currently in clinical development. The checkpoint antibodies Balstilimab (AGEN2034) and Zalifrelimab (AGEN1884), targeting PD-1 and CTLA-4, respectively, are being developed by the Institute's licensee, Agenus Inc. Balstilimab alone and Balstilimab in combination with Zalifrelimab are being evaluated in clinical trials. In 2020, the FDA designated both for fast-track review in second line cervical cancer and Agenus announced the initiation of the rolling submission of its Biologics License Application to the FDA for balstilimab in the treatment of recurrent or metastatic cervical cancer. Agenus is also developing a second generation, Fc engineered anti-CTLA-4 antibody (AGEN1181) based on Zalifrelimab with improved biological activity and potential clinical benefit. A phase 1 clinical study of the combination of AGEN1181 and anti-PD-1 antibody Balstilimab is ongoing.

Agenus entered into an agreement with Chinese pharmaceutical company Betta Pharmaceuticals, for the development and commercialization of Balstilimab and Zalifrelimab in Greater China.

Ludwig start-up company iTeos Therapeutics, Inc. (iTeos) is dedicated to the development of immuno-oncology therapies targeting the tumor microenvironment. In 2020, iTeos launched a phase 1 clinical trial of EOS-448, an ADCC-enabled anti-TIGIT antibody. In July 2020, iTeos completed its initial public offering realizing proceeds of approximately $201.1 million. The new financing will support the clinical development of its two lead product candidates, EOS-850, a best-in-class adenosine A2A receptor antagonist and EOS-448.

Monoclonal antibodies targeting antigens on the surface of tumor cells may be exploited therapeutically as antibody drug conjugates (ADCs) to deliver cytotoxic agents directly to the tumor cell. The ADC XMT-1536 (NaPi2b Dolaflexin-ADC) is based on the humanized MX35 antibody, originally discovered by the Institute and developed in collaboration with Recepta Biopharma S.A. It is being developed by the biotechnology company Mersana, which is running an expanded phase 1 clinical study of XMT-1536 in platinum resistant ovarian cancer and non-small cell lung cancer (NSCLC). XMT-1536 The U.S. FDA has designated XMT-1536 for fast-track review for treatment of patients with previously treated, platinum resistant high-grade serous ovarian cancer. In 2020, Mersana launched the development of a second clinical ADC candidate XMT-1592 (NaPi2b Dolasynthen-ADC), in patients with ovarian cancer and NSCLC.

Ludwig start-up company Arima Genomics, Inc., is focused on accelerating the integration of genome structure information in medical research, diagnosis and therapy applications. In 2020, Arima secured Series A venture financing and announced the commercial launch of its Arima-HiC+ product, applicable for multiple genomic analyses, including identification of promoter-enhancer interactions for gene regulation studies and Hi-C scaffolding of contigs for genome assemblies to define chromosomes de novo.

In 2020, a new start-up company, Base Genomics, was launched to develop and commercialize a new DNA sequencing technology from the Institute that greatly improves the sensitivity, efficiency and ease of sequencing DNA methylation—a chemical modification made to some cytosine bases in DNA. The new technology, TET-assisted pyridine borane sequencing (TAPS), is being incorporated into liquid biopsy applications utilizing DNA methylation to both detect cancers and pinpoint their tissues of origin. Base Genomics was later acquired by epigenetics company Exact Sciences, a provider of cancer screening, earlier detection and diagnostic tests.

At the end of 2020, the Institute had holdings in nine start-up companies with products at various stages of development and maturity originating from licenses to Institute technology:

- Cancer Vaccine Acceleration Company, LLC, USA
- Extended Delivery Pharmaceuticals, LLC, USA
- iOx Therapeutics Limited, United Kingdom
- iTeos Therapeutics Inc., USA
- Life Sciences Pharmaceuticals, Inc., USA
- Recepta Biopharma S.A., Brazil
- Vaccitech Oncology Limited, United Kingdom
- Arima Genomics Inc., USA
- Epigenome Technologies, Inc., USA

The gross income to the Institute from the commercialization of the Institute's technologies was USD 2.1 million in 2020. Significant contributions to the gross income were represented by royalty income from the sales of numerous research reagents and kits namely from Melan-A (A103), CDNA Synthesis Technology, Anti-CD25 mabPC61 and 17A2mab anti murineCD3 and license income for Anti GM-CSF as well as sublicense income for the Anti GARP protein. The net income to the Institute after sharing with co-owners and inventors was USD 1.4 million.

HUMAN RESOURCES

An important aspect of the Institute's developing programs is the training of outstanding young scientists who will in time join an emerging new generation of cancer investigators. During the year, one PhD student started his postgraduate training with the Institute and eleven completed their training with the Institute. At December 31, 2020, the Institute was acting as sponsor to 27 postdoctoral fellows and four PhD students.

AWARDS AND DISTINCTIONS

The quality of the Institute's investigators continued to be internationally recognized. The following awards and distinctions were received in 2020:

Brussels

Stefan N. Constantinescu, MD, PhD	Vice-President, Royal Belgian Academy of Medicine 2020-2021
	Vice-President, Federation of European Academies of Medicine (FEAM) 2020-2023
	Victor Babeș Honorary Scientist for contribution to understanding the molecular mechanisms of blood cell disorders, “Victor Babeș” National Institute of Pathology, Bucarest, Romania, November 2020

Lausanne

George Coukos, MD, PhD	Web of Science highly cited researcher 2020 (2nd consecutive year)
	University of Pennsylvania’s Penn Center for Innovation - "patent cube awards"
Caroline Arber, MD, PhD	Leenards Award 2021 for Translational Medical Research (PI : Elisa Oricchio EPFL, Co-PIs: Bruno Correia EPFL and Caroline Arber, MD, PhD, CHUV UNIL)
Michal Bassani, PhD	PRIMA SNF career awards for outstanding women researchers
	OvaCure Innovation Challenge award, Danemark
David Gfeller, Phd	Swiss Institute of Bioinformatics Remarkable Output Award
Ping-Chih Ho, PhD	EMBO Young Investigator
	Cancer Research Institute Lloyd Old STAR Award
	Jurg Tschopp Basic Life Science Award
Johanna Joyce, PhD	EMBO fellowship to Dr. Angel Alvarez-Prado, PhD
	Human Frontier Science Program (HSFP) Fellowships to Dr. Leire Bejarano, PhD and Dr. Marta Jordao, PhD
	Amanda Proudfoot Tribute Graduate Student/Postdoc Award for Advances in Chemokine Biology to Dr. Matteo Massara, PhD

Tatiana Petrova, PhD	Human Frontier Science Program (HSFP) to Dr. Silvia Madeira, PhD
	SNF MD-PhD fellowship to Ludivine Bersier, MMed (1st absolute national ranking)
	Career Achievement Award by Lymphatic Education and Research Network (USA)
Pedro Romero, MD, PhD	Extraordinary Service to Journal for ImmunoTherapy of Cancer (JITC) Award
Gregory Verdeil, PhD	Award for excellence in pre-graduate education
New York/MSK	
Jedd Wolchok, MD, PhD, FASCO	AACR-Joseph H. Burchenal Award
	Visiting Professor of the Tinsley Randolph Harrison Society, Vanderbilt Univ.
	ESMO Award for Immuno-Oncology
Bharat Burman, MD, PhD	2020 ASCO-Conquer Cancer Foundation Young Investigator Award
Andrew Chow, MD, PhD	2020 SITC Young Investigator Poster and Travel Award
	2020 K08 Clinical Investigator Award from National Cancer Institute
Chen Huan Weng(Gil) , PhD	PICI postdoctoral fellowship in 2020
Danny Khalil, MD, PhD	K08 Award, National Cancer Institute
Lukas Kraehenbuehl, MD	Swiss National Science Foundation Fellowship
Roberta Zappasodi, PhD	2020 AACR Women in Cancer Research Scholar Award
	2020 MSK Lymphoma SPORE Developmental Research Program
Oxford	
Xin Lu, PhD	Elected as a Fellow of the Royal Society, UK
Sir Peter J. Ratcliffe, MD, FRS	Elected as AACR Academy Fellow
	Homer Smith Award, American Society of Nephrology, 2020

	Member, German National Academy of Sciences Leopoldina, 2020
	Honorary Member, The Physiological Society
Benjamin Schuster-Boeckler, PhD	Appointed Official Fellow (Cellular Life) of Reuben College, University of Oxford

San Diego

Michael Baughn	Barber ALS Research Award from the ALS Association Golden West Chapter
Roy Maimon, PhD	Hereditary disease Foundation (HDF) fellowship
Bing Ren, PhD	Association of Chinese Geneticists in America (ACGA) Excellence in Genetic Research Award (2020)
Haiyang Yu, PhD	NIH K99 Pathway to Independence Award

Sao Paulo

Anamaria A. Camargo, PhD	Octavio Frias de Oliveira 2020 Award. Modality: Outstanding Personality in Oncology.

STATUTORY FINANCIAL STATEMENTS

BALANCE SHEET AS AT DECEMBER 31, 2020

	Notes	USD 2020	USD 2019	CHF 2020	CHF 2019
Assets					
Cash and cash equivalents	1, 2	8,217,574	12,995,889	7,320,215	12,707,380
Trade receivables		30,518	141,108	27,185	137,975
External funding receivables	1, 11	1,125,067	1,881,616	1,002,210	1,839,844
Other short-term receivables	7	4,584,547	4,531,409	4,083,914	4,430,812
Other short-term receivables - intercomp.		4,500,000	0	4,008,600	0
Prepaid expenses and accrued income		1,663,006	3,327,205	1,481,406	3,253,341
Total current assets		**20,120,712**	**22,877,227**	**17,923,530**	**22,369,352**
Other long-term receivables - intercomp.		2,500,000	0	2,227,000	0
Financial assets	1, 3	3,362,948	3,025,997	2,995,714	2,958,820
Investments	1, 4	5,547,957	6,160,939	4,942,120	6,024,166
Total non-current assets		**11,410,905**	**9,186,936**	**10,164,834**	**8,982,986**
Total assets		**31,531,617**	**32,064,163**	**28,088,364**	**31,352,338**
Liabilities					
Short-term accounts payable - 3rd party		4,211,435	7,040,604	3,751,546	6,884,303
Short-term accounts payable - intercomp.	5	1,109,369	1,198,125	988,226	1,171,527
Other short-term liabilities	6	546,552	130,641	486,869	127,741
Short-term provisions	7	3,484,508	3,174,473	3,104,000	3,104,000
Accrued short-term expenses	1	4,043,893	6,845,608	3,602,300	6,708,949
Deferred income	1, 11	11,301,593	10,420,512	10,067,459	10,189,177
Total short-term liabilities		**24,697,350**	**28,809,963**	**22,000,400**	**28,185,697**
Other long-term liabilities	8	1,831,997	1,478,955	1,631,943	1,446,122
Total long-term liabilities		**1,831,997**	**1,478,955**	**1,631,943**	**1,446,122**
Total liabilities		**26,529,347**	**30,288,918**	**23,632,343**	**29,631,819**
Shareholders' equity					
Share capital	1	49,618	49,618	50,000	50,000
General legal retained surplus	1	9,924	9,924	10,000	10,000
Voluntary retained surplus		4,942,728	1,715,703	4,396,021	1,660,519
Total shareholders' equity		**5,002,270**	**1,775,245**	**4,456,021**	**1,720,519**
Total liabilities and shareholders' equity		**31,531,617**	**32,064,163**	**28,088,364**	**31,352,338**

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

		USD		CHF	
	Notes	2020	2019	2020	2019
Operating income					
Contributions	1, 10	57,181,211	48,810,842	54,785,318	49,025,610
External funding	1, 11	17,277,957	24,625,816	16,554,011	24,734,170
License fees and royalties	12	1,742,642	2,230,765	1,669,625	2,240,580
Other operating income		1,106,620	189,555	1,060,253	190,389
Total operating income		**77,308,430**	**75,856,978**	**74,069,207**	**76,190,749**
Operating expenses					
Salaries and social benefits		27,865,291	30,781,225	26,697,735	30,916,662
Laboratory supplies		3,645,656	5,745,947	3,492,903	5,771,229
Equipment and leasehold improvements	1	542,360	998,796	519,635	1,003,191
Clinical trial studies		3,758,047	4,146,584	3,600,585	4,164,829
Core collaborative research programs	1	19,513,648	18,995,764	18,696,026	19,079,345
Other collaborative research programs	1	5,192,212	8,178,337	4,974,658	8,214,322
Occupancy		4,018,552	4,397,082	3,850,175	4,416,430
Travel, conferences and seminars		116,311	549,067	111,438	551,483
Professional fees and services		6,162,434	5,082,303	5,904,228	5,104,665
Patent and inventors' costs		956,608	1,030,159	916,526	1,034,692
Other operating expenses		1,071,619	1,597,372	1,026,718	1,604,400
Total operating expenses		**72,842,738**	**81,502,636**	**69,790,627**	**81,861,248**
Surplus / (Deficit) for the year before Other items		4,465,692	(5,645,658)	4,278,580	(5,670,499)
Other items					
Gain on foreign exchange	1	507,821	168,290	486,543	169,030
Loss on foreign exchange	1	(1,380,274)	(501,637)	(1,678,752)	(503,844)
Interest and other other financial income	1	40,567	185,973	38,867	186,791
Interest and other other financial cost	1	(12,687)	(149)	(12,155)	(150)
Gain on financial assets and investments	1, 3, 4	228,811	4,442,789	219,224	4,462,337
Loss on financial assets and investments	1, 3, 4	(622,905)	(1,942,414)	(596,805)	(1,950,961)
Total Other items		**(1,238,667)**	**2,352,852**	**(1,543,078)**	**2,363,203**
Surplus / (Deficit) for the year		3,227,025	(3,292,806)	2,735,502	(3,307,296)
Voluntary retained surplus at January 1		1,715,703	5,008,509	1,660,519	4,967,815
Voluntary retained surplus at December 31		**4,942,728**	**1,715,703**	**4,396,021**	**1,660,519**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations.

Reclassification 2019 figures

Handling charges from affiliated companies were booked differently for this year than in the past. As a consequence some values in 2019 had to be reclassified within operating expenses.

In order to distinguish between operating and financial items, we disclose as of 2020 interest income, previously recorded together with contributions, and interest cost, previously recorded in other operating expenses, newly in the other items section of the Income Statement. 2019 figures were reclassified for comparability.

Cash and cash equivalents

Cash on hand and at banks, funds on call and cash deposits are classified as Cash and cash equivalents.

Operating income

Contributions are accounted for on a cash basis.

External funding received from any outside source, whether of a cash or a non-cash nature, is recorded in the books of the Ludwig Institute for Cancer Research Ltd (the Institute) upon receipt as Deferred income. External funding received is recorded as income when corresponding expenditure has incurred. Any unspent external funding is deferred to future accounting periods until the corresponding expenditure is incurred or excess funding is returned to the external funding partner once the project has been concluded. External funding pledged but not received where expenditure has been incurred, is recorded as income and is accounted for as External funding receivables.

Core and other collaborative research programs

Collaborative research programs are divided into core and other collaborative research programs. The Lausanne Branch, the Oxford Branch, Memorial Sloan Kettering Cancer Center (MSKCC), New York and the Wistar Institute, Philadelphia are considered as core, whereas all other research activities are considered as other.

Translation of foreign exchange transactions

For the purpose of preparing the Statutory Financial Statements in Swiss Francs, US Dollar values are converted using the modified closing rate method as follows:

1. Income and expenditure – at the yearly average of the monthly rates as published by the Swiss Federal Tax Administration
2. Assets and Liabilities – at the year-end closing rates as published by the Swiss Federal Tax Administration
3. Equity - at historical rates

4. Translation differences are included either in a) "Loss on foreign exchange" and therefore as result of the current year also in "Voluntary retained surplus" in case of a loss; or b) in "Accrued short-term expenses" in case of a gain

Tangible fixed assets
Acquisition costs for research equipment, costs for leasehold improvements and costs for other assets are fully expensed in the year of acquisition.

Financial assets and investments
Financial assets, which are traded on a stock exchange, are valued at the stock market price prevailing at the end of the year. All other Financial assets and Investments are valued at acquisition cost and, if applicable, adjusted for impairment losses.

Accruals
Accruals are recognized for goods and services rendered in the respective accounting period if no invoices have been received. The same principle applies to amounts due to intellectual property co-owners and inventors.

2. Pledged assets

The Institute has pledged assets held by a financial institution to that financial institution amounting to USD 1.2 million (CHF 1.1 million) in 2020 and USD 1.1 million (CHF 1.1 million) in 2019. These amounts are included under Cash and cash equivalents and are used as collateral for various letters of credit amounting to a total of USD 0.7 million (CHF 0.6 million). The letters of credit have been issued to the lessors of various office premises occupied by the Institute.

3. Financial assets

	USD		CHF	
Description	2020	2019	2020	2019
Arima Genomics				
Net investment	210	0	187	0
Share in capital and voting rights	3.34%	0.00%	3.34%	0.00%
CT Atlantic AG				
Net investment	0	9,924	0	9,704
Share in capital and voting rights	0.00%	3.19%	0.00%	3.19%
Epigenome Technologies, Inc.				
Net investment	24	0	21	0
Share in capital and voting rights	5.00%	0.00%	5.00%	0.00%
iOx Therapeutics Limited				
Net investment	33	33	29	32
Share in capital and voting rights	9.90%	9.90%	9.90%	9.90%
iTeos Therapeutics, Inc.				
Net investment	1,501,274	1,501,274	1,337,335	1,467,946
Share in capital and voting rights	2.10%	7.56%	2.10%	7.56%
Life Sciences Pharmaceuticals, Inc.				
Net investment	1,457	1,457	1,298	1,425
Share in capital and voting rights	13.65%	13.65%	13.65%	13.65%
Loans to staff	27,953	34,354	24,901	33,591
US 457(b) Pension plan	1,831,997	1,478,955	1,631,943	1,446,122
Total financial assets	**3,362,948**	**3,025,997**	**2,995,714**	**2,958,820**

The Institute is committed to disseminating its know-how to the global research community. The holdings in the start-up organizations shown under Financial assets in the Balance Sheet are the result of licensing arrangements, with start-up organizations or their successors transferring Institute research knowledge to these companies. Participation in these entities does not form part of the Institute’s long term strategy and the respective Financial assets, if not quoted on a stock exchange, are valued at acquisition cost and, if applicable, adjusted for impairment losses.

iTeos Therapeutics, Inc., Delaware, USA, was founded in 2012 and is a joint spin-off of the Institute and the de Duve Institute at the Catholic University of Louvain (Belgium). iTeos Therapeutics’, Inc. research program focusses on the development of small-molecule immunomodulators that can increase the efficacy of cancer immunotherapy, as well as leverage the spontaneous tumor immune response. The start-up nominal share capital, including the premium on capital stock amounted to EUR 3,076,498 (USD 4,056,055, CHF 3,713,025). Due to various financing rounds in which the Institute did not participate, the Institute's portion of the shares dropped from 49.75% in 2012 to currently 2.10%.

As of December 31, 2020 the shares of iTeos Therapeutics, Inc. achieved a stock market value of USD 24,824,184 (CHF 22,113,383). The share value was adjusted to this value. A fluctuation reserve in the same amount was formed which resulted in no change of the value compared to last year. These shares have been sold to the LICR Fund Inc. in January 2021 for a price of USD 24,000,000.00 (approx. CHF 21,5 million).

The Institute has granted various housing loans to San Diego Branch staff. The outstanding long-term receivables as at December 31, 2020 amounted to USD 27,953 (CHF 24,901) and as at December 31, 2019 amounted to USD 34,354 (CHF 33,591). Short-term receivables for these loans are recorded under Other short-term receivables and amounted to USD 6,400 (CHF 5,701) in 2020 and USD 6,400 (CHF 6,258) in 2019.

The US 457(b) Pension plan, a non-qualified, tax advantaged deferred compensation retirement plan, is available to various Institute employees in the United States. The Institute provides the plan, and the employees defer compensation into it on a pre-tax basis. The total assets represents the the value invested in favour of the employees and is offset by the liability to the employees (see note 8.)

4. Investments

	USD		CHF	
Description	2020	2019	2020	2019
Universe Tankships, Inc.				
Book value	5,103,185	5,103,185	4,545,917	4,989,894
Share in capital and voting rights	100.00%	100.00%	100.00%	100.00%
Vaccitech Oncology Limited				
Book value	444,245	1,057,227	395,733	1,033,757
Share in capital and voting rights	24.00%	24.00%	24.00%	24.00%
Recepta Biopharma S.A.				
Book value	327	327	291	320
Share in capital and voting rights	26.21%	26.21%	26.21%	26.21%
Ludwig Technologies, Inc.				
Book value	100	100	89	98
Share in capital and voting rights	100.00%	100.00%	100.00%	100.00%
Cancer Vaccine Acceleration Company, LLC				
Book value	100	100	89	98
Share in capital and voting rights	50.00%	50.00%	50.00%	50.00%
Total investments	**5,547,957**	**6,160,939**	**4,942,120**	**6,024,166**

The investment in Universe Tankships, Inc., (Marshall Islands), has been accounted for at acquisition cost in USD. Universe Tankships, Inc. holds 100% of capital and voting rights in The Ludwig Group, Inc., Delaware (USA). The Ludwig Group, Inc. provides administrative services to the Institute and other Institute related parties (see Note 5).

With respect to other investments, in which the Institute holds at least 20% of the capital, the following information is provided:

1. The nominal share capital of Recepta Biopharma S.A., Sao Paulo, (Brazil), is BRL 1,000. The company conducts medical research, develops, produces and commercializes humanized

antibodies for the diagnosis of human cancer.

2. In order to administer intellectual property assets in areas other than cancer, in 2010 the Institute founded Ludwig Technologies, Inc., Delaware, (USA). The nominal share capital is USD 100. Ludwig Technologies, Inc. holds 14.05% of capital and voting rights in the company Extended Delivery Pharmaceuticals, LLC, Connecticut, (USA). This biotechnology company is developing a long acting form of insulin.

3. In 2010, the Institute entered into a joint venture with the Cancer Research Institute and formed the company Cancer Vaccine Acceleration Company, LLC, Delaware, (USA). The purpose of the company is to identify novel opportunities for the development of cancer vaccines and immunotherapies and to obtain, hold and develop intellectual property. The nominal share capital is USD 200.

4. On January 16, 2019, the Institute entered into an investment agreement with Vaccitech Limited, Oxford, United Kingdom (Vaccitech) and Vaccitech Oncology Limited, Oxford, United Kingdom (VOLT). Vaccitech is an Oxford-based biopharmaceutical company that holds certain intellectual property rights relating to a platform technology which is developing for several therapeutic and prophylactic indications in humans and animals. Vaccitech has licensed intellectual property rights associated with viral vectors for use within the field of oncology to VOLT. The objective of this collaboration is to translate the evaluation of the cancer vaccine checkpoint combination into clinical trials with cancer patients whose tumors expressing MAGE-A3 and/or NY-ESO-1 antigens, to determine the safety and efficacy of the immunotherapy combination. The original investment was USD 2,999,641 (CHF 2,984,717) and impairments have been performed to reach the current value.

5. Short-term accounts payable - intercompany

The current administrative service agreement with The Ludwig Group, Inc., a wholly owned subsidiary of Universe Tankships, Inc., (Marshall Islands) has been in place since January 1, 2006 and was renewed the last time as of January 1, 2020

Payables in favour of The Ludwig Group, Inc. as at December 31, 2020 and December 31, 2019 amounted to USD 1,109,369 (CHF 988,226) and USD 1,198,125 (CHF 1,171,527) respectively.

6. Other short-term liabilities

	USD		CHF	
Description	2020	2019	2020	2019
Other short-term liabilities to third parties	371,972	52,817	331,353	51,644
Other short-term liabilities to pension fund	174,580	77,824	155,516	76,096
Total other short-term liabilities	**546,552**	**130,641**	**486,869**	**127,741**

In 2020 and 2019 other short-term liabilities to third parties included VAT liabilities of USD 336 (CHF 300) and USD 3,781 (CHF 3,697) respectively.

7. Short-term provisions

USD	Tax related	Total
Provisions as per December 31, 2018	3,121,794	3,121,794
Additions	0	0
Utilizations	0	0
Release of provisions	0	0
Currency adjustments	52,679	52,679
Provisions as per December 31, 2019	**3,174,473**	**3,174,473**
Additions	0	0
Utilizations	0	0
Release of provisions	0	0
Currency adjustments	310,035	310,035
Provisions as per December 31, 2020	**3,484,508**	**3,484,508**

CHF	Tax related	Total
Provisions as per December 31, 2018	3,104,000	3,104,000
Additions	0	0
Utilizations	0	0
Release of provisions	0	0
Currency adjustments	0	0
Provisions as per December 31, 2019	**3,104,000**	**3,104,000**
Additions	0	0
Utilizations	0	0
Release of provisions	0	0
Currency adjustments	0	0
Provisions as per December 31, 2020	**3,104,000**	**3,104,000**

Tax related

The Institute is registered for Value Added Tax (VAT) in Switzerland.

During 2017, the Institute was invoiced for an amount of CHF 3,762,506 (USD 4,223,738) by the Swiss Federal Tax Administration with respect to the amounts claimed by the tax authorities for the years 2007 to 2009.

Of this amount, CHF 2,769,717 (USD 3,109,247) was in respect of VAT claimed by the Swiss Federal Tax Administration for the years 2007 to 2009 and CHF 992,789 (USD 1,114,491) was in respect of interest charged on the tax claimed. The Institute settled the amounts invoiced under reservation, noting that the Institute continues to dispute the claims. The total payment is recorded in the books under Other short-term receivables.

Following a reassessment by Institute Management in 2017 regarding the claims made by the Swiss Federal Tax Administration, it was decided to retain a provision in the amount of CHF 3,104,000 (USD 3,484,508).

8. Other long-term liabilities

	USD		CHF	
Description	2020	2019	2020	2019
US 457(b) Pension Plan	1,831,997	1,478,955	1,631,943	1,446,122
Total other long-term liabilities	**1,831,997**	**1,478,955**	**1,631,943**	**1,446,122**

The US 457(b) Pension plan, a non-qualified, tax advantaged deferred compensation retirement plan, is available to various Institute employees in the United States. The Institute provides the plan, and the employees defer compensation into it on a pre-tax basis. The total liability includes the return on investment credited to the employee accounts and is offset by a respective financial asset (see Note 3).

9. Lease commitments, collaborative research and member contracts

All such commitments not recorded in the balance sheet, with a notice period of three months or more, are set out below:

	USD		CHF	
Description	2020	2019	2020	2019
Lease and admin. commitments	16,181,899	12,908,482	14,414,836	12,621,914
Core and other collaborative research commitments	110,137,604	86,902,907	98,110,578	84,973,662
Ludwig Members long term obligations	11,483,907	6,171,384	10,229,864	6,034,379
Commitments not recorded in the balance sheet	**137,803,410**	**105,982,773**	**122,755,278**	**103,629,955**

10. Contributions

The Institute effectively controls LICR Fund, Inc. (the Fund), a non-profit membership corporation incorporated in Delaware, USA, which was established to receive, hold and invest funds on behalf of the Institute. During 2020 and 2019, the Fund was a material source of funding and made contributions to the Institute of USD 57,181,211 (CHF 54,785,318) and USD 48,810,843 (CHF 49,212,401) respectively.

11. External funding receivables / External funding

The Institute receives external funding from third parties, including government agencies, in return for which the Institute may be obliged to comply with specific conditions. In certain cases, the right and / or obligation exists to confirm compliance by means of audit. The Board of Directors does not expect that these arrangements will result in any significant adverse financial consequences for the Institute.

12. License fees and royalties

License fees and royalties income is shown in the Income Statement net of co-owners' share of income.

	USD		CHF	
Description	2020	2019	2020	2019
Gross license fees and royalties income	2,058,179	2,852,569	1,971,941	2,865,120
Co-owners' share distributed	315,537	621,804	302,316	624,540
Net license fees and royalties	**1,742,642**	**2,230,765**	**1,669,625**	**2,240,580**

13. Full-time equivalents

The average number of full-time equivalent employees was 180 in 2020 and 221 in 2019.

14. Internal control system and annual risk assessment

The Institute's management is responsible for the design, operation and maintenance of the internal control system (ICS). The Institute's Board of Directors is ultimately responsible for the identification and assessment of risks, definition of the ICS framework and monitoring of management actions to ensure the adequacy and effectiveness of the control environment. The Institute's ICS over financial reporting is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Institute has adopted a risk-based approach to internal control and accepts that it is neither possible nor cost effective to build a control environment that is risk free. Accordingly, the ICS in place is designed to manage rather than to eliminate risks. The ICS is an on-going process designed to identify the principal financial reporting risks, to evaluate the nature and extent of those risks and to manage them efficiently.

In 2020, the Institute's management conducted risk assessments of the key processes documented in the form of process flowcharts. Risks within those key processes were identified and evaluated as to their likelihood and impact based on predefined scales, incorporating quantitative and qualitative criteria. For each of the identified risks, the risk level was calculated as a multiple of the likelihood and impact. Top risks for each process were identified based on their respective risk level and classified further as financial reporting or operational risks. Key controls were defined and implemented to mitigate those top financial reporting risks. Non-financial reporting risks are considered outside of the ICS through other Institute policies and procedures.

The Institute's management assessed the effectiveness of the ICS over financial reporting during the year under review and reported thereon to the Institute's Audit Committee.

The Audit Committee has the delegated responsibility to oversee the development and operation of the ICS, to receive reports from the Risk and Compliance Officer and External Auditors, to review the ICS documentation and to agree any actions necessary to implement recommended improvements. The Audit Committee received reports from the Institute's Risk and Compliance Officer with regard to the ICS at all of its meetings during the year.

The Board of Directors of the Institute assessed the effectiveness of the ICS for financial reporting throughout the year and believes that the ICS for financial reporting was properly in effect as of December 31, 2020.

As part of the ICS, the internal audit function continued to operate and verify the adequacy and effectiveness of internal controls, carry out work to test the controls and provide reports to the Audit Committee. The operations of the Ludwig Lausanne Branch were reviewed by internal audit during 2020 and a report thereof was submitted to the Institute's Audit Committee.

Risk assessments are carried out on an annual basis by the Risk and Compliance Officer reporting to the Audit Committee. They are based on an annual self-reassessment of risks and controls by the ICS process owners, information obtained by interviews of the Institute's management and key personnel and further evaluation and testing of controls when carrying out internal audits.

15. Subsequent events

There are no subsequent events to report, which might have a material impact on the financial statements.

PROPOSED APPROPRIATION OF AVAILABLE SURPLUS

The Statutory Financial Statements of the Ludwig Institute for Cancer Research Ltd as of December 31, 2020, together with the Report of the Statutory Auditors, dated May 21, 2021, are hereby submitted to the General Meeting of Shareholders.

The Balance Sheet of the Statutory Financial Statements shows total assets of CHF 28,088,364 and the Statement of Income and Expenditure shows a surplus for the fiscal year of CHF 2,735,502.

Description	CHF 2020
Voluntary retained surplus at January 1	1,660,519
Surplus for the year	2,735,502
Voluntary retained surplus at December 31	**4,396,021**

In accordance with Article 8 of the Statutes, the Board of Directors proposes that the Shareholders of the Institute authorize the carrying forward of the Voluntary retained surplus at the end of the year 2020 in the amount of CHF 4,396,021. In this regard, it is noted that according to Article 8 of the Statutes of the Institute, no distribution may be made to the Shareholders.

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Report of the Statutory Auditor to the General Meeting of Shareholders of Ludwig Institute for Cancer Research Ltd, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Ludwig Institute for Cancer Research Ltd, which comprise the balance sheet, income statement and notes on pages 41 to 51 for the year ended 31 December 2020.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

Ludwig Institute for Cancer Research Ltd,
Zurich
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Martin Schaad
Licensed Audit
Expert Auditor in
Charge

Timothy Scott
Licensed Audit Expert

Zurich, 21 May 2021