LUDWIG INSTITUTE FOR CANCER RESEARCH LTD

2021 FINANCIAL REPORT

LUDWIG
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RESEARCH

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CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2021

	Notes	USD 2021	USD 2020
Assets			
Cash and cash equivalents	2, 3	16,643,275	17,521,540
Financial assets	2, 4, 9	1,475,884,689	1,506,755,798
Trade receivables		59,874	70,961
External funding receivables	2	1,448,901	1,125,067
Other short-term receivables	5, 12	6,533,654	4,696,069
Prepaid expenses and accrued income		2,669,515	2,237,969
Total current assets		**1,503,239,908**	**1,532,407,404**
Financial assets	2, 6	677,486,054	509,893,559
Investments	2, 7	444,772	444,772
Net deferred tax assets	2, 17	2,805,000	3,961,371
Leasehold improvements, equipment and other assets	2	347,892	23,528
Total non-current assets		**681,083,718**	**514,323,230**
Total assets		**2,184,323,626**	**2,046,730,634**
Liabilities			
Short-term accounts payable		3,564,111	4,211,435
Other short-term liabilities	3, 9, 11	925,685	24,095,317
Short-term provisions	12	3,361,854	3,484,508
Accrued short-term expenses		5,245,889	4,831,536
Deferred income	2, 13	6,634,902	11,301,593
Total short-term liabilities		**19,732,441**	**47,924,389**
Other long-term liabilities	14	2,014,758	1,831,997
Long-term provisions	15	10,768,086	13,529,645
Total long-term liabilities		**12,782,844**	**15,361,642**
Total liabilities		**32,515,285**	**63,286,031**
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	1,579,748,799	1,411,385,061
Total shareholders' equity		**2,151,808,341**	**1,983,444,603**
Total liabilities and shareholders' equity		**2,184,323,626**	**2,046,730,634**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	USD 2021	USD 2020
Operating income			
Contributions and dividends	2	45,802	46,604
External funding	2, 13	11,281,717	18,159,039
License fees and royalties		2,480,060	1,742,642
Other operating income	8	3,084,406	1,095,336
Total operating income		**16,891,985**	**21,043,621**
Operating expenses			
Salaries and social benefits	10, 16	28,094,635	34,405,822
Laboratory supplies		3,540,405	3,645,657
Equipment and leasehold improvements	2, 8	2,010,322	551,159
Clinical trial studies		2,322,911	3,758,047
Core collaborative research programs	2	34,518,907	19,513,648
Other collaborative research programs	2	4,298,730	5,942,212
Occupancy		4,177,910	4,589,651
Travel, conferences and seminars		88,193	128,606
Professional fees and services		13,009,613	11,550,882
Patent and inventors' costs		957,107	956,608
Depreciation	2	31,995	20,840
Other operating expenses		1,359,716	1,425,132
Total operating expenses		**94,410,444**	**86,488,264**
Other items			
Share of operational loss and capital items in associated entity	6, 7	(853,333)	(853,333)
Gain on foreign exchange		342,909	507,821
Loss on foreign exchange		(681,861)	(1,380,274)
Interest and other financial cost		0	(28,838)
Interest and other financial income		2,562,225	2,885,994
Gain on financial assets and investments	2, 4, 9	398,415,510	570,547,272
Loss on financial assets and investments	2, 4, 9	(157,174,566)	(111,816,934)
Total other items		**242,610,884**	**459,861,708**
Surplus for the year before taxes		165,092,425	394,417,065
Taxes			
Current income tax income / (expense)	2, 17	(67,263)	42,100
Deferred income tax income / (expense)	2, 17	(1,328,115)	(250,160)
Total taxes		**(1,395,378)**	**(208,060)**
Retained surplus			
(Deficit) / Surplus for the year after taxes		163,697,047	394,209,005
Voluntary retained surplus at the beginning of the year		1,411,385,061	1,018,057,137
Net change in restricted funds	2, 13	4,666,691	(881,081)
Voluntary retained surplus at the end of the year		**1,579,748,799**	**1,411,385,061**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	USD 2021	USD 2020
Operating activities			
(Deficit) /Surplus for the year after taxes		163,697,047	394,209,005
Net change in restricted funds	13	4,666,691	(881,081)
Adjustments for non-cash items			
Share of operational loss capital items in associated entity	6, 7	0	853,333
Net loss / (gains) on financial assets		(231,295,942)	(365,533,141)
Deferred tax changes	2, 17	1,156,371	(104,442)
Forex (loss) / gain on cash and cash equivalents		46,149	532,726
Depreciation / Impairment	2	32,014	30,764
Other movements in operating assets and liabilities			
Increase / (Decrease) in provisions		(2,884,213)	1,396,131
(Increase) in current and non-current financial assets and investments		(9,683,826)	(93,543,749)
Decrease / (Increase) in receivables		(2,150,332)	745,171
Decrease in prepayments and accrued income		(431,546)	(299,476)
(Decrease) / Increase in current liabilities		(23,816,956)	20,691,647
(Decrease) in accrued liabilities and deferred income		(4,252,338)	(1,702,750)
Increase in long-term liabilities and long-term accrued expenses		182,761	353,042
Cash flow from operating activities		**(104,734,120)**	**(43,252,820)**
Investing activities			
Investment in tangible fixed assets	2	(181,359)	112,819
Investment in financial assets		(553,629,107)	(613,316,443)
Sale of financial assets and repayment of loans		657,712,470	652,319,012
Cash flow from investing activities		**103,902,004**	**39,115,388**
Net cash (outflow) / inflow		**(832,116)**	**(4,137,432)**
Cash and cash equivalents at January 1		17,521,540	22,191,698
Forex effect on cash and cash equivalents		(46,149)	(532,726)
Net cash (outflow) / inflow		(832,116)	(4,137,432)
Cash and cash equivalents at December 31		**16,643,275**	**17,521,540**

CONSOLIDATED STATEMENT OF CAPITAL CHANGES FOR THE YEAR ENDED DECEMBER 31, 2021

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, 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**
(Deficit) / Surplus for the year	0	0	0	163,697,047	163,697,047
Net change in restricted funds	0	0	0	4,666,691	4,666,691
Balance at December 31, 2021	**49,618**	**9,924**	**572,000,000**	**1,579,748,799**	**2,151,808,341**

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, 2021

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 2021 the Institute’s research Branches were situated in Lausanne, Oxford, Princeton 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.

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, the Princeton 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 totaling to USD 0.2 million in 2021 and USD 1.2 million in 2020. These amounts are included under Cash and cash equivalents and are used as collateral for various letters of credit totaling to a total of USD 0.2 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 35.0 million and USD 25.0 million as of December 31, 2021 and 2020, respectively. There were no amounts outstanding as of December 31, 2021 and USD 22,5 million outstanding as of December 31, 2020. The expiration date is August 29, 2022 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 104.5 million and USD 72.0 million at December 31, 2021 and 2020, respectively.

4. Current assets - Financial assets

Financial assets held as current assets as at December 31, 2021 and 2020 were as follows:

	USD	
Description	2021	2020
Invested cash and cash equivalents		
- US Dollars	13,993,305	13,357,504
- Other currencies	2,286,867	1,098,520
Equity investments	44,770,099	56,884,234
Fixed income investments		
- Government	38,725,074	35,060,142
- Corporate	5,607,883	11,929,150
Investments at net asset value	1,362,396,400	1,368,082,660
Due from brokers	8,214,547	19,533,161
Net unrealized gain on forward contracts	(109,486)	810,427
Total current financial assets	**1,475,884,689**	**1,506,755,798**

5. Other short-term receivables

Other short-term receivables of USD 6,533,654 as at December 31, 2021 and USD 4,696,069 as at December 31, 2020 did not include doubtful debts. Other short-term receivables mainly contains a receivable from the Swiss VAT authorities (see 12. Other short-term provision) and receivables in connection with the leasehold improvement of the New York offices.

6. Non-current assets - Financial assets

Description	USD 2021	USD 2020
Arima Genomics		
Net investment	210	210
Share in capital and voting rights	3.34%	3.34%
Epigenome Technologies, Inc.		
Net investment	5	24
Share in capital and voting rights	1.00%	5.00%
iOx Therapeutics Limited		
Net investment	33	33
Share in capital and voting rights	9.90%	9.90%
iTeos Therapeutics, Inc.		
Net investment	0	24,824,184
Share in capital and voting rights	0.00%	2.10%
Life Sciences Pharmaceuticals, Inc.		
Net investment	1,457	1,457
Share in capital and voting rights	13.65%	13.65%
Other		
Fixed income securities	4,723,860	5,010,000
Investments at net asset value	670,116,760	478,197,701
Loans to staff	541,553	27,953
Long-term deposits	87,418	0
US 457(b) Pension plan (see Note 14)	2,014,758	1,831,997
Total financial assets	**677,486,054**	**509,893,559**

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. During 2021, all of the shares of iTeos Therapeutics, Inc. have been sold for a net price of USD 25,658,614.

The Institute has granted various housing loans to staff. The outstanding long-term receivables totaled to USD 541,553 as at December 31, 2021 and USD 27,953 as at December 31, 2020. Short-term receivables for these loans are recorded under Other short-term receivables and amounted to USD 6,400 in 2021 and USD 6,400 in 2020.

7. Non-current assets - Investments

Description	USD 2021	2020
Investment in Vaccitech Oncology Limited (VOLT)		
Share capital	1,557	1,458
Share premium	7,350,510	6,187,956
Cumulated results	(5,418,221)	(4,338,393)
percentage owned and voting rights	24.00%	24.00%
Net investment at January 1	444,245	1,057,226
Share of capital and premium change	296,886	240,464
Share of net loss	(272,895)	(853,333)
Translation adjustment	(23,991)	(112)
Net investment at December 31, VOLT	**444,245**	**444,245**
Miscellaneous investments	527	527
Total investments at December 31	**444,772**	**444,772**

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, 2021 and December 31, 2020, the purchase of equipment and other assets and expenditure on leasehold improvements, totaling to USD 2,010,322 and USD 551,159 respectively, was expensed in the year of acquisition. In 2021, significant expenditures were made for scientific equipment and in connection with the move of the New York office.

Receipts arising from the disposal of equipment and other assets totaling to USD 2,864 and USD 0, 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 2021 and 2020, unrealized gains of USD 308,489 and USD 1,091,518 and unrealized losses of USD 417,975 and USD 281,091, 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	2021	2020
Forward currency purchases	34,981,981	42,407,215
Forward currency sales	34,872,495	43,217,642

10. Pension Schemes

Pension schemes have been established at all Institute locations.

The consolidated annual cost of the employer's contributions in 2021 and 2020 for all plans amounted to USD 1,793,814 and USD 1,784,723 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 31.12.2021	Share of Commit-ment* 31.12.2021	Share of Commit-ment* 31.12.2020	Net Change in Commit-ment	Contri-butions 2021	Total Income / (Expense) 2021	Total Income / (Expense) 2020
LGI Qualified plan (USA)	(2,242)	(2,242)	(5,191)	2,949	0	2,949	(1,896)
LGI Supplemental plan (USA)	(8,526)	(8,526)	(8,338)	(188)	(202)	(390)	(966)
AXA Foundation for Occupational Benefits (CH)	N/A	0	0	0	(348)	(348)	(335)

* 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 2021 and 2020 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.

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 considering 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 2021 and 2020.

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 last available 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 9.1 million) as at December 31, 2019. No estimation as per December 31, 2021 was provided to the Institute by the USS scheme due to delays at the scheme actuary.

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 2021 or 2020, nor does it expect to make any contributions in 2020. In the supplemental plan, contributions of USD 202,447 were paid in 2021 and USD 86,115 in 2021. Benefits of USD 2,105,933 in 2021 and USD 1,483,199 in 2020 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

Description	USD 2021	USD 2020
Other short-term liabilities to third parties (see also note 3)	878,300	23,920,737
Other short-term liabilities to pension funds	47,385	174,580
Other short-term liabilities to governing bodies	0	0
Total other short-term liabilities	**925,685**	**24,095,317**

12. Short-term provisions

USD	Tax related	Total
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**
Additions	0	0
Utilizations	0	0
Release of provisions	0	0
Currency adjustments	(122,654)	(122,654)
Provisions as per December 31, 2021	**3,361,854**	**3,361,854**

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 4,075,063) 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 2,999,802) was in respect of VAT claimed by the Swiss Federal Tax Administration for the years 2007 to 2009 and CHF 992,789 (USD 1,075,261) 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 3,361,854).

As there has been no correspondence with the Swiss Federal Tax Administration since 2017, their claim will most probably fall under the absolute statute of limitation of 15 years.

13. Deferred income

Description	USD 2021	USD 2020
Deferred income at January 1	11,301,593	10,420,512
Usage of deferred income	(9,502,620)	(7,339,008)
Additional deferred income	4,835,929	8,220,089
Deferred income at December 31	**6,634,902**	**11,301,593**
Net change in restricted funds	**(4,666,691)**	**881,081**

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

Description	USD 2021	USD 2020
US 457(b) Pension plan	2,014,758	1,831,997
Total other long-term liabilities	**2,014,758**	**1,831,997**

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, 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**
Additions	(655,626)	390,286	(1,045,912)
Utilizations	(2,105,933)	(202,447)	(1,903,486)
Provisions as at December 31, 2021	**10,768,086**	**8,526,196**	**2,241,890**

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	**2021**	**2020**
Directors' fees	348,415	345,022
Salaries and social benefits	1,985,567	1,973,103
Other remuneration	0	0
Total emoluments	**2,333,982**	**2,318,125**

In 2021 and 2020, the President of the Institute and the Institute’s Scientific Director and in 2020 the President of the Fund 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. No members of the Board of Directors received other remuneration.

The remuneration of the two Boards of Directors, the Chairperson of the two Boards, the Presidents 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, 2021 and 2020, 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 209,000 in 2021 and USD (126,000) in 2020.

18. Other related party transactions

The Institute is a party to a Research Collaboration and License Agreement with Vaccitech Oncology Limited. In 2021 and 2020 income from cost recovery and licensing amounted to USD 77,280 and USD 20,301, 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	2021	2020
2021	0	39,424,604
2022	42,913,423	43,923,873
2023	42,611,373	20,022,347
2024	18,318,017	15,493,754
2025	16,147,036	14,701,449
2026	5,737,549	682,709
2027-2032	3,554,675	3,554,674
Commitments not recorded in the Balance Sheet	**129,282,073**	**137,803,410**

20. Approval of the consolidated financial statements

The consolidated financial statements of the Ludwig Institute for Cancer Research Ltd as at December 31, 2021, together with the Report of the Auditors, dated May 20, 2022, are hereby submitted to the General Meeting of Shareholders.

21. 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, which comprise the balance sheet, income statement, cash flow statement, statement of capital changes and notes on pages 4-21 for the year ended 31 December 2021.

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 2021 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

M. Schaad

Scott

Martin Schaad
Licensed Audit Expert
Auditor in Charge

Timothy Scott
Licensed Audit Expert

Zurich, 20 May 2022

Enclosure:
- Consolidated financial statements (balance sheet, income statement, cash flow statement, statement of capital changes and notes)

PERFORMANCE REPORT

PURPOSES OF THE ORGANIZATION

The Ludwig Institute for Cancer Research Ltd (the Institute) is an international not-for-profit organization with a 50-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, bridging investigations on the fundamental questions of life and applied science of cancer care. Since its inception, the Institute has invested USD 2.2 billion of its own resources and 0.7 billion from external funding in cancer research. Internal support for its research comes from an investment pool valued at around USD 2.1 billion. This investment portfolio is held and managed by LICR Fund, Inc. (the Fund).

The Institute now has around 618 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 a defined space and functions in close association with a local university, research institute and / or not-for-profit hospital. A number of individual investigators and laboratories 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 in 2021 to support its core research programs.

In 2021, the Institute recorded income of USD 6.6 million from industrial and philanthropic resources and USD 4.7 million from government sources. The total income of USD 11.3 million was 37.9%, or USD 6.9 million, lower than the 2020 amount received of USD 18.2 million. Although there were substantial increases, namely from Tigen Pharma S.A., Lausanne, Switzerland, of USD 2.2 million, there were several funding sources that had decreased due to the anticipated end of collaborations, namely from the Cancer Research Institute, New York, USA, of USD 7.8 million. The general decrease was mainly due to the ongoing 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 US National Institutes of Health (USD 4.3 million), Tigen Pharma S.A., Lausanne, Switzerland (USD 2.2 million), US National Institutes of Health (USD 1.4 million), the Université Catholique de Louvain, Brussels, Belgium, (USD 1.3 million) and Société des Produits Nestlé S.A., Vevey, Switzerland (USD 0.6 million).

SEGMENT REPORTING

The total operating expenses of USD 97.3 million in 2021 and USD 86.5 million in 2020 consist of the following segments:

	million USD			
Description	2021	2020	Variance	% of total 2021
Branch and laboratory expenditure				
Brussels	6.1	4.6	1.4	6%
Lausanne	14.1	7.6	6.5	15%
Memorial Sloan Kettering Cancer Center	1.2	0.8	0.4	1%
Oxford	10.8	9.3	1.5	11%
Princeton	5.2	0.0	5.2	6%
San Diego (including SMD*)	18.0	20.5	-2.5	19%
Sao Paulo	0.0	1.8	-1.8	0%
Stockholm	0.0	0.0	0.0	0%
Uppsala	0.0	0.0	0.0	0%
Wistar Institute	1.6	1.0	0.6	2%
Total Branch and laboratory expenditure	**56.9**	**45.6**	**11.3**	**60%**
Non-Branch expenditure				
Administration	15.0	17.0	-2.0	16%
Clinical Trials	7.8	9.8	-2.0	8%
Fund management	6.9	7.8	-0.9	7%
Intellectual property	2.4	2.3	0.1	2%
Programs	5.4	4.0	1.4	6%
Total Non-Branch Expenditure	**37.5**	**40.9**	**-3.4**	**40%**
Total Institute	**94.4**	**86.5**	**7.9**	**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 2020 (the latest year where analysis data is currently available), total expenditure of USD 81.4 million are broken down into program service expenditure - USD 61.3 million (75%); management and general expenditure - USD 18.4 million (23%); and grant writing expenditure – USD 1.7 million (2%).

For 2019, total expenditure of USD 89.2 million is analyzed as 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%).

INTERNAL CONTROL SYSTEM AND ANNUAL RISK ASSESSMENT

The Institute's and the Fund's management oversee the design, operation and maintenance of the system of internal control (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 system of internal control over financial reporting is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission 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 system of internal control in place is designed to manage rather than to eliminate risk. The system of internal control 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 2021, the Institute's and the Fund's managements conducted risk assessments of the key processes already 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 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 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 management 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 internal control system, to receive reports from the Risk and Compliance Officer and External Auditors, to review the internal control system 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 about 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, 2021.

Risk assessments are carried out on an annual basis by the Risk and Compliance Officer who reports to the Audit Committees. They are based on the annual self-assessment of risks and controls by those responsible for ICS processes, on information obtained through interviews with management and key staff of the Institute and the Fund, and on further assessment and testing of controls when internal audits are performed.

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 2021 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, 2021, 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, 2021, 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, 2021 was as follows:

Lausanne	George Coukos, MD, PhD
Oxford	Xin Lu, PhD
Princeton	Joshua Rabinowitz, MD, 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 2021

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, including the six Ludwig Centers located at universities across the United States. In 2021, progress was made in the study of tumor biology, cancer genomics, cancer prevention, the tumor microenvironment, cancer metabolism and tumor immunology.

Ludwig laboratories remained productive despite the continuing disruptions and supply chain issues stemming from the COVID-19 pandemic. The Institute's researchers adapted workflow to the "new normal," resuming their experiments, lab meetings and a steady stream of publications 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 2021, the publication record by location was as follows:

	Primary Research Articles	Reviews/ Book Chapters/ Commentaries	Total
Brussels	12	5	17
Lausanne	83	53	136
New York/MSK	22	7	29
Oxford	57	11	68
Princeton	10	7	17
San Diego	53	4	57
Total	**237**	**87**	**324**

Clinical Trials
Four Institute-sponsored clinical trials were ongoing in 2021. These four trials, together with 21 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 44 supplemental submissions to its active regulatory dossiers in three countries.

Clinical Trial Sites
The following sites had active Ludwig Institute-managed trials in 2021:

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
- 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
- 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 Miami, Miami, FL, USA
- University of Virginia, Charlottesville, VA, 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. In 2021, eight new U.S. patents and two new European patents were issued, and 10 new U.S. applications and a further six new international patent applications were filed. In addition, the Institute was party to 198 license, sublicense and option agreements with commercial organizations at the start of 2021. During the year, an additional 13 agreements were implemented while eight agreements either expired or were terminated. At the end of 2021, the Institute's portfolio comprised a total of 203 agreements. Most 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 immune 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.

Checkpoint antibody immunotherapies targeting PD-1/L1 and CTLA-4 have become standard therapies for a broad range of cancer indications. 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 modulating agents remains a critical research endeavor of the Institute. The Institute’s research and technology development activities have also resulted in the generation of 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 evaluated in clinical trials by the Institute's licensee, Agenus Inc. In 2021, the Agenus submitted a Biologics License Application to the FDA for accelerated approval of balstilimab for treatment of recurrent or metastatic cervical cancer. However, for strategic reasons Agenus later withdrew the BLA to continue to develop balstilimab together with its second generation, Fc engineered anti-CTLA-4 antibody (AGEN1181) and additional combinations. AGEN1181 is based on zalifrelimab and has improved biological activity and potential clinical benefit. A phase 2 clinical study of the combination of

AGEN1181 and balstilimab is ongoing. Agenus's development partner, Betta Pharmaceuticals, has launched a phase 2 study of the balstilimab and zalifrelimab combination in China.

Ludwig start-up company iTeos Therapeutics, Inc. (iTeos) is continuing clinical development of EOS-850, a best- in-class adenosine A2A receptor antagonist and EOS-448, an ADCC-enabled anti-TIGIT antibody targeting the tumor microenvironment, enabling the immune system to recognize and attack tumors. Product candidate EOS-448 (anti-TIGIT), is being co-developed with GlaxoSmithKline.

Portage Biotech (formally iOx Therapeutics) is developing invariant natural killer T-cell (iNKT) agonist IMM60, originally licensed from the Ludwig, which induces a broad reprogramming of the innate and adaptive immune system. This enables the body to recognize and attack tumors and could help more patients respond to treatment. Portage has initiated a Phase 1/2 clinical trial with PORT-2, a liposome formulation of IMM60, either alone or in combination with anti-PD1 antibodies. IMM60, can also be co-delivered with antigen-specific vaccines to target tumors that express a specific cancer-antigen, such as NY-ESO-1. Portage initiated an additional Phase 1 trial with PORT-3, a nanoparticle co-formulation of IMM60 and NY-ESO-1 peptide antigens, in NY-ESO-1 positive tumors.

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 humanized MX35 antibody, originally discovered by the Institute and developed in collaboration with Recepta Biopharma S.A., is being developed by the biotechnology company Mersana, as upifitamab risodotin (XMT-1536 or NaPi2b dolaflexin-ADC). Mersana has initiated patient dosing in the UPLIFT study, a single arm registration strategy in patients with platinum-resistant ovarian cancer. In addition, the UPGRADE study was initiated, a phase 1 combination study of upifitamab and carboplatin in patients with platinum-sensitive ovarian cancer. Mersana is continuing the development of a second clinical ADC candidate XMT-1592 (NaPi2b Dolasynthen-ADC), in patients with ovarian cancer and NSCLC.

At the end of 2021, 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
Life Sciences Pharmaceuticals, Inc., USA
Recepta Biopharma S.A., Brazil
Vaccitech Oncology Limited, United Kingdom
Arima Genomics Inc., USA
Epigenome Technologies, Inc., USA

In 2021 the gross income to the Institute from the commercialization of the Institute's technologies was USD 2.8 million. Significant contributions to the gross income were represented by sublicense income received from MSK, as a result of MSK’s agreement with Merck for the CD40 antibody and 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. The net income to the Institute after sharing with co-owners and inventors was USD 2.2 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, no PhD student started postgraduate training with the Institute and one completed training with the Institute. On December 31, 2021, the Institute was acting as sponsor to 21 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 2021:

Brussels

Stefan N. Constantinescu, MD, PhD	2021 Alexandre and Gaston Tytgat Prize in Cancer Research
	President, Federation of European Academies of Medicine (FEAM) 2021-2024

Lausanne

George Coukos, MD, PhD	ESMO Translational Research Award 2021
	Web of Science highly cited researcher 2021 (3rd consecutive year)
Caroline Arber, MD	Prix Leenards for translational medical research
Michal Bassani, PhD	Pfizer Research Prize for basic research in the field of oncology, for the paper “Integrated proteogenomic deep sequencing and analytics accurately identify non-canonical peptides in tumor immunopeptidomes”
Johanna Joyce, PhD	Robert Bing Award, Swiss Academy of Medical Sciences
	Election to the Council of Women in Cancer Research of the AACR
Ping Chih-Ho, PhD	2021 Melanoma Research Alliance Established Investigator Award (USA)

New York/MSK

Alexander Lesokhin, MD	Paula and Rodger Riney Multiple Myeloma Research Initiative Fund (Philanthropic Gift in support of a project)
Andrew Chow, MD, PhD	2021 Society of MSK Grant – awarded $50,000 for research on leveraging CD39 to predict ICB outcomes and improve adoptive T cell therapies
	2021 International Lung Cancer Foundation’s Young Investigator Award – awarded $50,000 for research on leveraging CD39 to predict ICB outcomes and improve adoptive T cell therapies

	2021 Stony World-Herbert Fund Research Grant – awarded $25,000 for research on CD39 as a selectable marker of tumor reactive CD8+ T cells
Bharat Burman, MD, PhD	2021 Conquer Cancer Foundation-ASCO Annual Meeting Merit Award
Christopher Hackett, MD, PhD	MSK Sarcoma SPORE Career Enhancement Program “Multi-Armored CAR T Cells for sarcoma”
	MSK Technology Development Fund “Dual-Armored GD3-targeted CAR T Cells for small cell lung cancer, melanoma, and sarcoma”
Lukas Kraehenbuehl, MD	2021 Swiss National Science Foundation, Postdoc. Mobility Fellowship, 80’100 CHF (88’000 USD)
	2021 Swiss Society for Dermatology and Venerology, Lilly Immunodermatology Award 10’000 CHF (11’000 USD)
Oxford	
Sir Peter J. Ratcliffe, MD, FRS	Royal College of Physicians, Harveian Oration
Benjamin Schuster-Boeckler, PhD	Turing Fellowship
Yang Shi, PhD	Professor of the University of Oxford
Stefan N. Constantinescu, MD, PhD	Professor of the University of Oxford
Princeton	
Alexis Cowan and Xiaoxuan (Athena) Li	Defended their thesis and earned their PdD’s
Minhong Shen	Accepted position of Assistant Professor at the Barbara Ann Karmanos Cancer Center, Wayne State University in Detroit, Michigan
Eileen White, PhD	Elected Fellow, AACR Academy
	Elected Member, National Academy of Sciences
Maria Gomez	Received 2021 NJCCR postdoc fellowship (declined to accept slot on T32)
Maria Ibrahim	Received 2021 NJCCR predoc fellowship

San Diego

Neha Varshney, PhD	Was selected for a National Academy of Sciences, India-Young Scientist Platinum Jubilee Award-2021

STATUTORY FINANCIAL STATEMENTS

BALANCE SHEET AS AT DECEMBER 31, 2021

	Notes	USD 2021	USD 2020	CHF 2021	CHF 2020
Assets					
Cash and cash equivalents	1, 2	9,223,104	8,217,574	8,515,692	7,320,215
Trade receivables		20,818	30,518	19,221	27,185
External funding receivables	1, 11	1,448,901	1,125,067	1,337,770	1,002,210
Other short-term receivables	7	4,694,078	4,584,547	4,334,042	4,083,914
Other short-term receivables - intercomp.		0	4,500,000	0	4,008,600
Prepaid expenses and accrued income		2,231,092	1,663,006	2,059,967	1,481,406
Total current assets		**17,617,993**	**20,120,712**	**16,266,692**	**17,923,530**
Other long-term receivables - intercomp.		0	2,500,000	0	2,227,000
Financial assets	1, 3	2,645,434	3,362,948	2,442,529	2,995,714
Investments	1, 4	5,547,957	5,547,957	5,122,429	4,942,120
Total non-current assets		**8,193,391**	**11,410,905**	**7,564,958**	**10,164,834**
Total assets		**25,811,384**	**31,531,617**	**23,831,650**	**28,088,364**
Liabilities					
Short-term accounts payable - 3rd party		3,564,110	4,211,435	3,290,743	3,751,546
Short-term accounts payable - intercomp.	5	1,318,685	1,109,369	1,217,542	988,226
Other short-term liabilities	6	506,123	546,552	467,303	486,869
Short-term provisions	7	3,361,854	3,484,508	3,104,000	3,104,000
Accrued short-term expenses	1	4,512,191	4,043,893	4,325,591	3,602,300
Deferred income	1, 11	6,634,901	11,301,593	6,126,004	10,067,459
Total short-term liabilities		**19,897,864**	**24,697,350**	**18,531,183**	**22,000,400**
Other long-term liabilities	8	2,014,758	1,831,997	1,860,226	1,631,943
Total long-term liabilities		**2,014,758**	**1,831,997**	**1,860,226**	**1,631,943**
Total liabilities		**21,912,622**	**26,529,347**	**20,391,409**	**23,632,343**
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		3,839,220	4,942,728	3,380,241	4,396,021
Total shareholders' equity		**3,898,762**	**5,002,270**	**3,440,241**	**4,456,021**
Total liabilities and shareholders' equity		**25,811,384**	**31,531,617**	**23,831,650**	**28,088,364**

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	USD 2021	USD 2020	CHF 2021	CHF 2020
Operating income					
Contributions	1, 10	45,000,000	57,181,211	41,422,500	54,785,318
External funding	1, 11	15,948,408	17,277,957	14,680,510	16,554,011
License fees and royalties	12	2,480,060	1,742,642	2,282,895	1,669,625
Other operating income		3,060,482	1,106,620	2,817,174	1,060,253
Total operating income		**66,488,950**	**77,308,430**	**61,203,079**	**74,069,207**
Operating expenses					
Salaries and social benefits		25,102,163	27,865,291	23,106,541	26,697,735
Laboratory supplies		3,540,405	3,645,656	3,258,943	3,492,903
Equipment and leasehold improvements	1	2,000,421	542,360	1,841,388	519,635
Clinical trial studies		2,322,911	3,758,047	2,138,240	3,600,585
Core collaborative research programs	1	34,518,907	19,513,648	31,774,654	18,696,026
Other collaborative research programs	1	4,298,730	5,192,212	3,956,981	4,974,658
Occupancy		3,732,036	4,018,552	3,435,339	3,850,175
Travel, conferences and seminars		73,352	116,311	67,521	111,438
Professional fees and services		12,553,358	6,162,434	11,555,366	5,904,228
Patent and inventors' costs		957,107	956,608	881,017	916,526
Other operating expenses		929,855	1,071,619	855,932	1,026,718
Total operating expenses		**90,029,245**	**72,842,738**	**82,871,922**	**69,790,627**
Surplus / (Deficit) for the year before Other items		(23,540,295)	4,465,692	(21,668,843)	4,278,580
Other items					
Gain on foreign exchange	1	342,909	507,821	315,648	486,543
Loss on foreign exchange	1	(681,861)	(1,380,274)	(627,653)	(1,678,752)
Interest and other financial income	1	277,032	40,567	255,008	38,867
Interest and other financial cost	1	0	(12,687)	0	(12,155)
Gain on financial assets and investments	1, 3,4	22,498,726	228,811	20,710,077	219,224
Loss on financial assets and investments	1, 3,4	(19)	(622,905)	(17)	(596,805)
Total Other items		**22,436,787**	**(1,238,667)**	**20,653,063**	**(1,543,078)**
Surplus / (Deficit) for the year		(1,103,508)	3,227,025	(1,015,780)	2,735,502
Voluntary retained surplus on January 1		4,942,728	1,715,703	4,396,021	1,660,519
Voluntary retained surplus on December 31		**3,839,220**	**4,942,728**	**3,380,241**	**4,396,021**

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.

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, the Princeton Branch, the 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 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 totaling to USD 0.2 million (CHF 0.2 million) in 2021 and USD 1.2 million (CHF 1.1 million) in 2020. These amounts are included under Cash and cash equivalents and are used as collateral for various letters of credit totaling to USD 0.2 million (CHF 0.2 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	2021	2020	2021	2020
Arima Genomics				
Net investment	210	210	194	187
Share in capital and voting rights	3.34%	3.34%	3.34%	3.34%
Epigenome Technologies, Inc.				
Net investment	5	24	5	21
Share in capital and voting rights	1.00%	5.00%	1.00%	5.00%
iOx Therapeutics Limited				
Net investment	33	33	30	29
Share in capital and voting rights	9.90%	9.90%	9.90%	9.90%
iTeos Therapeutics, Inc.				
Net investment	0	1,501,274	0	1,337,335
Share in capital and voting rights	0.00%	2.10%	0.00%	2.10%
Life Sciences Pharmaceuticals, Inc.				
Net investment	1,457	1,457	1,345	1,298
Share in capital and voting rights	13.65%	13.65%	13.65%	13.65%
Loans to staff	541,553	27,953	500,016	24,901
Deposits	87,418	0	80,713	0
US 457(b) Pension plan	2,014,758	1,831,997	1,860,226	1,631,943
Total financial assets	**2,645,434**	**3,362,948**	**2,442,529**	**2,995,714**

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.

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 staff. The outstanding long-term receivables as of December 31, 2021 totaled to USD 541,553 (CHF 500,016) and as at December 31, 2020 to USD 27,953 (CHF 24,901). Short-term receivables for these loans are recorded under Other short-term receivables and totaled to USD 6,400 (CHF 5,909) in 2021 and USD 6,400 (CHF 5,701) in 2020.

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 represent the value invested in favor of the employees and is offset by the liability to the employees (see note 8.)

4. Investments

	USD		CHF	
Description	2021	2020	2021	2020
Universe Tankships, Inc.				
Book value	5,103,185	5,103,185	4,711,771	4,545,917
Share in capital and voting rights	100.00%	100.00%	100.00%	100.00%
Vaccitech Oncology Limited				
Book value	444,245	444,245	410,171	395,733
Share in capital and voting rights	24.00%	24.00%	24.00%	24.00%
Recepta Biopharma S.A.				
Book value	327	327	302	291
Share in capital and voting rights	26.21%	26.21%	26.21%	26.21%
Ludwig Technologies, Inc.				
Book value	100	100	92	89
Share in capital and voting rights	100.00%	100.00%	100.00%	100.00%
Cancer Vaccine Acceleration Company, LLC				
Book value	100	100	92	89
Share in capital and voting rights	50.00%	50.00%	50.00%	50.00%
Total investments	**5,547,957**	**5,547,957**	**5,122,429**	**4,942,120**

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. 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 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 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, 2021.

Payables in favor of The Ludwig Group, Inc. as of December 31, 2021 and December 31, 2010 amounted to USD 1,318,685 (CHF 1,109,369) and USD 1,109,369 (CHF 988,226) respectively.

6. Other short-term liabilities

Description	USD 2021	USD 2020	CHF 2021	CHF 2020
Other short-term liabilities to third parties	458,738	371,972	423,553	331,353
Other short-term liabilities to pension fund	47,385	174,580	43,751	155,516
Total other short-term liabilities	**506,123**	**546,552**	**467,303**	**486,869**

In 2021 and 2020 other short-term liabilities to third parties included VAT liabilities of USD 26,758 (CHF 24,706) and USD 336 (CHF 300) respectively.

7. Short-term provisions

USD	Tax related	Total
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**
Additions	0	0
Utilizations	0	0
Release of provisions	0	0
Currency adjustments	(122,654)	(122,654)
Provisions as per December 31, 2021	**3,361,854**	**3,361,854**

CHF	Tax related	Total
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**
Additions	0	0
Utilizations	0	0
Release of provisions	0	0
Currency adjustments	0	0
Provisions as per December 31, 2021	**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 4,075,063) 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 2,999,802) was in respect of VAT claimed by the Swiss Federal Tax Administration for the years 2007 to 2009 and CHF 992,789 (USD 1,075,261) 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 3,361,854).

As there has been no correspondence with the Swiss Federal Tax Administration since 2017, their claim will most probably fall under the absolute statute of limitation of 15 years.

8. Other long-term liabilities

	USD		CHF	
Description	2021	2020	2021	2020
US 457(b) Pension Plan	2,014,758	1,831,997	1,860,226	1,631,943
Total other long-term liabilities	**2,014,758**	**1,831,997**	**1,860,226**	**1,631,943**

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	2021	2020	2021	2020
Lease and administrative commitments	12,099,445	16,181,899	11,171,418	14,414,836
Core and other collaborative research commitments	102,547,265	110,137,604	94,681,890	98,110,578
Ludwig Members long term obligations	14,635,363	11,483,907	13,512,831	10,229,864
Commitments not recorded in the balance sheet	**129,282,073**	**137,803,410**	**119,366,138**	**122,755,278**

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 2021 and 2020, the Fund was a material source of funding and made contributions to the Institute of USD 45,000,000 (CHF 41,422,500) and USD 57,181,211 (CHF 54,785,318) 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	2021	2020	2021	2020
Gross license fees and royalties income	2,833,872	2,058,179	2,608,579	1,971,941
Co-owners' share distributed	353,812	315,537	325,684	302,316
Net license fees and royalties	**2,480,060**	**1,742,642**	**2,282,895**	**1,669,625**

13. Full-time equivalents

The average number of full-time equivalent employees was 150 in 2021 and 180 in 2020.

14. Internal control system and annual risk assessment

The Institute's management oversees the design, operation, and maintenance of the system of internal control (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 system of internal control over financial reporting is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission.

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 system of internal control in place is designed to manage rather than to eliminate risk. The system of internal control is an ongoing process designed to identify the principal financial reporting risks, to evaluate the nature and extent of those risks and to manage them efficiently.

In 2021, 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 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 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 LICR 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 internal control system, to receive reports from the Risk and Compliance Officer and External Auditors, to review the internal control system documentation and to agree any actions necessary to implement recommended improvements. The Audit Committee received reports from the Institute's Risk and Compliance Officer regarding 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, 2021.

Risk assessments are carried out on an annual basis by the Risk and Compliance Officer who reports to the Audit Committee. They are based on the annual self-assessment of risks and controls by those responsible for ICS processes, on information obtained through interviews with management and key staff of the Institute, and on further assessment and testing of controls when internal audits are performed.

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, 2021, together with the Report of the Statutory Auditors, dated May 20, 2022, are hereby submitted to the General Meeting of Shareholders.

The Balance Sheet of the Statutory Financial Statements shows total assets of CHF 23,831,650 and the Statement of Income and Expenditure shows a deficit for the fiscal year of CHF 1,015,780.

Description	CHF 2021
Voluntary retained surplus on January 1	4,396,021
(Deficit) for the year	(1,015,780)
Voluntary retained surplus on December 31	**3,380,241**

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 2021 in the amount of CHF 3,380,241. 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 42 to 52 for the year ended 31 December 2021.

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 2021 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.

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

M. Schaad

Martin Schaad
Licensed Audit Expert
Auditor in Charge

Scott

Timothy Scott
Licensed Audit Expert

Zurich, 20 May 2022

Enclosures:
- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings