ADC Therapeutics SA

2021 Annual Report

Table of Contents

Letter to Shareholders

THERAPEUTICS
Innovating Science. Inspiring Hope.

Dear Shareholders,

2021 was a pivotal year for ADC Therapeutics in which we had many significant achievements across our pipeline and the business. Notably, we secured our first FDA approval and initiated the launch of ZYNLONTA® to patients in need, we advanced our promising pipeline of hematologic and solid tumor programs in multiple clinical and preclinical studies, and we made significant strides in our corporate development. I would like to thank our dedicated employees and all the physicians and patients working together to bring these innovative medicines to patients.

The approval of ZYNLONTA in April 2021 for patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL), just five years after dosing the first patient, was the highlight of the year. It validated our proprietary antibody drug conjugate (ADC) platform and brought a new treatment option to patients with significant medical need, including those who had failed other treatment regimens such as CAR-T therapy and stem cell transplant. Our world-class commercial team executed the launch flawlessly in the hybrid COVID-19 environment. ZYNLONTA's differentiated product profile resonates with physicians and the launch is off to an impressive start. The ZYNLONTA success story demonstrates the robust capabilities we have in every aspect of our business – from research and development to regulatory, commercial and sales.

As we look forward, we believe there is the potential for ZYNLONTA to expand into earlier lines of treatment where there continues to be a significant unmet medical need for patients. This potential for ZYNLONTA is based on its unique single agent efficacy and safety profile in heavily pre-treated DLBCL patients. We have several ongoing and planned trials of ZYNLONTA as a combination with other therapies in DLBCL to ensure all patients with lymphoma can receive the maximum benefit from ZYNLONTA.

Our second most advanced therapeutic candidate is camidanlumab tesirine (Cami), a PBD-based ADC targeting CD25. Interim data presented last year at the *International Conference on Malignant Lymphoma 2021* demonstrated encouraging antitumor activity as a single agent with no new safety signals. We expect to present topline results from the pivotal Phase 2 trial in relapsed or refractory Hodgkin lymphoma in the first half of this year, and we are preparing to submit a Biologics License Application with the FDA for potential approval. Anecdotally, stories from clinical trial patients who have taken Cami have been inspiring, and we believe approval would give many other patients this same life-altering opportunity.

Beyond hematology, we have a deep and robust portfolio of solid tumor programs, including three clinical programs and two preclinical programs. We believe Cami combined with pembrolizumab could have synergistic effects, so we are exploring this combination in a Phase 1b trial in solid tumors. ADCT-901 (targeting KAAG1) is a potential first-in-class therapy currently in a Phase 1 trial in solid tumors such as platinum-resistant ovarian cancer and triple-negative breast cancer. We are also planning to initiate the Phase 1b combination study of ADCT-601 (targeting AXL) in multiple solid tumors in the first half of 2022. In addition, we have a collaboration with the *National Cancer Institute* (NCI) for ADCT-701 (targeting DLK-1), which is focused on neuroendocrine malignancies. Finally, our most recently announced solid tumor program is ADCT-212 (targeting PSMA), which is in preclinical development to support an IND filing for metastatic prostate cancer.

2021 also marked a year of significant corporate advancements. We entered into a financing agreement with HealthCare Royalty Partners for up to $325 million, including $225 million upfront and up to $100 million in near term potential milestones. This provides us with substantial working capital to fund the commercialization and development of ZYNLONTA and Cami and to progress our other pipeline programs. We plan to expand our global reach beyond the United States to provide ZYNLONTA to as many patients worldwide as possible. To that end, we have received validation of our ZYNLONTA Marketing Authorization Application (MAA) by the European Medicines Agency (EMA), we initiated the pivotal Phase 2 trial for ZYNLONTA in China through our joint venture, Overland ADCT BioPharma, and recently we entered into an exclusive license agreement with Mitsubishi Tanabe Pharma Corporation for the development and commercialization of ZYNLONTA in Japan.

We continue to attract top talent from across the industry to develop and commercialize the assets in our rich pipeline. We have validated the science behind our ADCs and are well positioned to expand our reach into new therapeutic areas. Our teams around the world are deeply committed to developing novel targeted cancer therapies, and your support has made a meaningful difference in the lives of patients with unmet medical needs. We look forward to updating you on the continued progress of our innovative programs.

Regards,

Chris Martin
Chief Executive Officer

Business Update

INFORMATION ON THE COMPANY

History and Development of the Company

ADC Therapeutics SA is a Swiss stock corporation (*société anonyme*) organized under the laws of Switzerland. We were incorporated as a Swiss limited liability company (*société à responsabilité limitée*) on June 6, 2011 with our registered office and domicile in Epalinges, Canton of Vaud, Switzerland. We converted to a Swiss stock corporation under the laws of Switzerland on October 13, 2015. In May 2020, we completed our initial public offering on the NYSE under the ticker symbol "ADCT".

Our registered office is located at Biopôle, Route de la Corniche 3B, 1066 Epalinges, Switzerland and our phone number is +41 21 653 02 00. We are headquartered in Lausanne, Switzerland, and maintain research and development laboratories in London, clinical development operations in New Jersey and in Lausanne, commercial operations in New Jersey and CMC operations in the San Francisco Bay Area. Our website is www.adctherapeutics.com. Information contained on or accessible through our website is not part of, and is not incorporated by reference into this Annual Report.

Our principal expenditures since January 1, 2019 have been our research and development expenses, as more fully described elsewhere in this Annual Report.

Business Overview

We are a commercial-stage biotechnology company improving the lives of cancer patients with our next-generation, targeted antibody drug conjugates ("ADCs") for patients with hematologic malignancies and solid tumors. We develop our ADCs by applying our decades of experience in this field and using next-generation pyrrolobenzodiazepine ("PBD") technology to which we have proprietary rights for our targets. By leveraging our R&D strengths, our disciplined approach to target selection and our preclinical and clinical development strategy, we have created a diverse and balanced portfolio and research pipeline. Our hematology franchise comprises one approved product (ZYNLONTA, formerly known as loncastuximab tesirine or Lonca) and two clinical-stage product candidates, camidanlumab tesirine ("Cami," previously known as ADCT-301) and ADCT-602. Our solid tumor franchise comprises three clinical-stage product candidates, Cami, ADCT-601 (mipasetamab uzoptirine) and ADCT-901, and two preclinical product candidates, ADCT-701 and ADCT-212.

Our flagship product, ZYNLONTA, received accelerated approval from the FDA on April 23, 2021 for the treatment of adult patients with relapsed or refractory large B-cell lymphoma after two or more lines of systemic therapy, including diffuse large B-cell lymphoma ("DLBCL") not otherwise specified, DLBCL arising from low-grade lymphoma, and also high-grade B-cell lymphoma. The broad patient population included in the label is a key point of differentiation for ZYNLONTA. In a pivotal Phase 2 clinical trial for the treatment of relapsed or refractory DLBCL, ZYNLONTA demonstrated significant clinical activity across a broad population of heavily pre-treated patients, achieving a 48.3% overall response rate ("ORR") and a 24.8% complete response rate ("CRR"), while maintaining a manageable tolerability profile. The trial included a broad spectrum of heavily pre-treated patients (median three prior lines of therapy) with difficult-to-treat disease, including patients who did not respond to first-line therapy, patients refractory to all prior lines of therapy, patients with double/triple hit genetics and patients who had stem cell transplant and CAR-T therapy prior to their treatment with ZYNLONTA. In the most recent data cut as of March 1, 2021, patients who received ZYNLONTA had a median duration of response ("DoR") of 13.4 months for all responders, and the median DoR was not reached for patients with a complete response. We believe that ZYNLONTA has a current addressable patient population of approximately 6,000 patients in the United States, and our experienced commercial organization is striving to unlock this market opportunity by engaging physicians regarding ZYNLONTA's differentiated product profile. ZYNLONTA was added to the NCCN Clinical Practice Guidelines for Oncology ("NCCN Guidelines") with a Category 2A recommendation for third-line-plus DLBCL patients, which reflects the broad label and the differentiated profile of ZYNLONTA.

We are committed to providing global access to ZYNLONTA to patients who may benefit from treatment. In Europe, our Marketing Authorisation Application ("MAA") for ZYNLONTA for the treatment of relapsed or refractory DLBCL has been validated by the European Medicines Agency ("EMA"), which enables the evaluation process by the EMA's Committee for Medicinal Products for Human Use ("CHMP") to begin. On September 13, 2021, we received Orphan Drug Designation in the European Union for ZYNLONTA for the treatment of DLBCL. In China, our joint venture with Overland Pharmaceuticals is continuing to advance the development of ZYNLONTA in China and has dosed the first patient in a pivotal Phase 2 clinical trial of ZYNLONTA for the treatment of relapsed or refractory DLBCL in China. This local pivotal study mirrors our ongoing global pivotal Phase 2 clinical trial of ZYNLONTA and its results are intended to support the registration of ZYNLONTA in China. In Japan, we entered an exclusive license agreement with Mitsubishi Tanabe Pharma Corporation ("MTPC") for the development and commercialization of ZYNLONTA for all hematologic and solid tumor indications in January 2022. See "Item 10. Additional Information—C. Material Contracts."

In addition, to further expand the market opportunity for ZYNLONTA and maximize its commercial potential, we are conducting a confirmatory Phase 3 clinical trial of ZYNLONTA in combination with rituximab that, if successful, we believe will serve as the basis for a supplemental BLA ("sBLA") for ZYNLONTA for the treatment of relapsed or refractory DLBCL in second-line transplant-ineligible patients.

We have completed the safety-run in portion of this trial with 20 patients dosed, and we are now enrolling the randomized phase of the trial. The combination of ZYNLONTA and rituximab appears to be well tolerated, we did not observe any new safety events, and the initial data suggests the agents are additive. In addition, we are planning to initiate a frontline study of ZYNLONTA combined with rituximab in unfit or frail patients who are not eligible for R-CHOP in the second half of 2022. Unfit or frail patients represent a meaningful subset of first line patients and a significant unmet medical need. We believe the profile of ZYNLONTA combined with rituximab provides a potential advantage over existing treatment options for these patients. Finally, we are initiating a Phase 1 clinical trial of ZYNLONTA in multiple combinations in NHL in the first half of 2022.

Our next clinical-stage product candidate, Cami, has demonstrated significant clinical activity across a broad population of heavily pre-treated patients, while maintaining a tolerability profile that we believe is manageable. We are evaluating Cami in a 117-patient pivotal Phase 2 clinical trial for the treatment of relapsed or refractory Hodgkin lymphoma ("HL"), for which we completed enrollment in January 2021 and recently completed the 12-month follow-up stage of the trial. Patients had a median of six lines of prior systemic therapy. As of March 26, 2021, interim data from 101 evaluable patients showed a 66.3% ORR and a 27.7% CRR. No new safety signals were identified in the most recent data cut. Seven patients (6.0%) developed Guillain-Barre syndrome/polyradiculopathy, which is consistent with the incidence in the Phase 1 trial for Hodgkin lymphoma patients. We believe that this clinical trial, if successful, will support a BLA submission. We plan to have a pre-BLA meeting with the FDA in the second half of 2022. We are also evaluating Cami in a Phase 1b clinical trial as a novel immuno-oncology approach for the treatment of various advanced solid tumors. This clinical trial is currently enrolling patients and evaluates Cami in combination with pembrolizumab, a checkpoint inhibitor, to better understand its potential as both a monotherapy and in combination.

ADC Summary

Antibody drug conjugates are an established therapeutic approach in oncology. ADCs selectively deliver potent chemotherapeutic cytotoxins directly to tumor cells, with the goal of maximizing activity in tumor cells while minimizing toxicity to healthy cells. The antibody component is designed to selectively bind to a distinct antigen preferentially expressed on tumor cells or other cells in the tumor microenvironment. Upon binding to the antigen, most ADCs are internalized by the cell where the cytotoxic warhead is released, causing cell death.

PBD warheads have a different mechanism of action from other warheads because they create cross-links in the cancer cells' DNA that do not distort the DNA helix, potentially evading the cells' natural DNA repair mechanisms. They have been shown preclinically to be approximately 100 times more potent than warheads used in currently marketed ADCs. Our ADCs use next-generation PBD technology, which is designed to produce warheads that are less hydrophobic, causing them to be easier to conjugate and, based on preclinical data, have less off-target toxicity than first-generation PBD warheads. Preclinical studies have further shown that our next-generation PBD warheads have improved therapeutic indices compared to first-generation PBDs. We believe that this mechanism of action allows our ADCs to achieve significant clinical activity and durable responses in difficult-to-treat patients.

Company History

We were founded in 2011 as a spinoff from Spirogen Ltd. ("Spirogen"), which was founded in 2000 and was an early innovator in PBD-based ADC research. Our co-founder and CEO, Dr. Christopher Martin, was a founder and the CEO of Spirogen until its sale to AstraZeneca plc in 2013. We leverage Dr. Martin's decades-long experience in the development and evolution of PBD-based ADC research. Our senior management team also brings extensive experience in oncology research and development, clinical development, chemistry, manufacturing and controls ("CMC"), medical affairs, commercialization and regulatory and compliance, having held senior positions in such companies as Ariad Pharmaceuticals, Inc., AstraZeneca plc, Bristol-Myers Squibb Company, Celgene Corporation, Daiichi Sankyo Company, Genentech, Inc., Genmab, ImmunoGen, Inc., MorphoSys AG and Wyeth Pharmaceuticals, Inc. Our board of directors includes former senior executives of Array BioPharma Inc., AstraZeneca plc, GlaxoSmithKline plc, Novartis A/G, Pfizer Inc., F. Hoffmann-La Roche AG and Serono S.A.

Our Portfolio

Our research and development operations have generated a diverse and balanced portfolio. Our hematology franchise comprises one commercial-stage product, ZYNLONTA, and two clinical-stage product candidates, Cami and ADCT-602. Our solid tumor franchise comprises three clinical-stage product candidates, Cami, ADCT-601 (mipasetamab uzoptirine) and ADCT-901, and two preclinical product candidates, ADCT-701 and ADCT-212. The figure below summarizes key information about our portfolio:

Anticipated milestones set forth in this chart and in this Annual Report are subject to further future adjustment based on, among other factors, the impact of the COVID-19 pandemic. *We believe that our Phase 2 clinical trial of Cami for the treatment of relapsed or refractory HL is a pivotal clinical trial (i.e., a clinical trial intended to serve as the basis for BLA submission). Therefore, we believe that subsequent Phase 3 clinical trials will be confirmatory clinical trials. ** The LOTIS-6 trial in FL is paused.
NTE: Non-Transplant Eligible

In addition, our preclinical research pipeline consists of research programs focused on four ADC targets (one hematological and three solid tumor targets) and ten XDC targets (four hematological and six solid tumor targets), with the goal of selecting clinical candidates for further development. We refer to those targets for which we are exploring the use of non-antibody protein scaffolds and peptides to deliver potent PBD cytotoxins to tumor cells as "XDC targets."

Strengths

- We are a pioneer in developing highly potent and targeted PBD-based ADCs. We believe that our team, with decades of experience in this field, is well positioned to develop and commercialize PBD-based ADCs for the benefit of patients with cancer.
- Our flagship product, ZYNLONTA, and our next product candidate, Cami, have consistently demonstrated robust single-agent clinical activity across a broad population of heavily pre-treated patients, while maintaining tolerability profiles that we believe are manageable.
- We are advancing a broad pipeline of four clinical-stage product candidates and two preclinical product candidates addressing multiple areas of unmet medical need across hematological malignancies and solid tumors, leveraging our R&D strengths, our disciplined approach to target selection and our preclinical and clinical development strategy.
- Our commercial organization is leveraging our team's deep industry experience to maximize the commercial potential of ZYNLONTA in the United States. We have also entered into multiple collaborations with strategic partners, a joint venture with Overland Pharmaceuticals to develop and commercialize ZYNLONTA, ADCT-602, ADCT-601 and ADCT-901 in greater China and Singapore and an exclusive license agreement with MTPC to develop and commercialize ZYNLONTA in Japan.
- Our experienced CMC team is highly proficient in the manufacturing of PBD-based ADCs and has developed a validated commercial supply chain that has been able to consistently produce ZYNLONTA at commercial scale.

Strategy

Our near-term goal is to leverage our expertise in next-generation PBD technology to develop and deliver innovative therapies to patients suffering from severe diseases who lack adequate treatment options, with a focus on oncology and immuno-oncology. Our long-term vision is to broaden the use of our ADCs to an extensive range of hematological and solid tumor indications, while also advancing any approved products through the treatment paradigm to become standard-of-care treatments in earlier lines of therapy. Key elements of our strategy to achieve our near-term goal and long-term vision include:

- *Continue the commercial launch of ZYNLONTA and maximize the commercial potential of ZYNLONTA.* Our flagship product, ZYNLONTA, received accelerated approval from the FDA on April 23, 2021 for the treatment of adult patients with relapsed or refractory large B-cell lymphoma after two or more lines of systemic therapy, including diffuse large B-cell lymphoma ("DLBCL") not otherwise specified, DLBCL arising from low-grade lymphoma, and also high-grade B-cell lymphoma. The broad patient population included in the label is a key point of differentiation for ZYNLONTA. We believe that ZYNLONTA has a current addressable patient population of approximately 6,000 patients in the United States, and our experienced commercial organization is striving to unlock this market opportunity by engaging physicians regarding ZYNLONTA's differentiated product profile. ZYNLONTA was added to the NCCN Clinical Practice Guidelines for Oncology (NCCN Guidelines) with a Category 2A recommendation for third-line-plus DLBCL patients, which reflects the broad label and the differentiated profile of ZYNLONTA.

- *Continue to advance the development of ZYNLONTA outside of the United States to maximize its commercial opportunity in DLBCL.* We are committed to providing global access to ZYNLONTA to patients who may benefit from treatment. In the European Union, our Marketing Authorisation Application ("MAA") for ZYNLONTA for the treatment of relapsed or refractory DLBCL has been validated by the European Medicines Agency ("EMA") and we received Orphan Drug Designation in the European Union for ZYNLONTA. In China, our joint venture continues to advance the development of ZYNLONTA and has dosed the first patient with ZYNLONTA in a pivotal Phase 2 clinical trial in patients with relapsed or refractory DLBCL. In Japan, we entered an exclusive license agreement with MTPC for the development and commercialization of ZYNLONTA for all hematologic and solid tumor indications.

- *Advance ZYNLONTA into earlier lines of therapy and for multiple indications to further expand its market opportunity*. We believe that ZYNLONTA has the opportunity to advance into earlier lines of therapy in combination with other therapies, including into first-line therapy. In September 2020, we commenced a confirmatory clinical trial of ZYNLONTA in combination with rituximab, which, if successful, we believe will support an sBLA for ZYNLONTA to be used as a second-line therapy for the treatment of relapsed or refractory DLBCL in transplant-ineligible patients. We have completed the safety-run in portion of this trial with 20 patients dosed, and we are now enrolling the randomized phase of the trial. The combination of ZYNLONTA and rituximab appears to be well tolerated, we did not observe any new safety events, and the initial data suggests the agents are additive. In addition, we are planning to initiate a frontline study of ZYNLONTA combined with rituximab in unfit or frail patients who are not eligible for R-CHOP in the second half of 2022. Unfit or frail patients represent a meaningful subset of first line patients and a significant unmet medical need. We believe the profile of ZYNLONTA combined with rituximab provides a potential advantage over existing treatment options for these patients. Finally, we are initiating a Phase 1 clinical trial of ZYNLONTA in multiple combinations in NHL in the first half of 2022.

- *Advance our product candidate, Cami, to support potential BLA submission.* Based on promising results from our 133-patient Phase 1 clinical trial, we are currently evaluating Cami in a pivotal Phase 2 clinical trial for the treatment of relapsed or refractory HL that, if successful, we believe will form the basis for a BLA submission. In January 2020, we completed enrollment for this clinical trial with 117 patients and recently completed the 12-month follow-up stage of the trial. Patients had a median of six lines of prior systemic therapy. As of March 26, 2021, interim data from 101 evaluable patients showed a 66.3% ORR and a 27.7% CRR. No new safety signals were identified in the most recent data cut. Seven patients (6.0%) developed Guillain-Barre syndrome/polyradiculopathy, which is consistent with the incidence in the Phase 1 trial for HL patients. We believe that this clinical trial, if successful, will support a BLA submission.

- *Continue to advance Cami into solid tumors based on preliminary pharmacokinetic and biomarker data*. Preliminary pharmacokinetic and biomarker data from the Phase 1b clinical trial of Cami for the treatment of selected advanced solid tumors were presented at the European Society for Medical Oncology (ESMO) Virtual Congress 2020 and at the American Society of Clinical Oncology (ASCO) 2021 annual meeting and data from a preclinical study were published in the *Journal for ImmunoTherapy of Cancer*. These data support the continued evaluation of Cami in combination with other immune-modulating therapies. We are evaluating Cami in a Phase 1b clinical trial as a novel immuno-oncology approach for the treatment of various advanced solid tumors. This clinical trial is currently enrolling patients and evaluates Cami in combination with pembrolizumab, a checkpoint inhibitor, to better understand its potential.

- *Advance our other clinical-stage and preclinical solid tumor programs, to address multiple indications in areas of high unmet medical need*. We are evaluating ADCT-601, which targets AXL-expressing solid tumors, for the treatment of various advanced solid tumors and intend to initiate a Phase 1b combination clinical trial. On September 27, 2021, we announced that the first patient was dosed in

the Phase 1 clinical trial evaluating ADCT-901, targeting kidney associated antigen 1 ("KAAG1"), in patients with selected advanced solid tumors with high unmet medical needs, including platinum resistant ovarian cancer and triple negative breast cancer. We have also entered into a collaboration with the National Cancer Institute ("NCI") to continue the development of ADCT-701 (targeting DLK1). In addition, we recently disclosed a new preclinical target in ADCT-212, targeting PSMA in metastatic castration-resitant prostate cancer.

- *Continue to develop a balanced product portfolio of novel products and product candidates to address high unmet medical needs of cancer patients.* By leveraging our R&D strengths and technology platform, along with our disciplined approach to target selection and preclinical and clinical development strategy, we are continuously discovering and developing clinical and product candidates to expand and further strengthen our portfolio. In addition, we may seek to in-license or acquire complementary technologies and product candidates, including through partnerships, strategic collaborations, business combinations, acquisitions and other transactions, to further expand our portfolio and its clinical and commercial potential.

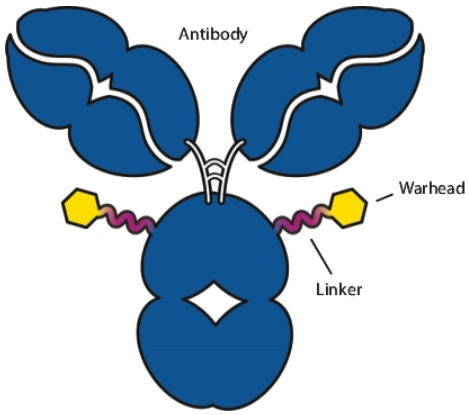
- *Maximize the commercial potential of our product candidates through both our own commercial organization and strategic collaborations and licensing opportunities in select markets.* We continue to commercialize ZYNLONTA in the United States through our own infrastructure and may selectively pursue strategic collaborations, business combinations, acquisitions, licensing opportunities or similar strategies in other geographies. We have an experienced team with substantial expertise in the commercialization of oncology products to support our commercialization efforts for ZYNLONTA which serves as the foundation of our U.S. commercialization efforts for our other product candidates. We have also entered into strategic agreements to maximize the commercial potential of our pipeline, a joint venture with Overland Pharmaceuticals for ZYNLONTA, ADCT-602, ADCT-601 (mipasetamab uzoptirine) and ADCT-901 in greater China and Singapore and an exclusive license agreement with MTPC for ZYNLONTA in Japan. See "Item 10. Additional Information—C. Material Contracts."

Overview of Antibody Drug Conjugates

Cancer is a broad group of diseases in which cells divide and grow in an uncontrolled fashion and which are usually classified as either hematological malignancies or solid tumors.

The most common cancer treatments typically include a combination of surgery, radiation therapy and chemotherapy. In addition, several novel targeted therapies have also been approved. Each of these treatments have certain benefits but also certain limitations and may not be suitable for all patients. ADCs can complement other forms of treatment and are an important part of the cancer treatment paradigm.

Antibody drug conjugates are an established therapeutic approach in oncology. ADCs selectively deliver potent chemotherapeutic cytotoxins directly to tumor cells, with the goal of maximizing activity in tumor cells while minimizing toxicity to healthy cells. An ADC consists of three components: (i) a monoclonal antibody that selectively targets a distinct antigen preferentially expressed on tumor cells or other cells in the tumor microenvironment; (ii) a cytotoxic molecule, often referred to as the toxin or the warhead, that kills the target cell; and (iii) a chemical linker that joins together the antibody and the warhead. The warhead and the linker are together referred to as the payload. The figure below shows the three components of an ADC.



Schematic representation of an ADC, showing its three components.

Because the antibody is designed to selectively target a distinct antigen preferentially expressed on tumor cells or other cells in the tumor microenvironment, an ADC will bind preferentially to those cells that express the specific antigen. Upon binding to the antigen, most ADC molecules are internalized by the cell where the cytotoxic warhead is released through either cleavage of the linker or degradation of the entire

antibody by cellular processes. Once a sufficient number of cytotoxic molecules have been released intracellularly, apoptosis occurs when the cell next attempts to replicate.

Components of Antibody Drug Conjugates

Monoclonal Antibodies

The first component of an ADC is the monoclonal antibody, which is a highly specific targeting agent that selectively binds to a distinct antigen preferentially expressed on tumor cells or other cells in the tumor microenvironment. Since ADCs are designed to selectively target an antigen that is expressed in the tumor microenvironment, ADCs have less effect on cells that do not express the target antigen. Due to this specificity, the cytotoxins used in ADCs can be much more potent than those used in traditional chemotherapies, allowing normally systemically intolerable doses of cytotoxins to be directed at tumors.

In an ADC, two significant factors are considered in the selection of the antigen to which the antibody is targeted: (i) the preferential expression on tumor cells or other cells in the tumor microenvironment; and (ii) the level of antigen expression on these cells. As a result, it is generally recognized that high and consistent (i.e., homogeneous) antigen expression throughout the tumor microenvironment correlates with higher efficacy of the ADC. By contrast, the ability to achieve a therapeutic concentration of cytotoxins in the target cell diminishes as the level of antigen expression decreases.

Chemotherapeutic Warheads

The second component of an ADC is the cytotoxic warhead, or the cell-killing toxin. Cytotoxins commonly used in ADCs include tubulin inhibitors, such as maytansines and auristatins, and DNA-damaging toxins, such as calicheamicin. Because a warhead is conjugated to an antibody that selectively targets the tumor microenvironment, ADCs can use cytotoxins at levels that are normally too potent to be used as a stand-alone therapy. Once an ADC is internalized by the target cell, the warhead is released and ultimately causes cell death via a warhead-specific mechanism. Some warheads have the additional ability to diffuse into and kill neighboring cells in the tumor microenvironment. This bystander effect can be useful in enhancing the efficacy of ADCs in tumors with heterogeneous antigen expression by providing a mechanism to kill neighboring tumor cells that do not express the target antigen.

Chemical Linkers

The third component of an ADC is the chemical linker used to attach the warhead to the antibody. The chemical linker directly affects the efficacy, safety and tolerability of an ADC. Before an ADC is internalized by the target cell, it is critical that the chemical linker provides a stable connection between the warhead and the antibody in systemic circulation, as premature release of the warhead can cause significant off-target toxicity. After an ADC is internalized by the target cell, it is critical that the warhead is released from the antibody to promote rapid and efficient cell killing.

Linkers used in ADCs fall into two categories: cleavable and non-cleavable. Cleavable linkers release the warhead intracellularly after proteolytic cleavage of the linker by intracellular enzymes such as cathepsin or after weakening of the linker by the intracellular environment. In contrast, non-cleavable linkers are resistant to this type of cleavage and instead rely on the degradation of the entire antibody. As a result, the released payload in ADCs that use non-cleavable linkers remains attached to a fragment of the antibody, which limits the warhead's permeability to adjacent cells, reducing the bystander effect and potentially the ADC's efficacy in tumors with heterogeneous target antigen expression.

Key Strengths and Attributes of Antibody Drug Conjugates

Antibody drug conjugates are an important part of the cancer treatment paradigm for the following reasons:

- *Selective Targeting*. Traditional chemotherapies are unable to distinguish between healthy cells and tumor cells. As a result, these therapies typically have a narrow therapeutic window (i.e., the dose range that can treat disease effectively without causing unacceptable toxic side effects). In contrast, ADCs, through their use of antigen-specific antibodies, target tumor cells or other cells in the tumor microenvironment with greater selectivity than do traditional chemotherapies. This selective targeting allows ADCs to use potent cytotoxins at dose levels that otherwise would not be tolerable. As a result, ADCs can represent a highly effective treatment approach while maintaining manageable side effects.
- *Wide Addressable Patient Population.* ADCs represent a treatment approach that expands the treatment options available to cancer patients. Many therapies are not appropriate for certain patient populations. For example, surgery is not used when the cancer is widespread, chemotherapy may not be appropriate when the patient is too sick to tolerate or does not respond to available chemotherapeutics, stem cell transplant may not be appropriate when the patient is frail, and some novel targeted therapies such as CAR-T (i.e., a type of treatment in which a patient's T cells are modified in the laboratory so they will attack cancer cells) may not be appropriate when there is significant comorbidity. As a result of these limitations, there remains a significant unmet medical need for patients for whom other treatment options are inappropriate or ineffective.

- *Potential in Relapsed or Refractory Patients*. Traditional therapies typically have limited effectiveness for patients who exhibit relapsed (i.e., the cancer returns after an initial positive response to treatment) or refractory (i.e., the cancer is resistant to treatment) cancers. In contrast, some ADCs have proven efficacious in such patient populations while maintaining a manageable tolerability profile. Therefore, ADCs represent an important part of the cancer treatment paradigm, expanding the treatment options available to patients suffering from relapsed or refractory cancers.

The Antibody Drug Conjugates Landscape

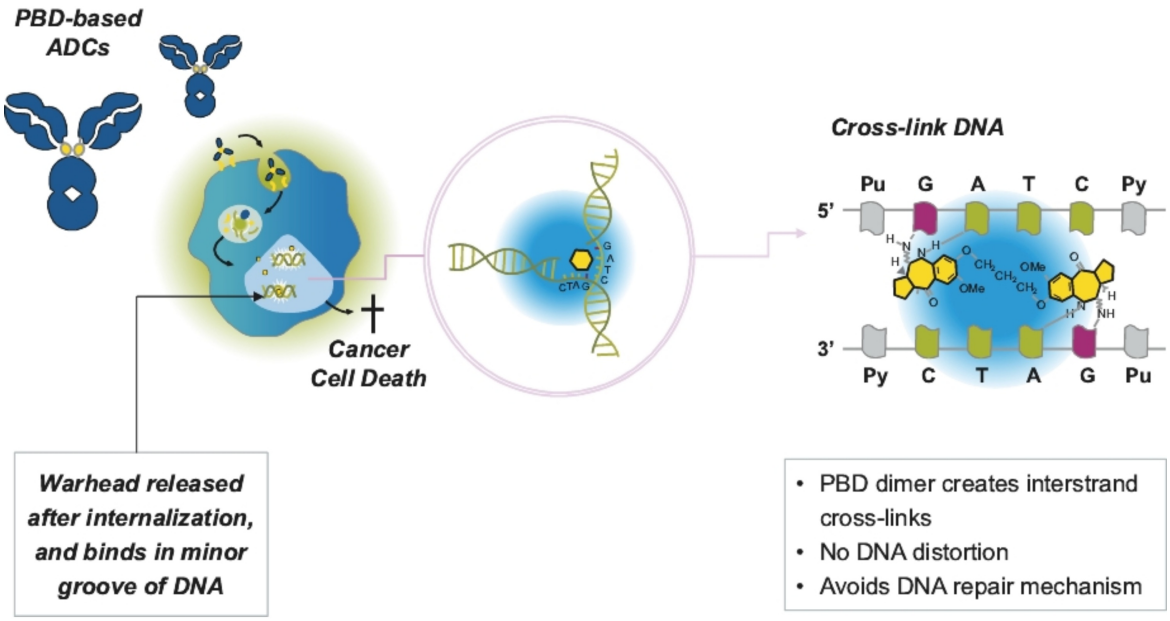
While ADCs are an important part of cancer treatment, there are certain challenges in developing ADCs that achieve the optimal therapeutic index (i.e., the balance between efficacy and tolerability). These challenges include (i) developing warheads that are sufficiently potent to target cancers with low or heterogeneous antigen expression without causing unacceptable toxic side effects, (ii) designing linkers that are stable in systemic circulation but that release the warhead once the ADC has been internalized by the target cell, and (iii) creating ADCs that achieve durable responses. We believe that our expertise in ADC research and development and access to next-generation PBD technology enables us to develop ADCs that overcome these challenges.

Our Next-Generation PBD-Based Antibody Drug Conjugates

We develop ADCs that use next-generation PBD warhead technology. Using this technology, we have developed a diverse and balanced portfolio of highly targeted ADCs with potential for improved therapeutic indices that may allow us to broaden the scope of addressable cancer patients for whom treatment with ADCs is feasible or appropriate.

PBDs are a class of antibiotic or anti-tumor molecules. First-generation PBDs, developed in the early 2000s, were originally used as stand-alone chemotherapeutics. They were subsequently explored for use as ADC warheads. However, these first-generation PBD warheads' hydrophobicity generally resulted in manufacturability issues and they exhibited significant toxicities that resulted in very narrow therapeutic indices. In contrast, our ADCs use next-generation PBD technology, which is designed to produce warheads that are less hydrophobic, causing them to be easier to conjugate and, based on preclinical data, have less off-target toxicity than first-generation PBD warheads. Through further in-house development of conjugation technology and highly stable linker design, we aim to develop PBD-based ADCs that achieve significant clinical activity and durable responses in difficult-to-treat patients.

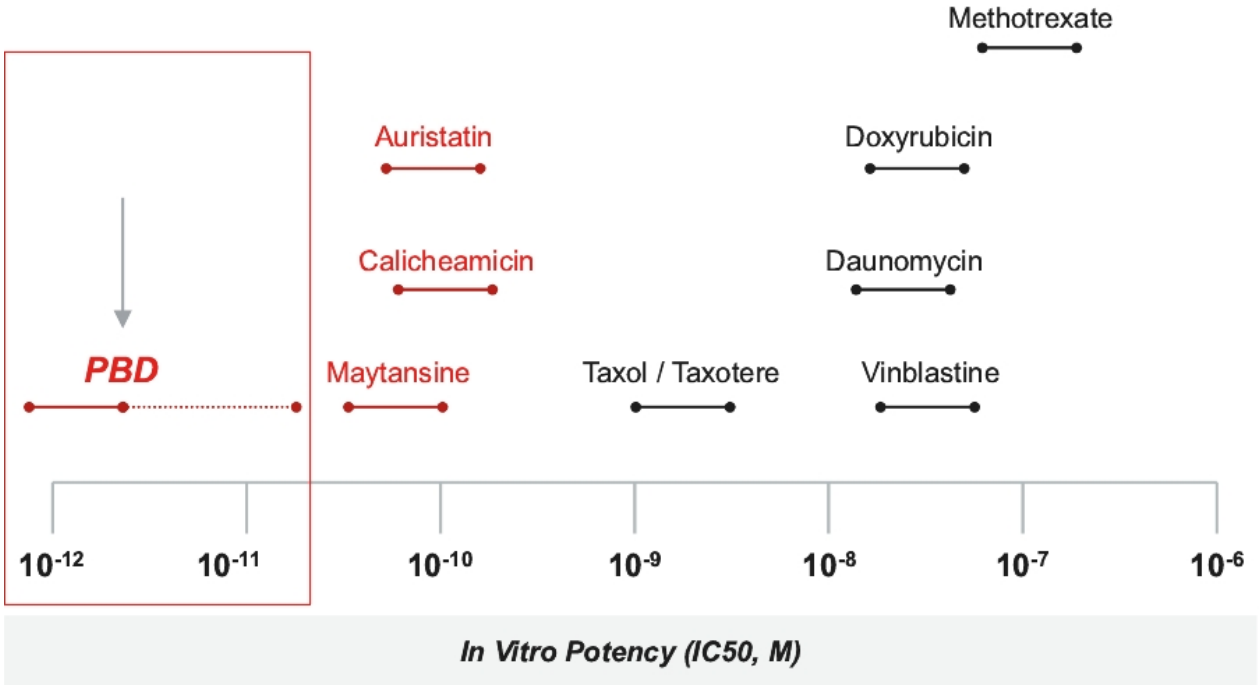
Our ADCs use PBD dimer warheads, which are two PBD monomer molecules bonded together. Once inside a target cell, these PBD dimers bind irreversibly to DNA without distorting the double helix, potentially evading DNA repair mechanisms that can otherwise reduce ADCs' effectiveness. PBD dimers do this by covalently binding two guanines from opposite DNA strands in the minor groove, forming highly cytotoxic interstrand cross-links that block DNA strand separation, thus disrupting essential DNA metabolic processes such as replication, and ultimately resulting in cell death. The figure below shows the mechanism of action of our PBD-based ADCs.



The mechanism of action of our PBD-based ADCs.

We believe that our ADCs, using next-generation PBD technology, have the potential to become an important part of the cancer treatment paradigm due to their following potential benefits:

- *Cytotoxic Potency*. The PBD dimer warheads used in our ADCs have been shown preclinically to be approximately 100 times more potent than warheads used in currently marketed ADCs, such as auristatin, maytansine and calicheamicin. The figure below shows the relative *in vitro* cytotoxic potency of various ADC warheads and common chemotherapeutics in comparison to a PBD dimer. Despite their potency, however, the PBD dimer warheads used in our ADCs have demonstrated a manageable tolerability profile in our preclinical studies and clinical trials to date.



The relative *in vitro* cytotoxic potency of various ADC warheads (in red) and common chemotherapeutics (in black) in comparison to a PBD dimer. "IC50" means the drug concentration causing 50% inhibition of the desired activity, and "M" means molar. Source: Spirogen, a subsidiary of AstraZeneca plc.

- *Activity in Tumors with Low-Expressing Targets*. Tumor cells typically require a threshold number of warhead molecules to be internalized for efficient cell killing. The high potency of our PBD-based warheads means that, compared to other warheads, fewer molecules of warhead should be needed to be internalized into the cancer cell to kill it. In cancer cells with low levels of antigen expression, ADCs with less potent warheads cannot bind in sufficient quantities to be effective. We believe that the potency of our PBD-based warheads may allow us to develop ADCs that target antigens with low expression levels in the tumor microenvironment, potentially increasing the range of cancers amenable to treatment with ADCs.

- *Durable Responses*. Cross-links in DNA occur when an agent reacts with two nucleotides of DNA, forming a covalent linkage between them. The cross-links can occur in the same strand (i.e., *intra*strand) or between opposite strands of DNA (i.e., *inter*strand). Our PBD-based ADCs create *inter*strand cross-links in the target cells' DNA. These *inter*strand cross-links persist in target cells and can lie dormant, potentially for weeks. We believe that this allows our ADCs to target slowly proliferating cancer cells, including cancer stem cells. The persistence of the *inter*strand cross-links is explained by the fact that these cross-links do not distort the DNA helix. Cells have natural DNA repair mechanisms that detect structural changes to DNA, including those caused by cytotoxic warheads, and repair the DNA back to its original state. Warheads that create *intra*strand cross-links, and even some warheads that create *inter*strand cross-links such as calicheamicin, distort the DNA helix, triggering the cells' DNA repair mechanisms, thereby reducing their efficacy and leading to drug resistance. As PBD cross-links are non-distortive, they are designed to be able to evade the cells' DNA repair mechanisms. In addition, tumor cells also induce the expression of certain transporter proteins (i.e., proteins that are able to transport warheads across the membrane outside the tumor cell) or the activation of detoxifying mechanisms that lead to inactive toxins. These potential resistance mechanisms limit traditional ADCs' efficacy, resulting in limited clinical responses and relapses. Based on data to date, very few resistance mechanisms have been reported for PBDs. We believe that all of these factors may contribute to the frequency and durability of responses in heavily pre-treated and primary refractory patients that we have observed in our clinical trials.

- *Bystander Effect*. The bystander effect occurs when a released warhead is able to diffuse into and kill neighboring cells in the tumor microenvironment, irrespective of those cells' antigen expression. Upon binding to the target antigen and internalization of our ADCs

into the tumor cell, the warhead is designed to induce apoptosis. This is followed by the release of free PBD dimers into the tumor microenvironment. Since our PBD-based warheads are cell-permeable, they may be able to diffuse into adjacent cells and kill them in an antigen-independent manner. We believe that this may allow us to develop ADCs that target antigens with heterogeneous expression levels in the tumor microenvironment, potentially increasing the range of cancers amenable to treatment with ADCs. Once the PBD is released into circulation outside the tumor microenvironment, it is rapidly excreted with a short half-life, thus limiting overall systemic toxicity. We believe that this results in our ADCs' bystander effect being controlled and generally limited to tumor cells.

- *Immunogenic Cell Death*. PBD warheads have been observed to induce immunogenic cell death, whereby a cancer cell's death expresses certain stress signals that induce the body's anti-tumor immune response through the activation of T cells and antigen-presenting cells. This opens up the potential for combining our ADCs with other therapies, particularly with immuno-oncology therapies such as checkpoint inhibitors, that are specifically designed to activate the patient's own immune system to combat cancer.

Our Target Selection Strategy

While PBD warheads offer distinct benefits, they are not suitable for targeting all antigens expressed on a tumor or in the tumor microenvironment. Based on our extensive experience with PBD warheads, we have developed a disciplined target selection strategy, which involves:

- analysis of the relative overexpression of the target antigen on the membrane of cancer cells (as compared to healthy cells) and other target characteristics, such as internalization (i.e., how rapidly the antigen migrates from the membrane to the inside of the cell), recycling (i.e., whether or not the antigen recycles back to the membrane once internalized) and shedding (i.e., whether the antigen is cleaved off from the membrane to form a soluble antigen sink in the extracellular space and/or circulation) properties;

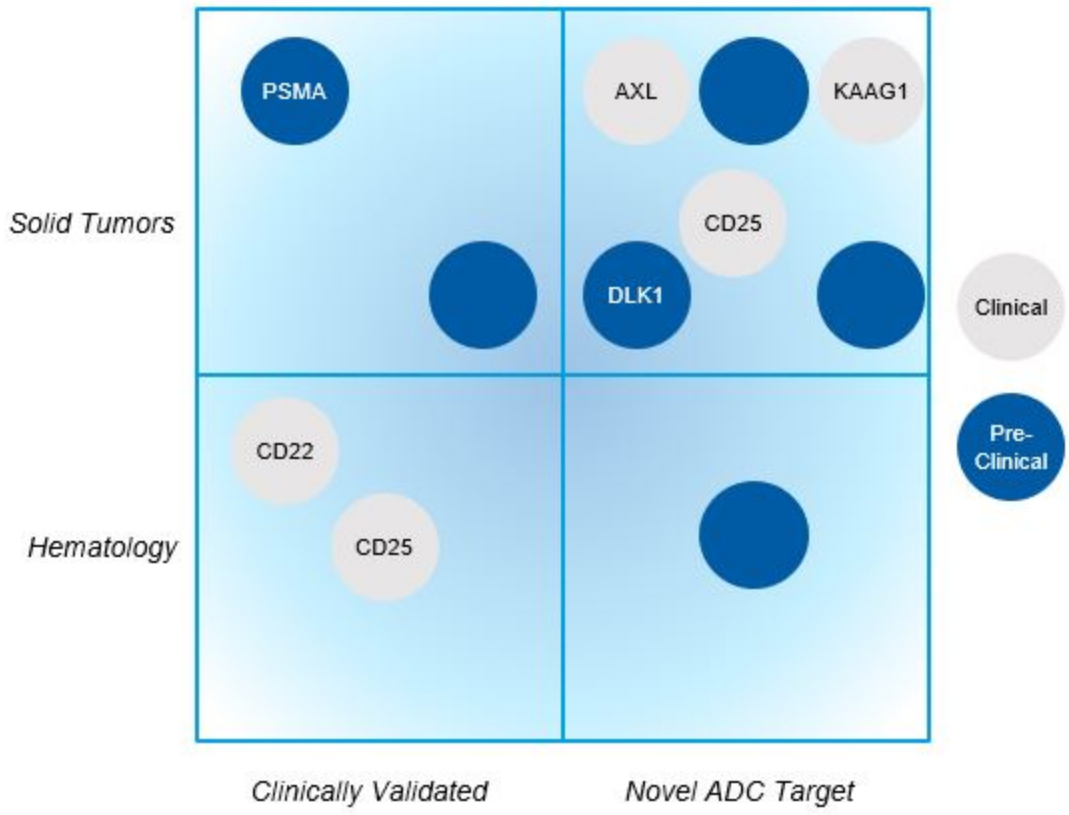
- review of whether an ADC that targets the antigen has the potential to address a clear unmet medical need and whether there is an established development path with the potential for accelerated regulatory approval;

- extensive in-house research and development focused on identifying preclinical *in vivo* activity and on- and off-target toxicity to determine the therapeutic index of a PBD-based ADC aimed at the antigen target; and

- determination of the potential product candidate's placement in the overall risk-reward profile of our portfolio.

Our target selection strategy aims to optimize the balance between risk and reward associated with clinical development and commercialization by covering both hematological and solid tumor indications and both clinically validated and novel cancer targets. Consistent with this strategy, we initially focused on clinically validated targets in hematological indications, as they represented the fastest route to achieve clinical proof of concept. Since then, we have expanded our focus to novel targets and in solid tumor indications.

Since inception, we have evaluated more than 170 targets and are currently pursuing 11 ADC targets and 10 XDC targets in our clinical and preclinical programs. The figure below shows the ADC targets for our current research and development programs.



ADC targets for our current research and development programs, which include both clinically validated and novel cancer targets in both hematological and solid tumor targets. Unlabeled circles represent undisclosed targets.

Our Development Strategy

Once we have selected a target antigen that we believe is suitable for ADC development, we undertake research and development to advance the ADC through clinical development. Our development strategy involves:

- selecting the clinical product candidate that represents the optimal combination of antibody, linker and PBD dimer. We compare multiple candidates with different combinations of the target-specific antibodies, linkers and linker positions, conjugation chemistry and the PBD warhead. Our objective is to nominate product candidates that exhibit the optimal balance between efficacy and safety in preclinical models.

- advancing our product candidates through IND-enabling preclinical studies, focusing on rapid execution of required pharmacology studies, non-clinical toxicology and pharmacokinetic studies and cGMP manufacturing of Phase 1 clinical material. Our efficient approach to preclinical development is evidenced by the following:

  - We have consistently completed IND-enabling preclinical studies in 13 to 22 months following selection of the clinical product candidate.

  - Since 2015, we have submitted six INDs and worked with our collaborators to submit two additional INDs for our product candidates.

- designing clinical trials to efficiently advance our product candidates towards regulatory submission and potential approval. Our clinical trials have the following features:

  - Our Phase 1 clinical trials enroll patients with different cancers that express the target antigen on the tumor cells or other cells in the tumor microenvironment. This allows us to conduct small dose-expansion studies simultaneously with dose-escalation studies, enabling signal searching and dose selection prior to concluding Phase 1 clinical trials. We have successfully used this method in

our Phase 1 clinical trials of ZYNLONTA and Cami, which resulted in the early identification of DLBCL and HL as the initial indications to pursue in our pivotal Phase 2 clinical trials, respectively.

- Our approach allows us to identify opportunities that may expand the market opportunity for our product candidates. For example, while we pursued DLBCL as the lead indication for ZYNLONTA, the data generated from the Phase 1 clinical trial have allowed us to efficiently advance late-stage clinical trials of ZYNLONTA for the treatment of other indications.
- Our Phase 1 clinical trials involve a wide range of dosing regimens. Because the PBD cross-links persist in tumor cells, it is important to find the dose levels and intervals that result in optimal tumor shrinkage while minimizing cumulative toxicities due to accumulation of the cross-links between doses. The wide range of dosing regimens in our Phase 1 clinical trials enables us to select the dose level to be used in pivotal clinical trials without the need for separate dose-range finding studies.
- Our clinical trials are designed to balance risk and reward by enrolling patients with both cancers that are difficult to treat and those that are more responsive to treatment.

- encouraging close collaboration between our preclinical and clinical teams. For example, when our clinical team provides emerging pharmacokinetic data to our preclinical team, this strengthens the predictive value of our preclinical animal models when switching between indications, such as from hematological tumors to solid tumors with Cami. Our preclinical team also analyze biomarkers that correlate with patient outcomes taken by our clinical team to monitor their pharmacodynamics effects and to inform patient selection and dosing strategies.

Our Portfolio

We are leveraging next-generation PBD technology, to which we have proprietary rights for our targets, to develop a diverse and balanced portfolio of products and product candidates. Our hematology franchise comprises our flagship product, ZYNLONTA, and two clinical-stage product candidates, including Cami which we are currently evaluating in a 117-patient pivotal Phase 2 clinical trial for the treatment of relapsed or refractory HL. Our solid tumor franchise comprises three clinical-stage product candidates and two preclinical product candidates.

Our Hematology Franchise

Our hematology franchise comprises three clinical-stage product candidates for the treatment of various hematological malignancies, including lymphoma and leukemia. The figure below summarizes the clinical-stage product candidates in our hematology franchise.

Anticipated milestones set forth in this chart and in this annual report are subject to further future adjustment based on, among other factors, the impact of the COVID-19 pandemic. * The LOTIS-6 trial in FL is paused.

Lymphoma is a group of several closely related blood cancers that develop in the lymphatic system, an interconnected network of vessels and nodes that circulate a fluid called lymph. The lymph is rich in lymphocytes, a type of white blood cells that help the body fight off infections and other diseases. Lymphoma occurs when lymphocytes become cancerous and are typically classified into two groups: non-Hodgkin lymphoma ("NHL") and Hodgkin lymphoma ("HL").

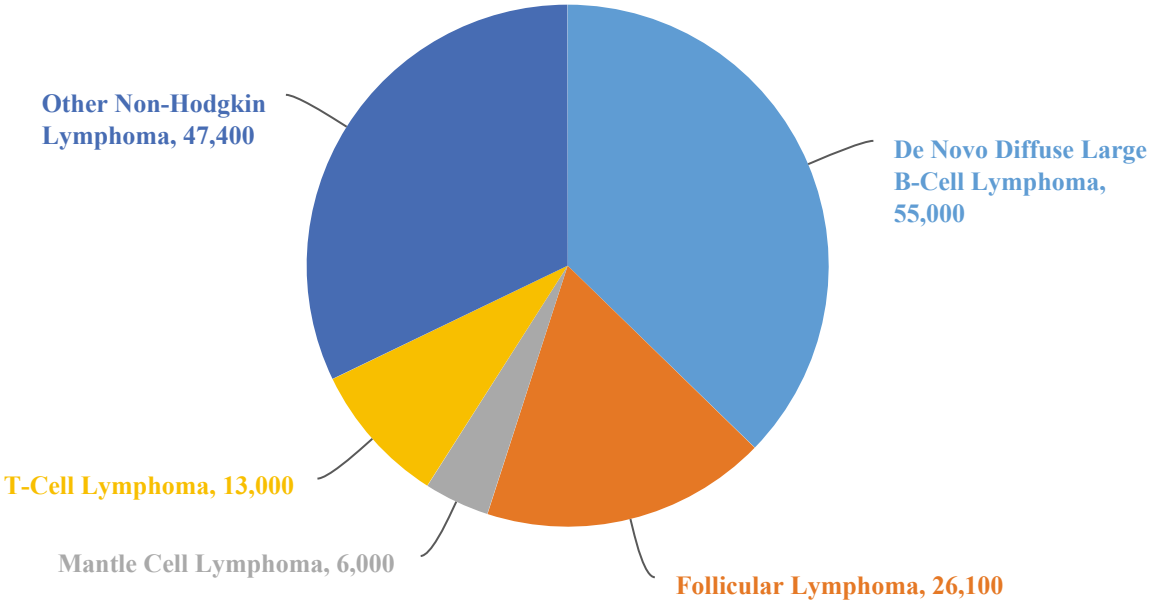
The Lymphoma Disease Setting

Non-Hodgkin Lymphoma

Non-Hodgkin lymphoma is a heterogeneous group of cancers of the lymphatic system that is characterized by the overproduction and accumulation of lymphocytes, either B lymphocytes ("B cells") or T lymphocytes ("T cells"). These cancerous lymphocytes travel to and

accumulate in other organs, including the lymph nodes, bone marrow and spleen, and disrupt these organs' normal functioning. In 2020, there were an estimated 147,500 total new cases of NHL in the United States, France, Germany, Italy, Spain and the United Kingdom ("EU5"). The various types of NHL are distinguished by the characteristics of the cancer cells associated with each disease type. The designations "indolent" (i.e., slow growing) and "aggressive" (i.e., fast growing) are often applied to types of NHL based on the diseases' progression and prognosis. The figure below shows the distribution of NHL in the United States and EU5.

Distribution on Non-Hodgkin Lymphoma in the United States and Europe

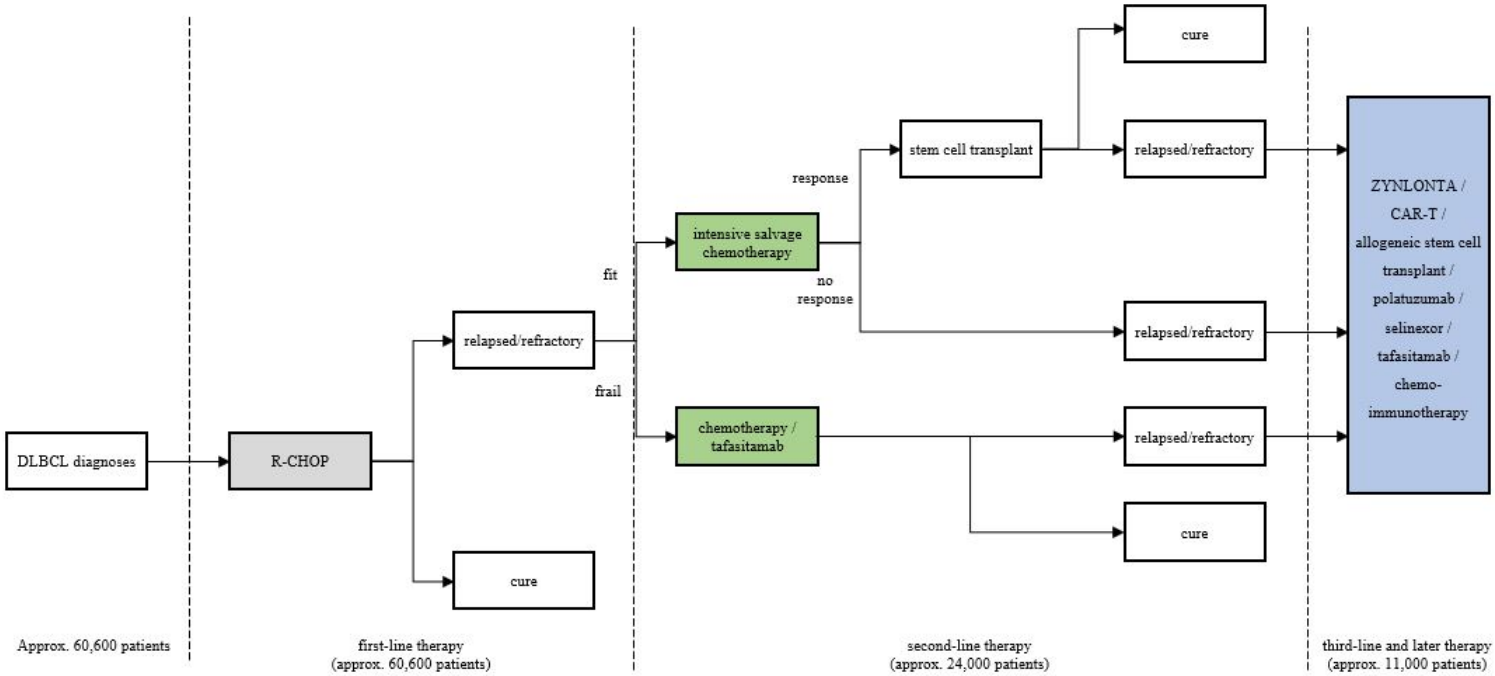


The distribution of NHL in the United States and EU5. Figures represent the estimated total number of new cases of the respective diseases in 2020.

Diffuse Large B-Cell Lymphoma

Diffuse large B-cell lymphoma is an aggressive type of NHL that develops from the B cells in the lymphatic system. It is the most common type of NHL, with an estimated 60,600 total new cases of *de novo* or transformed DLBCL in the United States and EU5 in 2020. Approximately 31,200 new cases were in the United States and approximately 29,400 new cases were in EU5. If left untreated, DLBCL is rapidly fatal.

Treatments for DLBCL can be divided into first-line, second-line and third-line and later therapies. The figure below shows the current DLBCL treatment landscape.



Current DLBCL treatment landscape. Patient population data presented are for the United States and EU5. Not all relapsing patients will receive treatment. The blue box represents the initial potential addressable patient population for ZYNLONTA. The green boxes represent the potential addressable patient population for ZYNLONTA, if approved as a second-line therapy in combination with other therapies. If our clinical trials are successful, we also intend to develop ZYNLONTA as a first-line therapy for the treatment of DLBCL. The gray box represents the potential addressable patient population for ZYNLONTA, if approved as a first-line therapy.

First-line therapy generally involves chemotherapy with a rituximab backbone, such as R-CHOP (i.e., a chemotherapy regimen consisting of cyclophosphamide, doxorubicin hydrochloride, vincristine sulfate and prednisone, plus rituximab). Although first-line therapy is effective in some patients, approximately 40% of patients require second-line therapy. The prognosis is generally poor for patients who do not respond to first-line therapy. For example, a study of two large randomized trials and two academic databases found that for patients who exhibit primary refractory disease, only 20% displayed a response and only 3% displayed a complete response to subsequent chemotherapy.

Second-line therapy depends on whether the patient is eligible for stem cell transplant. Eligibility is determined by a patient's physical fitness and response to high-dose salvage chemotherapy. For the patients who are ineligible for stem cell transplant, second-line therapy involves chemotherapy or tafasitamab in combination with lenalidomide. Of the patients who require treatment in the second-line setting, approximately 50% will require third-line therapy.

Current third-line therapies include cellular therapies such as CAR-T, allogeneic stem cell transplant (i.e., transplant involving a healthy donor's stem cells), polatuzumab in combination with bendamustine and a rituximab product, selinexor, tafasitamab in combination with lenalidomide and chemotherapy using small molecules. Given the side effects and the fitness required to undergo CAR-T and allogeneic stem cell transplant, patients who are ineligible to receive autologous stem cell transplant as a second-line therapy may also be ineligible to receive CAR-T or allogeneic stem cell transplant. Other treatment options may be limited in efficacy or associated with severe side effects. The limited treatment options and poor outcomes observed in patients with relapsed or refractory DLBCL highlights the urgent need for alternative treatment strategies. ZYNLONTA has the potential to address this unmet medical need.

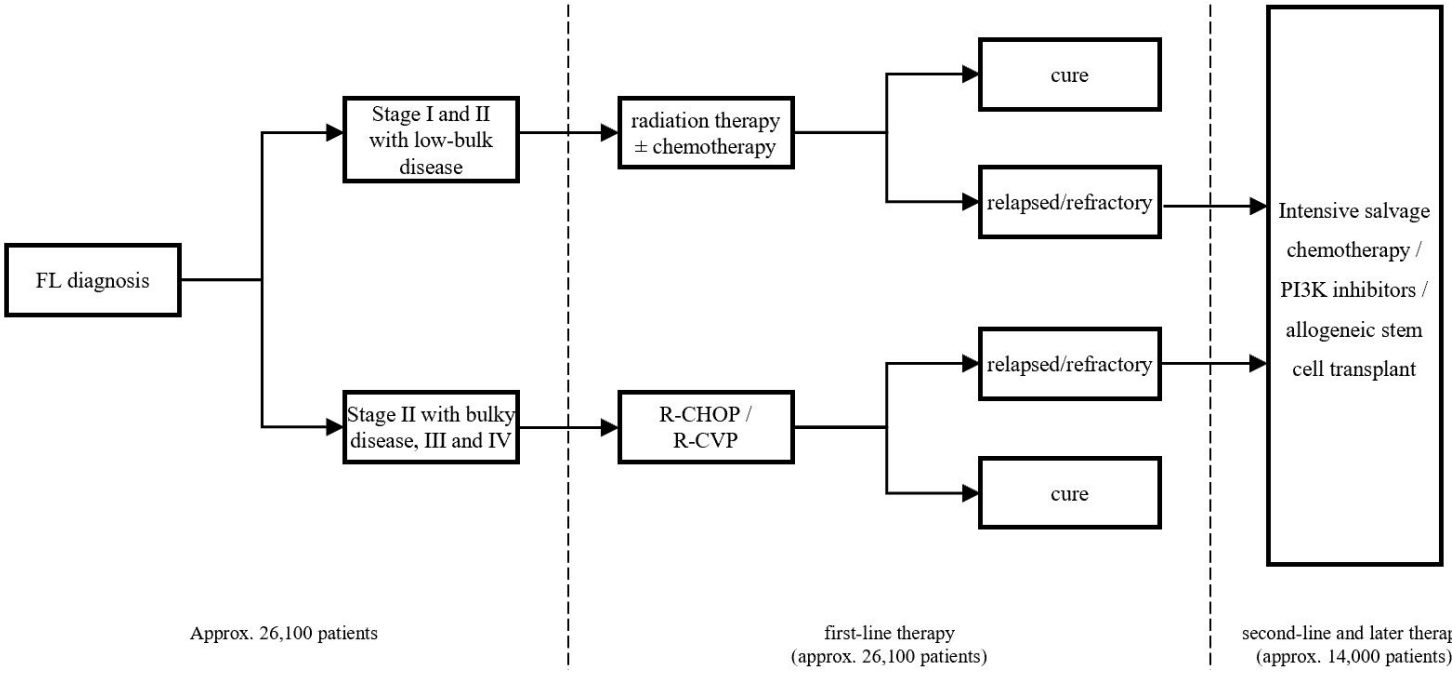
Follicular Lymphoma

Follicular lymphoma ("FL") is an indolent type of NHL that develops from B cells in the lymphatic system. It is the second most common type of NHL, with an estimated 26,100 total new cases in the United States and EU5 in 2020. Approximately 13,400 new cases were in the United States and approximately 12,700 new cases were in EU5. FL is a highly variable disease, with uncertain prognosis and varying periods of progression.

Common therapies for FL include radiotherapy, R-CHOP and R-CVP (i.e., a chemotherapy regimen consisting of cyclophosphamide, vincristine sulfate and prednisone, plus rituximab). Although first-line therapy is effective in some patients, approximately 55% of patients require second-line therapy. These patients have limited treatment options. Generally, intensive chemotherapy regimens are not acceptable due to their toxicity, but less intensive chemotherapy regimens are not effective in such patients. Of the patients who require treatment in the second-line setting, approximately 65% will require third-line therapy. The limited treatment options and generally poor outcomes observed in

patients with relapsed or refractory FL highlights the urgent need for alternative treatment strategies. ZYNLONTA has the potential to address this unmet medical need.

Treatments for FL can be divided into first-line and second-line and later therapies. The figure below shows the current FL treatment landscape.



Current FL treatment landscape. Patient population data presented are for the United States and EU5. Not all relapsing patients will receive treatment.

Mantle Cell Lymphoma

Mantle cell lymphoma is an aggressive type of NHL that develops from B cells in the mantle zone of the lymphatic system. It is a rare type of NHL, with an estimated 6,000 total new cases in the United States and EU5 in 2020. Approximately 3,000 new cases were in the United States and approximately 3,000 new cases were in EU5. If left untreated, MCL is rapidly fatal.

Common therapies for MCL include R-CHOP or R-DHAP (i.e., a chemotherapy regimen consisting of dexamethasone, cytarabine and cisplatin, plus rituximab). Although first-line therapy is effective in some patients, approximately 70% of patients require second-line therapy. These patients have limited treatment options. The efficacy of current second-line therapies is limited, with the majority of patients failing to achieve a durable response. Of the patients who require treatment in the second-line setting, approximately 65% will require third-line therapy. The limited treatment options and generally poor outcomes observed in patients with relapsed or refractory MCL highlights the urgent need for alternative treatment strategies. We continue to investigate ZYNLONTA in this area of high unmet medical need.

T-Cell Lymphoma

T-cell lymphoma is a group of aggressive NHLs that develops from the T cells of the lymphatic system. They are a rare type of NHL, with an estimated 13,000 total new cases in the United States and EU5 in 2020. T-cell lymphoma comprises a diverse group of diseases with differing prognoses.

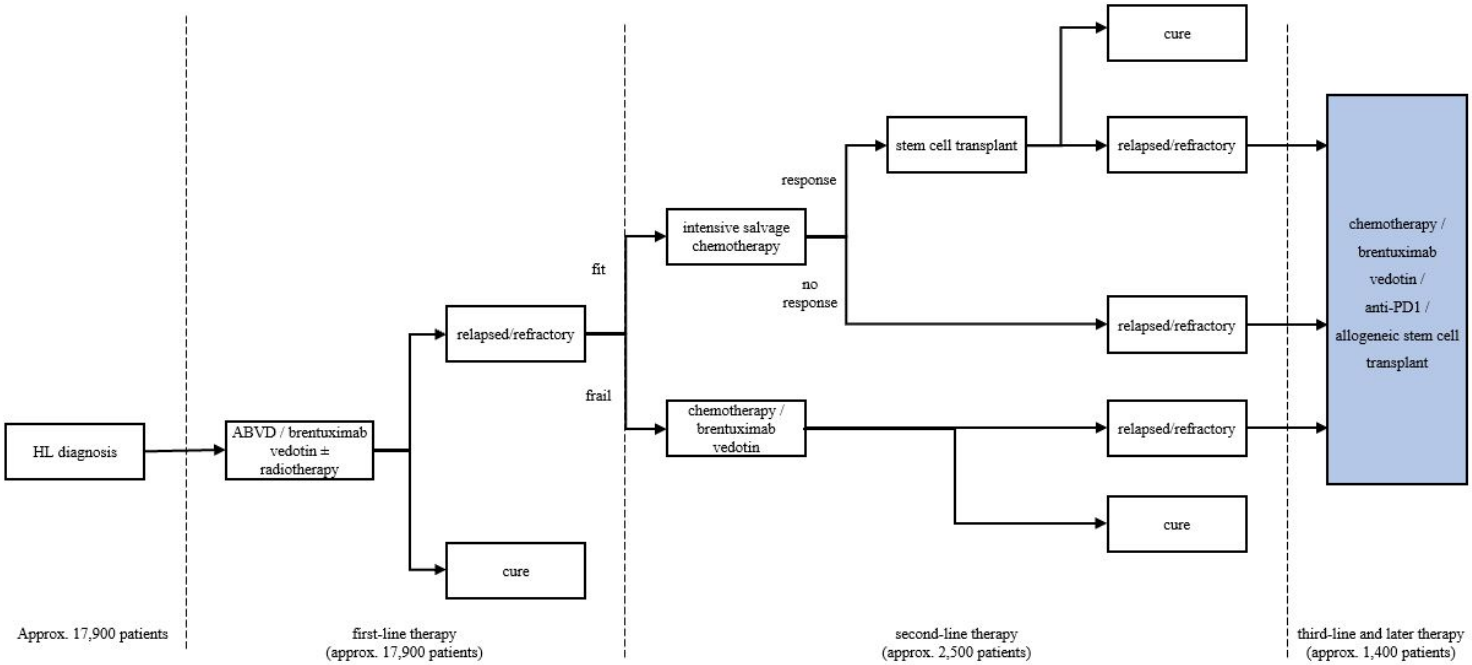
Common therapies for T-cell lymphoma include chemotherapy, such as CHOP (i.e., a chemotherapy regimen consisting of cyclophosphamide, doxorubicin hydrochloride, vincristine sulfate and prednisone) and CHOP-like regimens alone or in combination with other approved chemotherapeutics. Although first-line therapy is effective in some patients, approximately 70% of patients require second-line therapy. These patients have limited treatment options. The efficacy of current second-line therapies is limited, with the majority of patients failing to achieve a durable response. The National Comprehensive Cancer Network guidelines suggest that relapsed or refectory patients enroll in clinical trials, rather than receive treatment via standard therapy. In our experience, investigators have repeatedly stressed that novel therapies that are able to achieve an ORR above 40% are highly relevant and warrant further clinical development. The limited treatment options and generally poor outcomes observed in patients with relapsed or refractory T-cell lymphoma highlights the urgent need for alternative

treatment strategies. Therefore, there is a significant unmet medical need for patients with relapsed or refractory T-cell lymphoma. We continue to investigate Cami in this area of high unmet medical need.

Hodgkin Lymphoma

Hodgkin lymphoma is a rare but highly curable type of neoplasm of the lymph nodes. These lymphoid malignancies travel to other organs, such as the liver, lungs and bone marrow, and disrupt these organs' normal functioning. In 2020, there were an estimated 17,900 total new cases of HL in the United States and EU5. Approximately 9,300 new cases were in the United States and approximately 8,600 new cases were in EU5. Patients diagnosed with HL generally have good prognoses, with a five-year overall survival rate of approximately 87%.

Treatments for HL can be divided into first-line, second-line and third-line and later therapies. The figure below shows the current HL treatment landscape.



Current HL treatment landscape. Patient population data presented are for the United States and EU5. Not all relapsing patients will receive treatment. The blue box represents the initial potential addressable patient population for Cami, if approved as a third-line therapy.

First-line therapy generally involves ABVD (i.e., a chemotherapy regimen consisting of doxorubicin, bleomycin (which may be substituted by brentuximab vedotin, a CD30-directed ADC), vinblastine and dacarbazine), which may be combined with radiotherapy. Although first-line therapy is effective in most patients, approximately 15% of patients require second-line therapy.

Second-line therapy depends on whether the patient is eligible for stem cell transplant. Eligibility is determined by the patient's physical fitness and response to salvage chemotherapy regimens not received in first-line therapy. For the patients who are ineligible for stem cell transplant, second-line therapy involves a chemotherapy regimen not already administered or brentuximab vedotin, with or without bendamustine. Of the patients who require treatment in the second-line setting, approximately 50% will require third-line therapy. Recently, pembrolizumab expanded its label to include patients with relapsed or refractory HL for second-line treatment irrespective of stem cell transplant eligibility.

Current third-line therapies include an alternative chemotherapy regimen not previously used or immunotherapy with brentuximab vedotin. Although brentuximab vedotin and checkpoint inhibitors have achieved relatively high ORRs compared to traditional chemotherapy regimens, these therapies are moving into earlier lines of treatment. Other third-line chemotherapy regimens involving bendamustine, everolimus or lenalidomide have only shown limited efficacy. Other therapies include allogeneic stem cell transplantation. However, given that stem cell transplant requires patients to be physically fit, the proportion of eligible patients is small. The limited treatment options and generally poor outcomes observed in patients with relapsed or refractory HL highlights the urgent need for alternative treatment strategies. We are developing Cami to address this unmet medical need.

The Leukemia Disease Setting

Leukemia is a group of several closely related blood cancers that develop in the bone marrow. Once the marrow cell undergoes a leukemic change, the leukemia cells may grow and survive better than healthy cells. Over time, the leukemia cells crowd out or suppress the development of healthy cells. Leukemia is classified into four groups: acute lymphoblastic leukemia, chronic lymphocytic leukemia, acute myeloid leukemia and chronic myeloid leukemia.

Acute Lymphoblastic Leukemia

Acute lymphoblastic leukemia ("ALL") is an aggressive form of blood cancer, characterized by the overproduction and accumulation of cancerous, immature white blood cells, known as leukemic blasts. These leukemic blasts are overproduced in the bone marrow affecting the synthesis of normal blood cells, causing a decrease in red blood cells, platelets and normal white blood cells. In 2016, there were an estimated 9,000 total new cases of ALL in the United States and Europe. ALL develops rapidly throughout the bone marrow and peripheral blood within a few days or a few weeks of the first symptoms. If left untreated, ALL is rapidly fatal.

Common therapies for ALL include multidrug chemotherapy regimens using available generic chemotherapeutics. Although first-line therapy is effective in some patients, approximately 30%-40% of patients require second-line therapy. For these patients, treatment options include targeted therapies such as tisagenlecleucel, a CD19-directed genetically modified autologous T cell immunotherapy, blinatumomab, a bispecific T cell engager targeting CD19, and inotuzumab ozogamicin, a CD22-directed ADC. However, there remains a significant unmet medical need for patients who exhibit relapsed or refractory ALL due to the heterogeneity of and the existence of different subgroups within ALL. We continue to investigate ADCT-602 in this area of high unmet medical need.

ZYNLONTA (loncastuximab tesirine): PBD-Based ADC Targeting CD19

Overview

Our flagship product, ZYNLONTA, is an ADC targeting CD19-expressing cancers, and was approved by the FDA for the treatment of adult patients with relapsed or refractory large B-cell lymphoma after two or more lines of systemic therapy, including DLBCL not otherwise specified, DLBCL arising from low-grade lymphoma, and also high-grade B-cell lymphoma. We are further developing ZYNLONTA for the treatment of other types of NHL, both when used as a monotherapy and when used in combination with other therapies. The following summary provides key information about ZYNLONTA:

- We continue to commercialize ZYNLONTA in the United States through our own infrastructure and may selectively pursue strategic collaborations, business combinations, acquisitions, licensing opportunities or similar strategies in other geographies. For example, in December 2020, we entered into a joint venture with Overland Pharmaceuticals to develop and commercialize ZYNLONTA, among other product candidates, in greater China and Singapore. In January 2022, we entered an exclusive license agreement with MTPC for the development and commercialization of ZYNLONTA for all hematologic and solid tumor indications in Japan. See "Item 10. Additional Information—C. Material Contracts."

- We submitted an MAA for ZYNLONTA for the treatment of relapsed or refractory DLBCL, which was validated by the EMA in October 2021. We also received orphan drug designation in the European Union for ZYNLONTA for the treatment of DLBCL.

- In September 2020, we commenced a confirmatory Phase 3 clinical trial of ZYNLONTA in combination with rituximab, which, if successful, we believe will support a sBLA for ZYNLONTA to be used as a second-line therapy for the treatment of relapsed or refractory DLBCL in transplant-ineligible patients. We have completed the 20-patient safety run-in portion of the trial and the combination of ZYNLONTA and rituximab appears to be well tolerated, we did not observe any new safety events, and the initial data suggests the agents are additive. We are now enrolling the randomized portion of the trial.

- We completed enrollment of a 145-patient pivotal Phase 2 clinical trial for the treatment of relapsed or refractory DLBCL.

    - As of August 6, 2020, we observed a 48.3% ORR and a 24.8% CRR in 145 heavily pre-treated patients who had received a median of three prior lines of therapy.

    - As of March 1, 2021, the median duration of response ("DoR") was 13.4 months for all responders and the median DoR was not reached for patients with a complete response.

    - ZYNLONTA's significant clinical activity was observed across a broad patient population in this clinical trial, including transplant-ineligible patients, patients with primary refractory disease, bulky disease, double-hit or triple-hit disease and transformed disease, as well as elderly patients and patients who did not respond to any prior therapy, and notably in patients who had progression after prior CAR-T therapy.

    - ZYNLONTA demonstrated a manageable toxicity profile.

Of the estimated 60,600 total patients diagnosed with DLBCL each year in the United States and EU5, approximately 40% will relapse or have refractory DLBCL. We believe that the treatment of relapsed or refractory DLBCL remains an area of high unmet medical need. Despite recent entrants, there is currently no leading therapeutic option for this patient population. Accordingly, we estimate that the initial addressable incident patient population is approximately 11,000 patients per year in the United States and EU5.

We are also enrolling a Phase 3 confirmatory clinical trial of ZYNLONTA in combination with rituximab, which, if successful, may allow ZYNLONTA to be used as a second-line therapy for the treatment of transplant-ineligible relapsed or refractory DLBCL. The second-line transplant-ineligible population would increase the addressable incident patient population by approximately 11,000 patients per year in the United States and EU5. We are also preparing a clinical trial to evaluate ZYNLONTA in combination with rituximab in first-line unfit or frail DLBCL patients who are unable to tolerate R-CHOP, which we intend to initiate in the second half of 2022.

In addition, we are planning to initiate a frontline study of ZYNLONTA combined with rituximab in unfit or frail patients who are not eligible for R-CHOP in the second half of 2022. Unfit or frail patients represent a meaningful subset of first line patients and a significant unmet medical need. We believe the profile of ZYNLONTA combined with rituximab provides a potential advantage over existing treatment options for these patients. As part of our strategy to expand the market opportunity for ZYNLONTA, we intend to evaluate ZYNLONTA in combination with other therapies for the treatment of other types of relapsed or B-cell non-Hodgkin lymphomas, including DLBCL, high-grade B cell lymphoma, FL, MCL, marginal zone lymphoma and Burkitt lymphoma. We expect to initiate this trial in the first half of 2022.

The commercial potential of ZYNLONTA is supported by the following key attributes observed to date:

- Favorable clinical activity across a broad patient population, including transplant eligible and ineligible patients, patients who have not responded to first-line therapy or any prior therapy and patients with bulky disease, double-hit and triple-hit disease and transformed disease;
- Significant single-agent clinical activity while maintaining a manageable tolerability profile with a low incidence of febrile neutropenia;
- Activity in heavily pretreated patients, including those who had received prior CD19 therapies, including CAR-T and SCT; and
- 30-minute intravenous infusion once every three weeks.

Commercialization

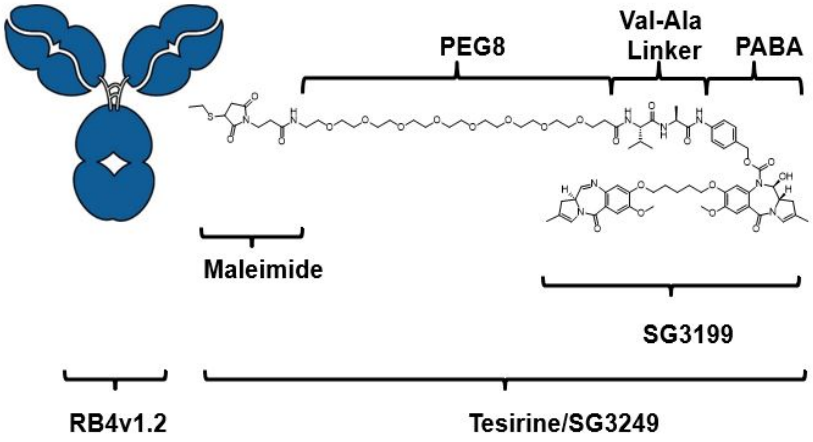
Upon receipt of FDA approval of ZYNLONTA, we began to commercialize ZYNLONTA in the United States through our own U.S. commercial organization infrastructure. Our U.S. commercial organization has been able to commercialize ZYNLONTA upon receipt of FDA approval due to the following:

- Our commercial organization is led by a seasoned Chief Commercial Officer and senior commercial leadership team, including a full sales force of Hematology Therapeutics Specialists;
- Our Medical Affairs function is led by an experienced Medical Affairs Leadership Team, and includes a team of highly experienced, senior medical science liaisons;
- Continued investment in resources to monitor the competitive landscape and educate on our differentiated profile;
- Increasing scientific interactions with academic and community thought leaders;
- Engaging payors and key access stakeholders to introduce ADC Therapeutics, align on the unmet medical needs in relapsed or refractory DLBCL and address questions regarding the differentiated product profile of ZYNLONTA and its unique value proposition for patients; and
- Training of a highly talented and efficient U.S. customer-facing organization of more than 70 cross-functional employees, which we believe has the potential to cover more than 90% of the DLBCL opportunity.

In addition, we have entered into strategic collaborations to maximize ZYNLONTA's commercial potential outside of the United States, includng a joint venture with Overland Pharmaceuticals for greater China and Singapore and an exclusive license agreement with MTPC for Japan. We may consider entering into additional strategic collaborations and licensing opportunities in other jurisdictions.

Structure and Mechanism of Action

ZYNLONTA is composed of a humanized monoclonal antibody (RB4v1.2) directed against human CD19 and conjugated through a cathepsin-cleavable linker to SG3199, a PBD dimer cytotoxin. Once bound to a CD19-expressing cell, it is designed to be internalized by the cell, following which the warhead is released. The warhead is designed to bind irreversibly to DNA to create highly potent interstrand cross-links that block DNA strand separation, thus disrupting essential DNA metabolic processes such as replication and ultimately resulting in cell death. The figure below shows the structure of ZYNLONTA.



Visual representation of ZYNLONTA.

The human CD19 antigen is involved in the recognition, binding and adhesion processes of cells, mediating direct interactions between surfaces of different cell types and pathogen recognition. CD19 is expressed only on B cells (i.e., a type of white blood cell that plays a significant role in protecting the body from infection by producing antibodies) throughout all stages of B cell development and differentiation. Its expression is maintained in high levels in hematologic B cell malignancies, including NHL and certain types of leukemia. For example, CD19 is expressed in activated B cells and memory B cells in DLBCL, in naïve B cells in MCL, and in memory B cells in FL.

We believe that CD19 is an attractive target for ADCs developed to treat hematological malignancies for the following reasons:

- CD19 is a clinically validated target for the treatment of B cell malignancies.
- CD19 is expressed in B cell lineage at an earlier stage compared to CD20, which is another well-known target for the treatment of hematological malignancies.
- The CD19 antigen is rapidly internalized by the cell. Therefore, it is an effective target for ADC therapy since ADCs bind only to antigens on the cell surface and the ADCs must be internalized to release the warhead inside the cell.
- The CD19 antigen does not shed into the circulation. Therefore, there are no, or very low, levels of soluble CD19 to compete for binding of the ADC.

Regulatory Pathway

Regulatory Approval

Our flagship product, ZYNLONTA, received accelerated approval from the FDA on April 23, 2021 for the treatment of adult patients with relapsed or refractory large B-cell lymphoma after two or more lines of systemic therapy, including DLBCL not otherwise specified, DLBCL arising from low-grade lymphoma, and also high-grade B-cell lymphoma.

We have developed a validated commercial supply chain that has been able to consistently produce ZYNLONTA at commercial scale. We believe there will be sufficient commercial-grade drug product in stock for the foreseeable future and we and our CMOs will be able to conduct additional manufacturing at the appropriate time.

Confirmatory Clinical Trial

In September 2020, we commenced a confirmatory trial concurrently with the BLA submission. The confirmatory clinical trial is a Phase 3, randomized, open-label, two-part, two-arm, multi-center clinical trial of ZYNLONTA combined with rituximab compared to immunochemotherapy in patients with relapsed or refractory DLBCL.

The primary objective of the clinical trial is to evaluate the efficacy of ZYNLONTA combined with rituximab compared to standard immunochemotherapy, as measured by progression-free survival ("PFS"). The secondary objectives of the clinical trial are to (i) characterize the safety profile of ZYNLONTA combined with rituximab, (ii) characterize the pharmacokinetic profile of ZYNLONTA combined with rituximab, (iii) evaluate the immunogenicity of ZYNLONTA combined with rituximab and (iv) evaluate the impact of ZYNLONTA combined with rituximab treatment on treatment-related and disease-related symptoms, patient-reported functions and overall health status.

The clinical trial is enrolling patients with pathologically confirmed relapsed or refractory DLBCL who are not considered by the investigator to be a candidate for SCT and who had failed at least one multi-agent systemic treatment regimen. The clinical trial is expected to enroll approximately 350 patients.

The clinical trial is being conducted in two parts: In the safety run-in, the first 20 patients were non-randomly assigned to receive ZYNLONTA in combination with rituximab to compare the combination's toxicity against historical safety data from monotherapy clinical trials of ZYNLONTA. The randomized part of the clinical trial was initiated after the last patient in the safety run-in completed the first treatment cycle and it was observed that there were no significant increases in toxicity of the combination as compared to historical safety data of ZYNLONTA used as a monotherapy. In addition, the initial response data suggests that the combination of ZYNLONTA and rituximab is additive. Patients are randomly assigned 1:1 to receive either ZYNLONTA in combination with rituximab or rituximab in combination with gemcitabine and oxaliplatin. The randomized part of the clinical trial is expected to enroll approximately 330 patients.

We believe that this clinical trial, if successful, will support an sBLA for ZYNLONTA to be used as a second-line therapy for the treatment of relapsed or refractory DLBCL in transplant-ineligible patients.

Phase 1 Clinical Trial in Relapsed or Refractory Non-Hodgkin Lymphoma

We have conducted a Phase 1, open-label, dose escalation and dose expansion clinical trial of the safety and tolerability of ZYNLONTA, used as monotherapy, in 183 patients with relapsed or refractory B-NHL, which includes *de novo* and transformed DLBCL, FL, chronic lymphocytic leukemia, MCL, marginal zone B-cell lymphoma, Burkitt's lymphoma and lymphoplasmacytic lymphoma. The clinical trial's design and our main findings are summarized below.

Clinical Trial Design

The primary objectives of the dose escalation stage of the clinical trial were to (i) evaluate the safety and tolerability, and determine, as appropriate, the maximum tolerated dose ("MTD") of ZYNLONTA in patients with relapsed or refractory B-NHL and (ii) determine the recommended dose(s) of ZYNLONTA for the dose expansion stage of the clinical trial. The primary objective of the dose expansion stage was to evaluate the safety and tolerability of ZYNLONTA at the dose level(s) recommended from the results of the dose escalation stage. The secondary objectives of the clinical trial were to (i) evaluate the clinical activity of ZYNLONTA, as measured by ORR, DoR, overall survival ("OS") and PFS, (ii) characterize the pharmacokinetic profile of ZYNLONTA and the free warhead SG3199 and (iii) evaluate anti-drug antibodies ("ADAs") in patients' blood before, during and after treatment with ZYNLONTA.

The clinical trial enrolled patients with pathologically confirmed relapsed or refractory B-NHL who had failed or were intolerant to established therapy or for whom no other treatment options were available. Of the 183 patients who participated in the clinical trial, 139 patients were diagnosed with relapsed or refractory DLBCL, 15 patients were diagnosed with relapsed or refractory MCL, 14 patients were diagnosed with FL and the remaining 15 patients were diagnosed with other forms of relapsed or refractory B-NHL.

In the dose escalation stage, patients received intravenous infusions of ZYNLONTA, at escalating doses, on the first day of each 21-day treatment cycle. The initial dose was 15 µg/kg and the highest allowed dose was planned at 300 µg/kg. Dose escalation was conducted using a 3+3 design with oversight by a Dose Escalation Steering Committee ("DESC"). In the dose expansion stage, patients received 120 µg/kg and 150 µg/kg doses on the first day of each 21-day treatment cycle. The dose levels were determined by the DESC based on the anti-tumor activity and tolerability observed during the dose escalation stage. In this clinical trial, response to treatment was determined as complete response ("CR"), partial response ("PR"), stable disease ("SD") or progressive disease ("PD"), based on the 2014 Lugano Classification Criteria.

Clinical Trial Results

Diffuse Large B-Cell Lymphoma

For patients with relapsed or refractory DLBCL (n=139), the median prior lines of therapy received was three. The median number of treatment cycles received was two and the maximum number of treatment cycles received was 13. The median duration of treatment was 64 days.

The main observed safety and tolerability findings in patients with relapsed or refractory DLBCL were as follows:

- The MTD was not reached in the dose escalation stage.
- Grade ≥3 TEAEs were reported in 108 patients, or 77.7% of patients. The most common Grade ≥3 TEAEs that were reported in more than 10% of patients included neutrophil count decreased (reported in 38.1% of patients, including 37.1% of patients at the 150 µg/kg dose used in our pivotal Phase 2 clinical trial), platelet count decreased (reported in 26.6% of patients, including 25.7% of patients at the 150 µg/kg dose used in our pivotal Phase 2 clinical trial), gamma-glutamyltransferase increased (reported in 19.4% of patients, including 17.1% of patients at the 150 µg/kg dose used in our pivotal Phase 2 clinical trial) and anemia (reported in 13.7% of patients, including 15.7% of patients at the 150 µg/kg dose used in our pivotal Phase 2 clinical trial).
- TEAEs in 26 patients, or 18.7% of patients, led to treatment discontinuation.

The main observed efficacy findings from the Phase 1 clinical trial in patients with relapsed or refractory DLBCL were as follows:

- Across all dose levels, 32 patients, or 23.4% of patients, achieved a complete response and another 26 patients, or 19.0% of patients, achieved a partial response, resulting in a 42.3% ORR. At the 150 µg/kg dose level used in our pivotal Phase 2 clinical trial, 15 patients, or 21.4% of patients, achieved a complete response and another 14 patients, or 20.0% of patients, achieved a partial response, resulting in a 41.4% ORR.
- ZYNLONTA's favorable clinical activity was observed across a broad patient population in this clinical trial, including transplant eligible and ineligible patients, patients who have not responded to first-line therapy or any prior therapy and patients with bulky disease, double-hit and triple-hit disease and transformed disease.
- Across all dose levels, the median DoR was not reached for patients who achieved a complete response (indicating that more than half of the patients continued to show a complete response as of their most recent assessment) and 2.86 months for patients who achieved a partial response, for an overall DoR of 4.47 months. At dose levels ≥120 µg/kg, the median DoR was not reached for patients who achieved a complete response (indicating that more than half of the patients continued to show a complete response as of their most recent assessment) and was 2.69 months for patients who achieved a partial response, for an overall DoR of 4.17 months.

Mantle Cell Lymphoma

For patients with relapsed or refractory MCL (n=15), the median prior lines of therapy received was four. The median number of treatment cycles received was two and the maximum number of treatment cycles received was 11. The median duration of treatment was 65 days.

The main observed safety and tolerability findings in patients with relapsed or refractory MCL were similar in nature, frequency and severity to those in patients with relapsed or refractory DLBCL. The main observed efficacy findings from the Phase 1 clinical trial in patients with relapsed or refractory MCL were as follows:

- Across all dose levels, five patients, or 33.3% of patients, achieved a complete response and another two patients, or 13.3% of patients, achieved a partial response, resulting in a 46.7% ORR.
- The median DoR was not reached (indicating that more than half of the patients continued to show a complete response as of their most recent assessment).

Follicular Lymphoma

For patients with relapsed or refractory FL (n=14), the median prior lines of therapy received was four. The median number of treatment cycles received was three and the maximum number of treatment cycles received was 12. The median duration of treatment was 79 days.

The main observed safety and tolerability findings in patients with relapsed or refractory FL were similar in nature, frequency and severity to those in patients with relapsed or refractory DLBCL. The main efficacy findings from the Phase 1 clinical trial in patients with relapsed or refractory FL were as follows:

- Across all dose levels, nine patients, or 64.3% of patients, achieved a complete response and another two patients, or 14.3% of patients, achieved a partial response, resulting in a 78.6% ORR.

- The median DoR was not reached (indicating that more than half of the patients continued to show a complete response as of their most recent assessment).

Pivotal Phase 2 Clinical Trial in Relapsed or Refractory Diffuse Large B-Cell Lymphoma

We have conducted a 145-patient Phase 2, multi-center, open-label, single-arm clinical trial to evaluate the safety and efficacy of ZYNLONTA in patients with relapsed or refractory DLBCL, as defined according to the 2016 World Health Organization classification to include DLBCL not otherwise specified, primary mediastinal large B-cell lymphoma and high-grade B-cell lymphoma with MYC and BCL2 and/or BCL6 rearrangements. The results of the clinical trial showed significant anti-tumor activity and manageable tolerability profile across a broad population of patients with relapsed or refractory DLBCL. The clinical trial's design and our main findings are summarized below.

Clinical Trial Design

The primary objective of the Phase 2 clinical trial was to evaluate the efficacy of ZYNLONTA in patients with relapsed or refractory DLBCL, measured by ORR based on the 2014 Lugano Classification Criteria. The secondary objectives were to (i) further evaluate the efficacy of ZYNLONTA measured by DoR, CRR, PFS, relapse-free survival ("RFS") and OS, (ii) characterize the safety profile of ZYNLONTA, (iii) characterize the pharmacokinetic profile of ZYNLONTA, (iv) evaluate the immunogenicity of ZYNLONTA and (v) evaluate the impact of ZYNLONTA treatment on health-related quality of life ("HRQoL").

The clinical trial enrolled patients with pathologically confirmed relapsed or refractory DLBCL who have previously received two or more multi-agent systemic treatment regimens. The table below presents information about the patients' characteristics.

Patient Characteristics		**n=145**	
Age, median (minimum, maximum)		66	(23, 94)
Histology, n (%)	DLBCL Not otherwise specified	128	(88.3)
	HGBCL*	10	(6.9)
	PMBCL**	7	(4.8)
Cancer characteristic, n (%)	Double-hit or triple-hit disease***	15	(10.3)
	Double/triple expressor	20	(13.8)
	Transformed disease****	29	(20.0)
Disease stage*****, n (%)	I-II	33	(22.8)
	III-IV	112	(77.2)
Number of previous systemic therapies received, median (minimum, maximum)		3	(2, 7)
Response to first-line prior systemic therapy, n (%)	Relapsed	99	(68.3)
	Refractory	29	(20.0)
Response to most recent prior systemic therapy, n (%)	Relapsed	44	(30.3)
	Refractory	88	(60.7)
Refractory to all prior systemic therapies, n (%)	Yes	24	(16.6)
	No	115	(79.3)
Prior stem cell transplant, n (%)	Autologous stem cell transplant	21	(14.5)
	Allogeneic stem cell transplant	2	(1.4)
	Both autologous and allogeneic stem cell transplant	1	(0.7)
	No	121	(83.4)

Information about the patients' characteristics. *High-grade diffuse large B-cell lymphoma. **Primary mediastinal large B-cell lymphoma. ***Double-hit or triple-hit DLBCL are rare subtypes of DLBCL characterized by two or three recurrent chromosome translocations and are generally associated with poor prognosis. ****Transformed disease is recorded for patients who had another type of lymphoma that transformed to DLBCL. *****Disease stage is determined by the location of the tumor: Stage I means that the cancer is located in a single region, usually one lymph node and the surrounding area. Stage II means that the cancer is located in two separate regions, an affected lymph node or lymphatic organ and a second affected area, and that both affected areas are confined to one side of the diaphragm; Stage III means that the cancer has spread to both sides of the diaphragm, including one organ or area near the lymph nodes or the spleen; Stage IV means diffuse or disseminated involvement of one or more extralymphatic organs, including any involvement of the liver, bone marrow, or nodular involvement of the lungs.

The clinical trial used a two-stage design, with an interim analysis for futility based on data collected from the first 52 patients. The results of the interim analysis for futility in May 2019 showed that the clinical trial met the criteria to continue to full enrollment. Patients received a 150 µg/kg dose on the first day of each 21-day treatment cycle for two treatment cycles, followed by a reduction to a 75 µg/kg dose on the first day of each 21-day treatment cycle for up to one year. The decision for initial dosing at the 150 µg/kg dose level was predicated on higher observed and predicted ORR as compared to lower dose levels. The decision to reduce the dose level after two treatment cycles was based on the rapid onset of initial response observed in the majority of patients in the Phase 1 clinical trial and the desire to optimize the risk-benefit profile for patients. Therefore, the dosing regimen was selected to optimize the frequency of objective response, while permitting continued exposure with manageable toxicity to optimize the durability of response. In this clinical trial, response to treatment was determined as CR, PR, SD or PD, based on the 2014 Lugano Classification Criteria. We also collected liquid biopsies from all patients before and after treatment with ZYNLONTA and we are applying multi-omics approaches (i.e., biological analysis approaches in which data sets of different "omic" groups, such as genome, proteome, and epigenome, are combined) to identify genetic signatures that may predict response to ZYNLONTA.

Clinical Trial Results

The mean number of treatment cycles received was 4.6 and the maximum number of treatment cycles received was 26.

As of March 1, 2021, the main observed safety and tolerability findings were as follows:

- Grade ≥3 TEAEs were reported in 107 patients, or 73.8% of patients. The most common Grade ≥3 TEAEs that were reported in more than 10% of patients included neutropenia (reported in 26.2% of patients), thrombocytopenia (reported in 17.9% of patients), gamma-glutamyltransferase increased (reported in 17.2% of patients) and anemia (reported in 10.3% of patients).

- Treatment-related adverse events in 27 patients, or 18.6% of patients, led to treatment discontinuation. The most common of such adverse events that led to treatment discontinuation in more than 2% of patients included gamma-glutamyltransferase increased (led to treatment discontinuation in 11.7% of patients), peripheral edema (led to treatment discontinuation in 2.8% of patients) and localized edema (led to treatment discontinuation in 2.1% of patients).

- No increase in adverse events was observed in patients aged ≥65 years compared to younger patients.

The main observed efficacy findings were as follows:

- Thirty-six patients, or 24.8% of patients, achieved a complete response and another 34 patients, or 23.4% of patients, achieved a partial response, resulting in a 48.3% ORR. The table below shows the response rate data. The median time to first response was 41.0 days.

	Histology			
Best Overall Response, n (%)	**DLBCL-NOS (n=128)**	**HGBCL (n=10)**	**PMBCL (n=7)**	**All Patients (n=145)**
Complete response (CR)	31 (24.2)	5 (50.0)	0 (0.0)	36 (24.8)
Partial response (PR)	33 (25.8)	0 (0.0)	1 (14.3)	34 (23.4)
Stable disease	20 (15.6)	1 (10.0)	1 (14.3)	22 (15.2)
Progressive disease	24 (18.8)	3 (30.0)	3 (42.9)	30 (20.7)
Not evaluable	20 (15.6)	1 (10.0)	2 (28.6)	23 (15.9)
Overall response rate (CR + PR)	**64 (50.0)**	**5 (50.0)**	**1 (14.3)**	**70 (48.3)**

Response rate data. "Not evaluable" includes patients without any scan to independent reviewer (even clinical PD) or patients whose scan is determined as "not evaluable" by independent reviewer..

- ZYNLONTA's favorable clinical activity was observed across a broad patient population in this clinical trial, including transplant eligible and ineligible patients, patients who have not responded to first-line therapy or any prior therapy, patients with bulky disease, double-hit and triple-hit disease and transformed disease and patients who had received prior CD19 therapies or SCT. The tables below show the effect by tumor characteristics, age, response to prior therapy (i.e., stem cell transplant or CAR-T) on response rate data.

Tumor Characteristics	Overall Response Rate, responders/total (%)
Double-hit or triple-hit disease	5/15 (33.3)
Transformed disease	13/29 (44.8)
Double/triple expressor	10/20 (50.0)
Germinal center B-cell DLBCL	26/48 (54.2)
Activated B-cell DLBCL	11/23 (47.8)

Age	Overall Response Rate, responders/total (%)
Less than 65	32/65 (49.2)
More than or equal to 65	38/80 (47.5)

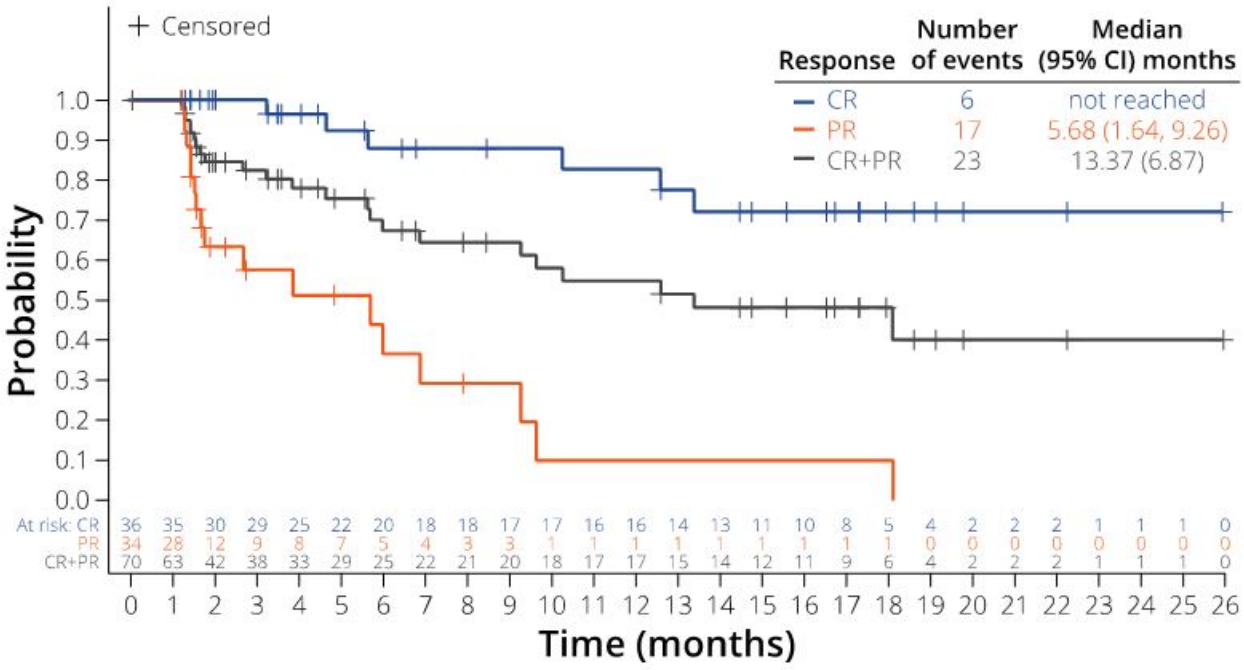
Response to Prior Therapy		Overall Response Rate, responders/total (%)
Response to first-line systemic therapy	Refractory	11/29 (37.9)
	Relapsed	53/99 (53.5)
Response to prior last-line systemic therapy	Refractory	31/88 (35.2)
	Relapsed	30/44 (68.2)
Response to any prior line systemic therapy	Refractory	9/24 (37.5)
	Relapsed	60/115 (52.2)

Prior Therapy	Overall Response Rate, responders/total (%)
Stem cell transplant	14/24 (58.3)
CAR-T	6/13 (46.2)

Prior Number of Systemic Therapies	Overall Response Rate, responders/total (%)
Two prior lines	30/63 (47.6)
Three prior lines	17/35 (48.6)
More than three prior lines	23/47 (48.9)

Overall response rate data by various baseline patient characteristics.

- The median DoR was 13.37 months for patients who achieved a response and was not reached for patients who achieved a complete response. The median DoR observed in subgroups at high risk of poor prognosis was comparable to that observed in the overall study population. The figure below shows the DoR.



Duration of response. *mDoR for patients with a PR was 5.68 months.

- Sixteen patients received CD-19 directed CAR-T after receiving treatment with ZYNLONTA, with an investigator-assessed ORR of 43.8% (6 CR and 1 PR). Eleven patients received SCT as consolidation after responding to treatment with ZYNLONTA.
- The median progression free survival was 4.93 months.
- The median overall survival was 9.53 months.

Phase 2 Clinical Trial in Relapsed or Refractory Follicular Lymphoma

We are evaluating ZYNLONTA for the treatment of relapsed or refractory FL. Our Phase 2 clinical trial was designed to evaluate the efficacy of ZYNLONTA compared to idelalisib in patients with relapsed or refractory FL. However, due to the withdrawal of idelalisib as a treatment for relapsed or refractory FL in the United States, we paused this clinical trial. We intend to engage with the FDA regarding the potential next steps for our FL program, as we believe that ZYNLONTA has the potential to fulfill the high unmet medical needs of patients with relapsed or refractory FL.

Camidanlumab Tesirine: PBD-Based ADC Targeting CD25

Overview

Our second lead product candidate, Cami, is an ADC targeting CD25-expressing cancers. We are developing Cami for the treatment of relapsed or refractory HL, NHL and solid tumors. The following summary provides key information about Cami:

- We retain worldwide development and commercialization rights to Cami.
- We are advancing Cami through clinical development to support a BLA submission for the treatment of relapsed or refractory HL.
- Cami is being evaluated in a 117-patient pivotal Phase 2 clinical trial for the treatment of relapsed or refractory HL. Enrollment was completed in January 2021 and the twelve month follow-up was completed in January 2022. The main observed findings as of March 26, 2021 were as follows:
  - Median DoR has not been reached.
  - The most common grade ≥3 TEAEs in ≥5% of patients were hypophosphatemia (7.7%), maculopapular rash (6.8%), thrombocytopenia (6.8%), anemia (6.0%), and lymphopenia (6.0%).

- Nine patients (7.7%) were able to proceed to hematopoietic stem cell transplantation following Cami treatment
- Seven patients (6.0%) developed Guillain-Barre syndrome/Polyradiculopathy (consistent with the incidence in the Phase 1 HL patients)

- Cami is also being evaluated in a Phase 1b clinical trial for the treatment of selected advanced solid tumors by targeting Tregs.
  - We expanded our Phase 1b clinical trial to evaluate Cami in combination with pembrolizumab, a checkpoint inhibitor, to better understand its potential as both a monotherapy and in combination. In October 2020, we dosed the first patient in this clinical trial.
  - In paired biopsies from three of six patients in the Phase 1b clinical trial, we have observed a statistically significant increase in the ratio of Teffs to Tregs.
  - Preliminary PK/PD data indicate that treatment with Cami was associated with clinically relevant modulation of immune cells, both in the circulation and in tumor tissue. In June 2021, additional PK/PD blood data showed a PK exposure profile comparable to the previous data and a statistically significant increase of the CD8+ Teff-to-Treg ratio in blood of patients treated with Cami.
  - The Phase 1a monotherapy dose escalation is complete and the dose escalation of Cami in combination with pembrolizumab in the Phase 1b part of the trial is ongoing.

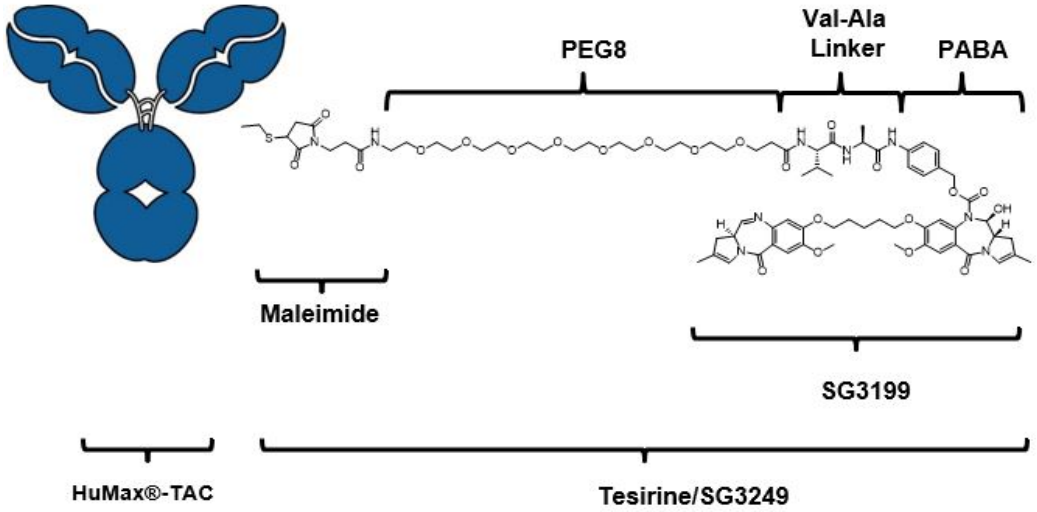
Of the estimated 17,900 total patients diagnosed with HL each year in the United States and EU5, approximately 15% will exhibit relapsed or refractory HL. We believe that the treatment of relapsed or refractory HL remains an area of high unmet medical need. We are developing Cami as a third-line therapy for the treatment of HL. Despite recent developments in earlier lines of therapy due to the entry of brentuximab vedotin and pembrolizumab, there is currently no leading therapeutic option for the relapsed or refractory patient population. Accordingly, we estimate that the initial addressable incident patient population is approximately 1,400 patients per year in the United States and EU5.

We believe that the commercial potential of Cami, if approved, is supported by the following key attributes observed to date:

- Preliminary data from our pivotal Phase 2 clinical trial showed a 66.3% ORR and a 27.7% CRR in heavily pre-treated patients with relapsed or refractory HL who have failed a median of six prior lines of therapy, including brentuximab vedotin and a checkpoint inhibitor approved for HL;
- Tolerability profile that we believe is manageable and reasonable given the high response rate in HL and the high unmet medical need in this patient population;
- Future opportunity for a novel immuno-oncology approach targeting Tregs for the treatment of various advanced solid tumors; and
- 30-minute intravenous infusions once every three weeks.

Structure and Mechanism of Action

Cami is composed of a human monoclonal antibody (HuMax®-TAC) directed against human CD25 and conjugated through a cathepsin-cleavable linker to SG3199, a PBD dimer cytotoxin. Once bound to a CD25-expressing cell, it is designed to be internalized by the cell, following which the warhead is released. The warhead is designed to bind irreversibly to DNA to create highly potent interstrand cross-links that block DNA strand separation, thus disrupting essential DNA metabolic processes such as replication and ultimately resulting in cell death. The figure below shows a visual representation of Cami and its mechanism of action.



Visual representation of Cami.

CD25, or T cell activation antigen, is the alpha chain of IL-2R. In normal human tissue, expression of CD25 is mainly limited to activated T cells and activated B cells. CD25 is involved in autoimmunity, organ transplantation, and graft rejection, and Tregs are involved in the prevention of autoimmune processes. The preponderance of CD25-expressing cells in hematological malignancies and the relationship between increased CD25 expression and poor prognosis raises the possibility of using an anti-CD25 antibody to deliver a potent cytotoxin to these cells in patients.

We believe that CD25 is an attractive target for ADCs developed to treat hematological malignancies and solid tumors for the following reasons:

- CD25 expression in healthy human tissue is mainly limited to activated T cells and activated B cells.
- CD25 is expressed in a wide range of hematological malignancies.
- The importance of CD25 overexpression as a prognosticator in hematological malignancies has been shown in multiple indications, including DLBCL.
- CD25 positive Treg cells have been shown to play a role in undermining anti-tumor immune functions.
- The safety profiles of monoclonal antibodies directed against CD25 have been well characterized.
- Clinical proof of concept for treatment of CD25 positive malignancies has been established using radio-immunoconjugates and immunotoxins incorporating the anti-CD25 antibodies.

Phase 1 Clinical Trial in Relapsed or Refractory Hodgkin and Non-Hodgkin Lymphoma

We have completed a Phase 1, open-label, dose escalation and dose expansion clinical trial of the safety and tolerability of Cami, used as monotherapy, in patients with relapsed or refractory HL or NHL. The results of the clinical trial showed encouraging anti-tumor activity and maintained a tolerability profile that we believe was manageable in patients with relapsed or refractory HL or NHL. The clinical trial's design and our main findings are summarized below.

Clinical Trial Design

The primary objectives of the dose escalation stage of the clinical trial were to (i) evaluate the safety and tolerability, and determine, as appropriate, the MTD of Cami in patients with relapsed or refractory HL or NHL and (ii) determine the recommended dose(s) of Cami for the dose expansion stage of the clinical trial. The primary objective of the dose expansion stage was to evaluate the safety and tolerability of Cami at the dose level(s) recommended from the results of the dose escalation stage. The secondary objectives of the clinical trial were to (i) evaluate the clinical activity of Cami, as measured by ORR, DoR, OS and PFS, (ii) characterize the pharmacokinetic profile of Cami and the free warhead SG3199 and (iii) evaluate ADAs in patients' blood before, during and after treatment with Cami.

The clinical trial enrolled patients with pathologically confirmed relapsed or refractory HL who have failed or were intolerant to brentuximab vedotin and have received a checkpoint inhibitor and is enrolling patients with pathologically confirmed relapsed or refractory NHL who have failed or were intolerant to any established therapy. Of the 133 patients who participated in the clinical trial, 77 were diagnosed with relapsed or refractory HL and the remaining 56 were diagnosed with relapsed or refractory NHL, including 34 patients with relapsed or refractory T-cell lymphoma.

In the dose escalation stage, patients received intravenous infusion of Cami, at escalating doses, on the first day of each 21-day treatment cycle. Eleven dose levels were tested, ranging from 3 µg/kg to 150 µg/kg. The MTD was defined as the highest dose level that has at least a 60% probability that the DLT rate is less than 30%. Dose levels were expanded for further investigations: patients with HL received 30 µg/kg or 45 µg/kg doses on the first day of each 21-day treatment cycle, while patients with T-cell lymphoma received 60 µg/kg or 80 µg/kg doses on the first day of each 21-day treatment cycle. These dose levels were determined by the DESC based on the anti-tumor activity and tolerability observed during the dose escalation stage. In this clinical trial, response to treatment is determined as CR, PR, SD or PD, based on the 2014 Lugano Classification Criteria.

Clinical Trial Results

Hodgkin Lymphoma

As of April 2019, for patients with relapsed or refractory HL (n=77), the median prior lines of therapy received was five. The median number of treatment cycles received was three and the maximum number of treatment cycles received was 15. The median duration of treatment was 50 days.

The main observed safety and tolerability findings in patients with relapsed or refractory HL were as follows:

- The MTD was not reached in the dose escalation stage.
- Grade ≥3 TEAEs were reported in 51 patients, or 66.2% of patients. The most common Grade ≥3 TEAEs that are reported in more than 10% of patients included gamma-glutamyltransferase increased (reported in 16.9% of patients, including 8.1% of patients at the 45 µg/kg initial dose being used in our pivotal Phase 2 clinical trial) and maculopapular rash (reported in 16.9% of patients, including 21.6% of patients at the 45 µg/kg initial dose being used in our pivotal Phase 2 clinical trial).
- TEAEs in 20 patients, or 26.0% of patients, led to treatment discontinuation.

In August and September 2017, we informed the FDA that two patients with HL were diagnosed with Guillain–Barré syndrome and one HL patient was diagnosed with polyradiculopathy. The FDA issued a partial clinical hold on our clinical trial, pursuant to which we suspended the enrollment of new patients but continued the treatment of enrolled patients who would derive clinical benefit from continued treatment with Cami. We amended the clinical trial protocol and informed consent form to include, among other things, additional risk factors to patient screening, additional exclusion criteria and routine neurologic evaluation prior to and during the clinical trial to monitor the occurrence of Guillain–Barré syndrome. In January 2018, the FDA lifted the partial clinical hold without condition. One of the patients diagnosed with Guillain–Barré syndrome achieved a partial response, subsequently progressed and died in June 2019 while under care at another facility. The other patient diagnosed with Guillain–Barré syndrome achieved a complete response and underwent, but died from complications related to, allogeneic stem cell transplant.

In September 2018, we informed the FDA that two additional patients with HL were diagnosed with Guillain–Barré syndrome. We voluntarily suspended patient enrollment and undertook a detailed safety review of our clinical trial in accordance with our clinical trial protocol and submitted it to the FDA. Our safety review showed with 99% confidence that HL patients were a distinct population at risk of developing Guillain–Barré syndrome and included input from a Clinical Advisory Panel that noted the potential positive benefit-risk ratio for patients with few alternative treatment options. Upon review, in October 2018, the FDA agreed that we can resume patient enrollment and made certain recommendations, including the expansion of the HL 30 µg/kg dose cohort to ten additional patients, the continued assessment of pharmacokinetics and regulatory T cell profiles in the clinical trial, and that we consult with the FDA regarding the decision of final dose selection before closing the 30 µg/kg dose cohort. We subsequently implemented the FDA's recommendations. As of May 2019, the two patients diagnosed with Guillain–Barré syndrome achieved a complete response and were alive.

There have been no cases of Guillain–Barré syndrome in the more than 150 patients with NHL, acute leukemia or solid tumors treated with Cami. Clinical literature suggests that patients with HL have a higher incidence of Guillain–Barré syndrome than patients with other cancers or otherwise healthy individuals. In March and May 2020, in our Phase 2 clinical trial of Cami for the treatment of relapsed or refractory HL, three patients were diagnosed with Guillain–Barré syndrome. See "—Pivotal Phase 2 Clinical Trial in Relapsed or Refractory Hodgkin Lymphoma."

The main observed efficacy findings in patients with relapsed or refractory HL were as follows:

- Across all dose levels, 30 patients, or 40.0% of patients, achieved a complete response and another 23 patients, or 30.7% of patients, achieved a partial response, resulting in a 70.7% ORR. At the 45 µg/kg dose level being used as the initial dose in a pivotal Phase 2 clinical trial, 18 patients, or 48.6% of patients, achieved a complete response and another 14 patients, or 37.8% of patients achieved a partial response, resulting in an 86.5% ORR.

- Cami's favorable clinical activity was observed across a broad patient population in this clinical trial, including patients who have failed brentuximab vedotin, a checkpoint inhibitor and SCT. The table below shows the effect of age, prior therapy and response to prior therapy on response rate data at the 45 µg/kg dose level being used as the initial dose in a pivotal Phase 2 clinical trial.

Age	**Overall Response Rate, responders/total (%)**
Less than or equal to 55	25/28 (89.3), including 14/28 (50.0) CR
More than 55	7/9 (77.8), including 4/9 (44.4) CR

Prior Therapy	**Overall Response Rate, responders/total (%)**
Brentuximab vedotin	32/37 (86.5)
Brentuximab vedotin and checkpoint inhibitor	23/26 (88.5)
Stem cell transplant	16/18 (88.9)
Brentuximab vedotin, checkpoint inhibitor and stem cell transplant	13/14 (92.9)

Response to Prior Therapy		**Overall Response Rate, responders/total (%)**
Response to first-line therapy	Refractory	11/13 (84.6), including 6/13 (46.2) CR
	Relapsed	21/24 (87.5), including 12/24 (50.0) CR
Response to most recent therapy	Refractory	22/25 (88.0), including 11/25 (44.0) CR
	Relapsed	8/10 (80.0), including 6/10 (60.0) CR

Overall response rate data by various baseline patient characteristics at the 45 µg/kg dose level.

- Across all dose levels, the median DoR was 8.1 months for patients who achieved a complete response and 5.1 months for patients who achieved a partial response, for an overall mDoR of 6.4 months. At the 45 µg/kg dose level being used as the initial dose in a pivotal Phase 2 clinical trial, the median DoR was 7.2 months for patients who achieved a complete response and 5.6 months for patients who achieved a partial response, for an overall mDoR of 6.6 months.

T-Cell Lymphoma

As of April 2019, for patients with relapsed or refractory T-cell lymphoma (n=29), the median prior lines of therapy received was four. The median number of treatment cycles received was three and the maximum number of treatment cycles received was seven. The median duration of treatment was 38 days.

The main observed safety and tolerability findings from the Phase 1 clinical trial in patients with relapsed or refractory T-cell lymphoma were as follows:

- The MTD was not reached in the dose escalation stage.

- Grade ≥3 TEAEs were reported in 23 patients, or 79.3% of patients. The most common Grade ≥3 TEAEs, reported in more than 5% of patients, included hypercalcemia (10.3%), acute kidney injury (6.9%), back pain (6.9%), dehydration (6.9%), gamma-glutamyltransferase increased (6.9%), lung infection (6.9%), platelet count decreased (6.9%), pyrexia (6.9%), rash (6.9%) and maculopapular rash (6.9%).

- TEAEs in two patients, or 6.9% of patients, led to treatment discontinuation.

- No cases of Guillain–Barré syndrome or polyradiculopathy were reported.

The main observed efficacy findings from the Phase 1 clinical trial in patients with relapsed or refractory T-cell lymphoma were as follows:

- Across all dose levels, two patients, or 8.0% of patients, achieved a complete response and another nine patients, or 36.0% of patients, achieved a partial response, resulting in a 44.0% ORR.

Pivotal Phase 2 Clinical Trial in Relapsed or Refractory Hodgkin Lymphoma

We have completed enrollment of a 117-patient Phase 2, multi-center, open-label, single-arm clinical trial to evaluate the safety and efficacy of Cami in patients with relapsed or refractory HL. The clinical trial's design and our main findings are summarized below.

Clinical Trial Design

The primary objective of the Phase 2 clinical trial is to evaluate the efficacy of Cami in patients with relapsed or refractory HL, measured by ORR based on the 2014 Lugano Classification Criteria. The secondary objectives are to (i) characterize additional efficacy endpoints of Cami, including DoR, complete response rate, PFS and OS, (ii) characterize the safety profile of Cami, (iii) characterize the pharmacokinetic profile of Cami, (iv) evaluate the immunogenicity of Cami, and (v) evaluate the impact of Cami treatment on HRQoL.

The clinical trial is enrolling patients with pathologically confirmed relapsed or refractory HL who have failed three prior lines of therapy (or at least two prior lines in SCT-ineligible patients), including brentuximab vedotin and a checkpoint inhibitor approved for HL, such as nivolumab or pembrolizumab. The table below presents information about the first 51 patients' characteristics.

Patient Characteristics		
Age, median (minimum, maximum)		37 (19, 87)
Histology, n (%)	Nodular sclerosis cHL	91 (77.8)
	Other/unknown/not evaluable*	26 (22.2)
ECOG performance status**, n (%)	0	63 (53.8)
	1	48 (41.0)
	2	6 (5.1)
Number of previous systemic therapies received, median (minimum, maximum)		6 (3,19)
Response to first-line systemic therapy, n (%)	Relapsed	77 (65.8)
	Refractory	29 (24.8)
Response to last-line systemic therapy, n (%)	Refractory	38 (32.5)
Prior stem cell transplant, n (%)	Autologous stem cell transplant	58 (49.6)
	Allogeneic stem cell transplant	3 (2.6+)
	Both autologous and allogeneic stem cell transplant	12 (10.3)
Prior treatment with brentuximab vedotin and PD-1 blockade		116 (99.1)

Information about the patients' characteristics. One patient had a protocol deviation of no prior treatment with brentuximab vedotin. * Includes mixed cellularity and lymphocyte-rich cHL, and subtype not specified/unknown. **ECOG performance status describes a patient's level of functioning in terms of their ability to care for themself, daily activity and physical ability: Grade 0 means fully active, able to carry on all pre-disease performance without restriction; Grade 1 means restricted in physically strenuous activity but ambulatory and able to carry out work of a light or sedentary nature; Grade 2 means ambulatory and capable of all self-care but unable to carry out any work activities.

In the clinical trial, patients receive a 45 µg/kg dose of Cami on the first day of each 21-day treatment cycle for two treatment cycles and receive a 30 µg/kg dose on the first day of each 21-day treatment cycle for subsequent treatment cycles. The decision for the initial dose level is based on the following observations from our Phase 1 clinical trial: (i) the favorable ORR and complete response rate together with Cami's tolerability profile, (ii) the high fraction of patients with HL who could tolerate at least two cycles of Cami before an AE leading to a dose delay or modification occurred and (iii) the ability to manage some of the severe TEAEs at this dose level. The decision to reduce the subsequent dose level to 30 µg/kg is based on the potential to mitigate the frequency and severity of AEs foreseen in patients treated with the 45 µg/kg dose level beyond two treatment cycles while being an active dose. Therefore, the dosing regimen is selected to optimize potential response to treatment, while maintaining a manageable tolerability profile. In this clinical trial, response to treatment is determined as CR, PR, SD or PD, based on the 2014 Lugano Classification Criteria.

Interim Data

In January 2021, we completed enrollment with 117 patients in this clinical trial. As of March 26, 2021, he median number of treatment cycles received was 5 and the maximum number of treatment cycles received was 15.

The main observed safety and tolerability findings were as follows:

- Grade ≥3 TEAEs were reported in 17 patients, or 14.5% of patients. The most common Grade ≥3 TEAEs that were reported in more than 5% of patients included hypophosphatemia (reported in 7.7% of patients) and maculopapular rash (reported in 6.8% of patients).

- Seven cases of Guillain–Barré syndrome/polyradiculopathy were reported, including two case of Grade 4 Guillain–Barré syndrome (inflammatory demyelinating polyneuropathy), 3 cases of Grade 3 Guillain-Barré syndrome/polyradiculopathy, one case of Grade 2 radiculopathy (radiculitis) and one case of Grade 2 Guillain–Barré syndrome.

  In March 2020, two patients in this clinical trial were diagnosed with Guillain–Barré syndrome. Pursuant to the clinical trial protocol, which included specific stopping rules for Guillain–Barré syndrome, we suspended enrollment of new patients in this clinical trial but continued to treat enrolled patients who could derive clinical benefit from continued treatment with Cami.

  Before we resumed enrollment pursuant to the recommendations of an independent DSMB, on April 17, 2020, the FDA issued a partial clinical hold on this clinical trial. The FDA agreed that, pending its review, we could continue to treat enrolled patients, including patients with stable disease, who could derive clinical benefit from continued treatment with Cami. In May 2020, an additional patient was diagnosed with Guillain–Barré syndrome. At the FDA's request, we submitted certain information, including an updated investigator's brochure, an updated clinical trial protocol, the DSMB meeting minutes, an updated informed consent form, dose and exposure analysis for safety and response and an updated safety monitoring plan. In July 2020, the FDA lifted the partial clinical hold.

  There have been no cases of Guillain–Barré syndrome in the more than 150 patients with NHL, acute leukemia or solid tumors treated with Cami. Clinical case literature suggests that patients with HL have a higher incidence of Guillain–Barré syndrome than patients with other cancers or otherwise healthy individuals.

- TEAEs in nine patients, or 7.7% of patients, led to treatment discontinuation. One patient died due to disease progression.

The main observed efficacy findings were as follows:

- 28 patients, or 27.7% of patients, achieved a complete response and another 39 patients, or 38.6% of patients, achieved a partial response, resulting in a 66.3% ORR. The table below shows the response rate data.

Best Overall Response, n (%)	**(n=101)**
Complete response (CR)	28 (27.7)
Partial response (PR)	39 (38.6)
Stable disease	16 (15.8)
Progressive disease	7 (6.9)
Not evaluable	11 (10.9)
Overall response rate (CR + PR)	**67 (66.3)**

Response rate data.

- Nine patients, or 7.7% of patients, received SCT consolidation after treatment with Cami.

Pathway to Regulatory Approval

We believe the pivotal Phase 2 clinical trial, if successful, will form the basis of a BLA submission for accelerated approval of Cami for the treatment of relapsed or refractory HL in patients who have failed or were intolerant to brentuximab vedotin and a checkpoint inhibitor approved for HL. However, the FDA has not opined on whether our Phase 2 clinical trial will in fact be sufficient to support such approval. We plan to have a pre-BLA meeting with the FDA in the second half of 2022.

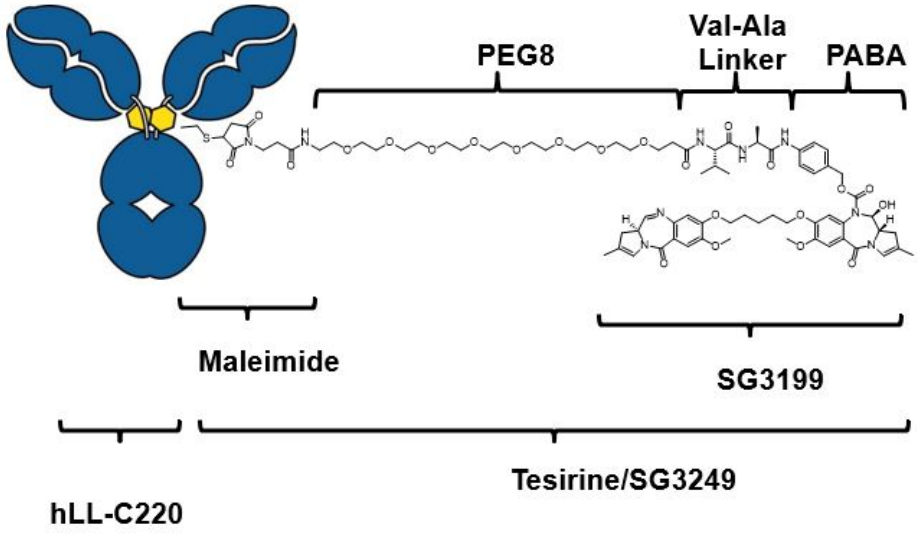
ADCT-602: PBD-Based ADC Targeting CD22

ADCT-602 is an ADC targeting CD22-expressing hematological malignancies. We have entered into a collaboration agreement with MD Anderson Cancer Center, pursuant to which they are conducting a Phase 1/2 clinical trial of ADCT-602 for the treatment of relapsed or refractory ALL.

Of the estimated 9,000 total patients diagnosed with ALL each year in the United States and EU5, approximately 30% will exhibit relapsed or refractory ALL. We believe that the treatment of relapsed or refractory ALL remains an area of high unmet medical need. New therapies for the treatment of ALL, such as tisagenlecleucel, blinatumomab and inotuzumab ozogamicin, are providing additional treatment options for patients with relapsed or refractory ALL. However, the heterogeneity of ALL and the existence of different subgroups within the disease mean there remains a high unmet medical need for portions of the ALL patient population. We intend to develop ADCT-602 as a therapeutic option for relapsed or refractory ALL to address the high unmet medical need of this patient population.

Structure and Mechanism of Action

ADCT-602 is composed of a humanized monoclonal antibody (hLL2-C220) directed against human CD22 and conjugated through a cathepsin-cleavable linker to SG3199, a PBD dimer cytotoxin. Once bound to a CD22-expressing cell, it is designed to be internalized by the cell, following which the warhead is released. The warhead is designed to bind irreversibly to DNA to create highly potent interstrand cross-links that block DNA strand separation, thus disrupting essential DNA metabolic processes such as replication and ultimately resulting in cell death. The figure below shows the structure of ADCT-602.



Visual representation of ADCT-602.

The human CD22 antigen plays a pivotal role in the recognition, binding and adhesion processes of cells. CD22 is only expressed on B cells throughout all stages of B cell development and differentiation. Its expression is maintained in high levels in hematological B cell malignancies, including in NHL and certain types of leukemia, including B-cell ALL. We believe that CD22 is an attractive target for ADCs developed to treat hematological malignancies for the following reasons:

- The CD22 antigen is rapidly internalized by the cell.
- An increasing number of reports describe the outgrowth of CD19-negative tumor cells in patients who initially respond to CD19-targeted therapy. We believe that given CD22's broad and favorable expression profile, it may be a viable alternative B cell marker to CD19 for the targeted delivery of highly potent cytotoxic drugs.

Preclinical Studies

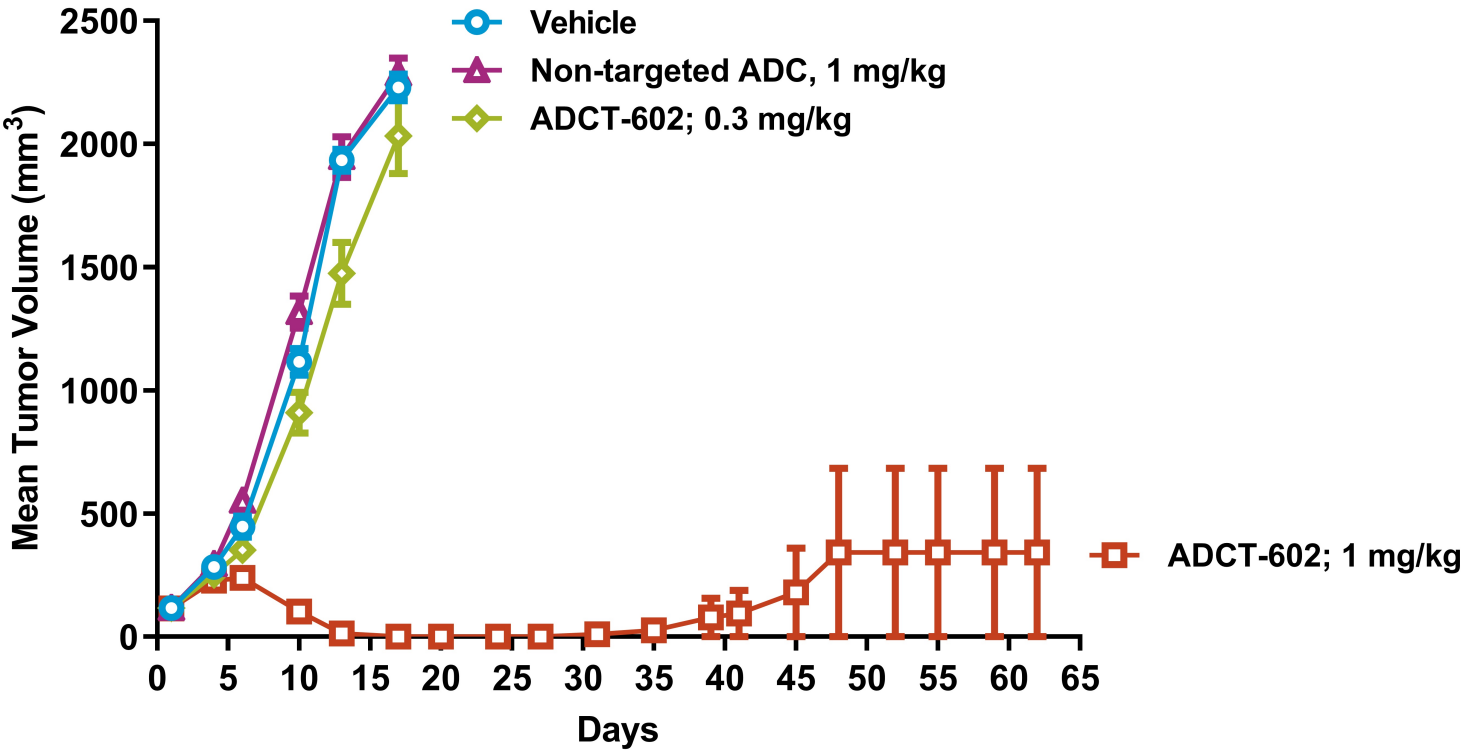
Preclinical Efficacy Studies

We evaluated the *in vivo* efficacy of ADCT-602 in the Ramos xenograft model, in which mice received a single dose of (i) ADCT-602 at 0.3 mg/kg, (ii) ADCT-602 at 1 mg/kg, (iii) a non-targeted ADC at 1 mg/kg, or (iv) a vehicle control. We observed that ADCT-602 exhibited dose-dependent anti-tumor activity, while the non-targeted ADC and the vehicle control did not demonstrate any significant anti-tumor activity.

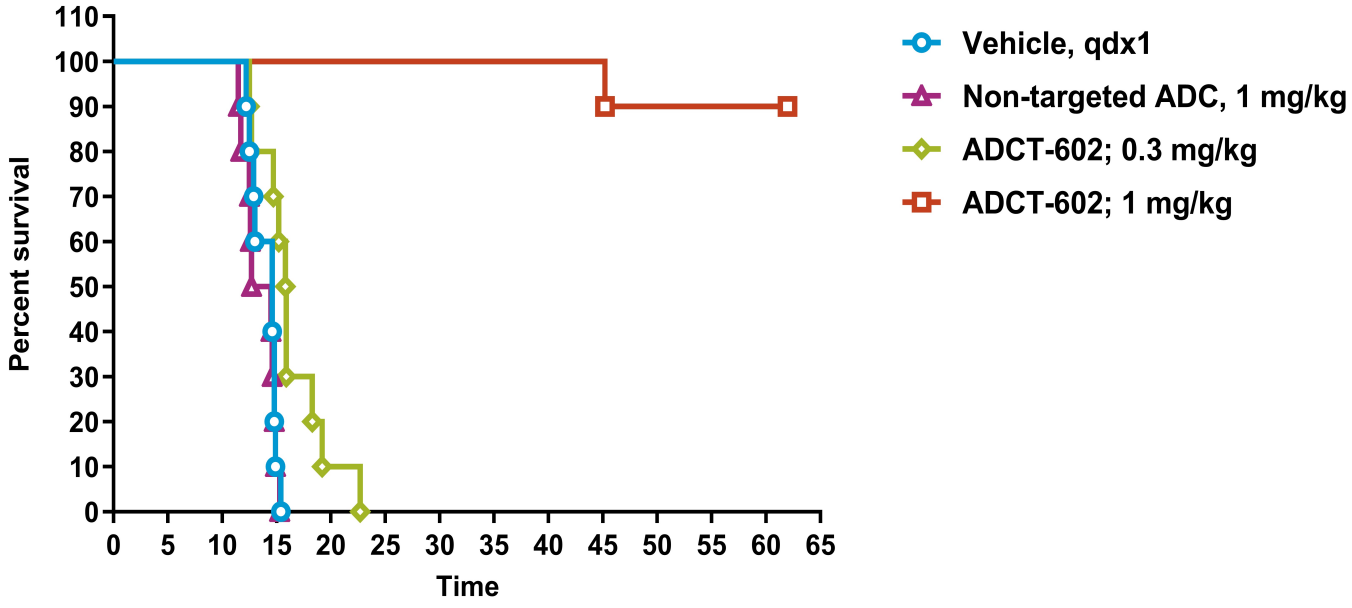
The table below summarizes the response data and the figures below show the mean tumor volume in the Ramos xenograft model and the Kaplan-Meier plot from the Ramos xenograft model.

	n (%)			
Response	**ADCT-602 0.3 mg/kg (n=10)**	**ADCT-602 1 mg/kg (n=10)**	**Non-Targeted ADC 1 mg/kg (n=10)**	**Vehicle Control (n=10)**
Complete response	0 (0.0)	10 (100.0)	0 (0.0)	0 (0.0)
Partial response	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Tumor-free survivor	0 (0.0)	9 (90.0)	0 (0.0)	0 (0.0)

Response data obtained in the Ramos xenograft model. Partial response is recorded when the tumor volume was 50% or less of its Day 1 volume for three consecutive measurements during the course of the study, and equal to or greater than 13.5 mm^3 for one or more of these three measurements. Complete response is recorded when the tumor volume was <13.5 mm^3 for three consecutive measurements during the course of the study. Tumor-free survivor is recorded when a complete response is recorded at the termination of a study.



The anti-tumor activity of ADCT-602 in the Ramos xenograft model. Data represent the mean tumor volume ± SEM for each group of mice.



The Kaplan-Meier plot of the activity of ADCT-602 in the Ramos xenograft model. Data represent Kaplan-Meier survival curves for each group of mice.

Preclinical Safety Studies

We evaluated the toxicity of ADCT-602 primarily in non-human primates and with a single-dose MTD study in rats. In non-human primates, ADCT-602 was observed to be well tolerated at the 0.6 mg/kg dose. Toxicity was characterized by dose-dependent reversible myelosuppression, bodyweight loss, lymphocyte depletion with loss of germinal centers and CD20-positive cells and nephropathy. In rats, the MTD for ADCT-602 was 2 mg/kg.

Phase 1/2 Clinical Trial in Relapsed or Refractory Acute Lymphoblastic Leukemia

Pursuant to our collaboration agreement with MD Anderson Cancer Center, MD Anderson Cancer Center is conducting a Phase 1/2, open-label, dose escalation and dose expansion clinical trial of the safety and anti-tumor activity of ADCT-602, used as monotherapy, in patients with relapsed or refractory ALL. The clinical trial's design and the interim findings are summarized below.

Clinical Trial Design

The primary objectives of the dose escalation stage are to (i) evaluate the safety and tolerability, and determine, as appropriate, the MTD of ADCT-602 in patients with relapsed or refractory ALL and (ii) determine the recommended dose(s) of ADCT-602 for the dose expansion stage. The primary objective of the dose expansion stage is to evaluate the efficacy of ADCT-602 at the dose level(s) recommended from the results of the dose escalation stage. The secondary objectives of the clinical trial are to (i) evaluate the clinical activity of ADCT-602, as measured by ORR, DoR, OS and PFS, (ii) characterize the pharmacokinetic profile of ADCT-602 and the free warhead SG3199, (iii) evaluate the immunogenicity of ADCT-602 and (iv) characterize the effect of ADCT-602 exposure on the QT interval.

The clinical trial will enroll patients with pathologically confirmed relapsed or refractory B-ALL and patients with pathologically confirmed relapsed or refractory Ph+ ALL who have failed either first- or second-generation tyrosine kinase inhibitor. The clinical trial is expected to enroll approximately 65 patients.

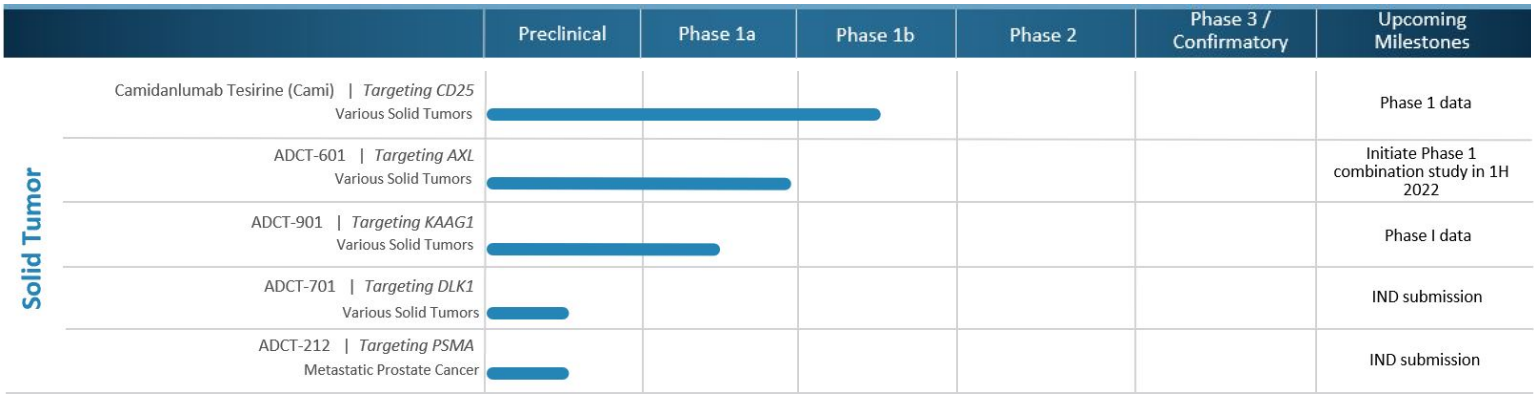
In the dose escalation stage, patients receive intravenous infusions of ADCT-602, at escalating doses, on the first day of each 21-day treatment cycle. The initial dose of ADCT-602 is 30 µg/kg and the highest allowed dose will be 150 µg/kg. Dose escalation is conducted using a 3+3 design with oversight by a DESC. In the dose expansion stage, patients receive ADCT-602 at the recommended dose determined by the DESC based on the anti-tumor activity and tolerability observed during the dose escalation stage. Dose expansion is conducted according to Simon's Minimax two-stage design. In the first stage, 22 patients (including six patients treated at the MTD in the dose escalation stage) will be dosed. If there are four or fewer responses in these patients, the clinical trial will stop. Otherwise, 19 additional patients will be dosed for a total of 41 patients. In this clinical trial, response to treatment is determined as CR, PR, SD or PD, based on the 2014 Lugano Classification Criteria.

Interim Data

As of August 2021, 15 patients have been treated with ADCT-602. Eleven patients were enrolled on the Q3 weekly schedule and then as the PK data indicated rapid clearance of the antibody, the trial was amended to allow for weekly dosing. As of the data cutoff, four patients were treated on a weekly schedule. No DLT has been observed. One patient at the 30 µg/kg weekly dose had grade 4 thrombocytopenia possibly related to ADCT-602. The 40 µg/kg dose is currently open for enrollment. Two heavily pretreated patients achieved MRD-negative remission, one at the 30 µg/kg weekly dose and one at the 3µg/kg dose every three weeks. Dose escalation continues at the 40µg/kg weekly dose and a subsequent dose level of 50 µg/kg weekly is planned.

Our Solid Tumor Franchise

Our solid tumor franchise comprises three clinical-stage product candidates and two preclinical product candidates for the treatment of various solid tumor cancers, including colorectal cancer, head and neck cancer, non-small cell lung cancer, gastric and esophageal cancers, pancreatic cancer, bladder cancer, renal cell carcinoma, melanoma, triple negative breast cancer, ovarian cancer and prostate cancer. The figure below summarizes the product candidates in our solid tumor franchise.



Anticipated milestones set forth in this chart and in this annual report are subject to further future adjustment based on, among other factors, the impact of the COVID-19 pandemic.

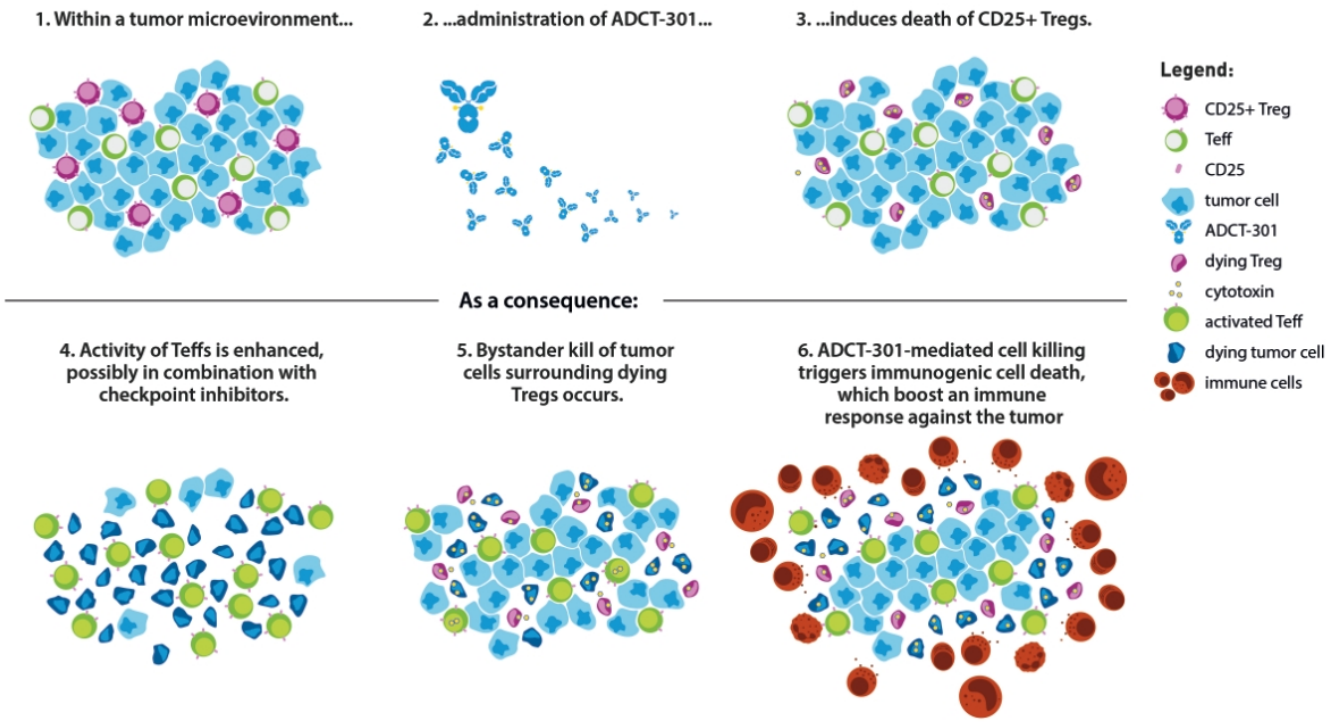
The Solid Tumor Disease Setting

There are many different types of solid tumors and they account for the majority of cancers. The most commonly diagnosed solid tumor cancers include lung cancer, prostate cancer, breast cancer and colorectal cancer. The prognosis and treatment of solid tumor cancers vary based on the type of cancer.

Despite recent significant advances in the treatment of some solid tumor cancers, there remains a high medical need for novel therapies. One of the significant recent advances in the treatment of solid tumor cancers is the introduction of PD1 and PD-L1 checkpoint inhibitors, such as pembrolizumab, that leverages the body's immune system to attack tumor cells. However, only 45% of cancer patients are eligible for treatment with checkpoint inhibitors and only 12% of cancer patients respond to treatment with checkpoint inhibitors. We are developing product candidates directed at different targets from those targeted by checkpoint inhibitors. We believe that our product candidates may enhance the efficacy of checkpoint inhibitors when they are used in combination and may provide a treatment option for patients who are not eligible for or do not respond to treatment with checkpoint inhibitors. We believe that there is a significant opportunity for our product candidates to address the high unmet medical need of these patient populations.

Camidanlumab Tesirine: PBD-Based ADC Targeting CD25

In addition to Cami's hematological indications, we are also exploring its use as a novel immuno-oncology approach for the treatment of solid tumor cancers. Cami targets CD25 proteins expressed on Tregs, which contribute to the immunosuppressive tumor microenvironment in a variety of cancers, including colorectal, ovarian, lung, pancreatic cancers and melanoma, by allowing the tumor to evade immune surveillance. In recent years, a number of companies have begun exploring the therapeutic potential of approaches that deplete or reduce Tregs in the tumor microenvironment, while restoring the activity of cytotoxic Teffs. These approaches usually use a single mechanism of action. In contrast, Cami has three mechanisms of action that may enhance anti-tumor activity. First, Cami directly targets Tregs, with the goal of causing cell death. Second, after the target cell's death, the PBD warhead is designed to diffuse into the tumor microenvironment, creating a bystander effect. Third, we believe that the target cell's death triggers immunogenic cell death, which boosts the body's anti-tumor immune response. We believe that these effects may further be enhanced by combining Cami with a checkpoint inhibitor. The figure below shows Cami's proposed mechanisms of action in solid tumors.



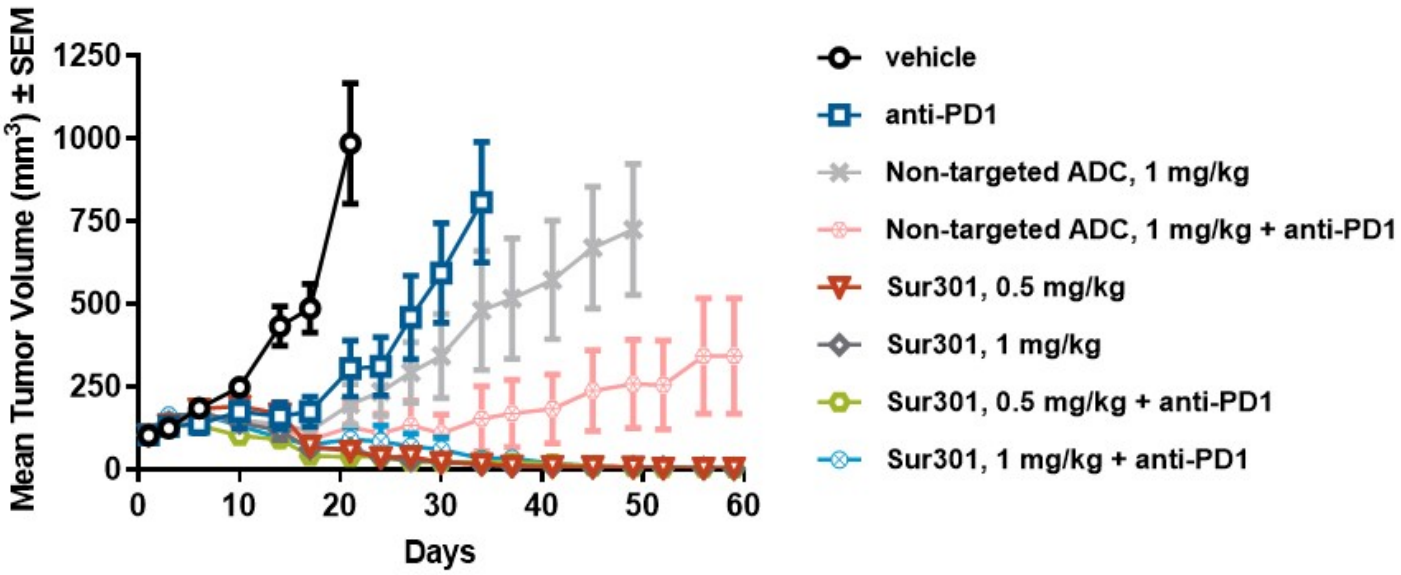
Cami's proposed mechanisms of action in solid tumors.

Preclinical Immuno-Oncology Studies in Solid Tumors

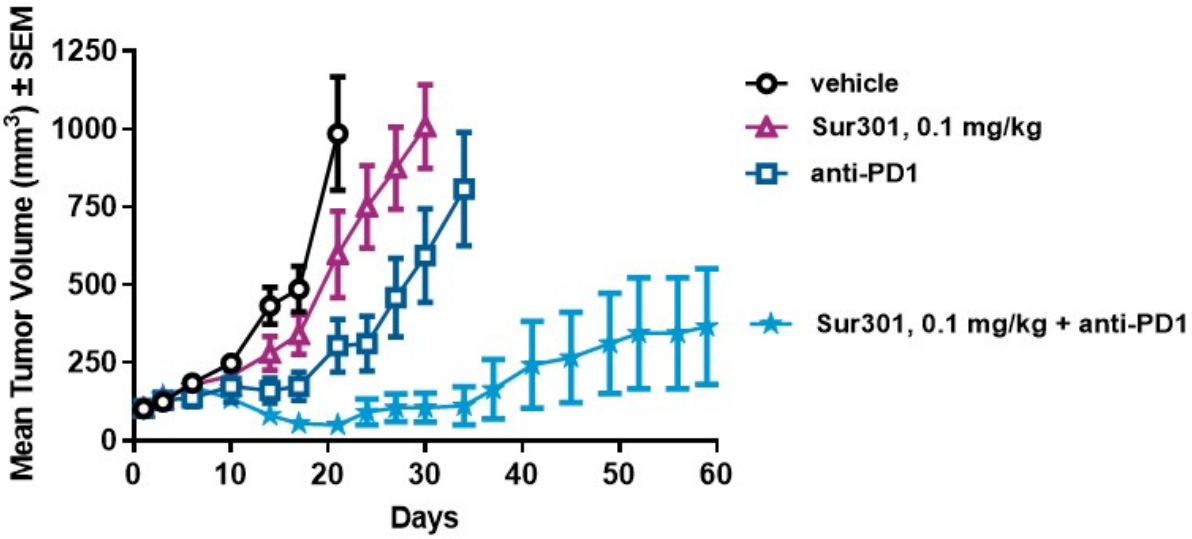
Preclinical Efficacy Studies

Preclinical immuno-oncology models rely on mice that have a functional immune system and can only use murine cancer cells. The antibody in Cami does not bind to murine Tregs or any murine cell line expressing CD25 and thus cannot be used in preclinical immuno-oncology models. We therefore created the surrogate antibody Sur301, which binds to murine CD25, using the same PBD warhead as Cami.

We evaluated the *in vivo* efficacy of Sur301 in the CD25 negative MC38 syngeneic model, in which mice received (i) one dose of Sur301 at various dose levels, alone or in combination with three doses of an anti-PD1 antibody, or (ii) either three doses of an anti-PD1 antibody, a non-targeted ADC or a vehicle control. We observed that Sur301, when used as a monotherapy, exhibited strong and durable anti-tumor activity that is superior to that achieved by the anti-PD1 antibody. Furthermore, we observed that combining a low dose of Sur301 (0.1 mg/kg) with the anti-PD1 antibody resulted in anti-tumor activity that was synergistic (i.e., the total effect of the combined drug is greater than the sum of the individual effects of each drug). The figures below show the mean tumor volume in the CD25 negative MC38 syngeneic model and the synergistic effect of Sur301 and the anti-PD1 antibody.

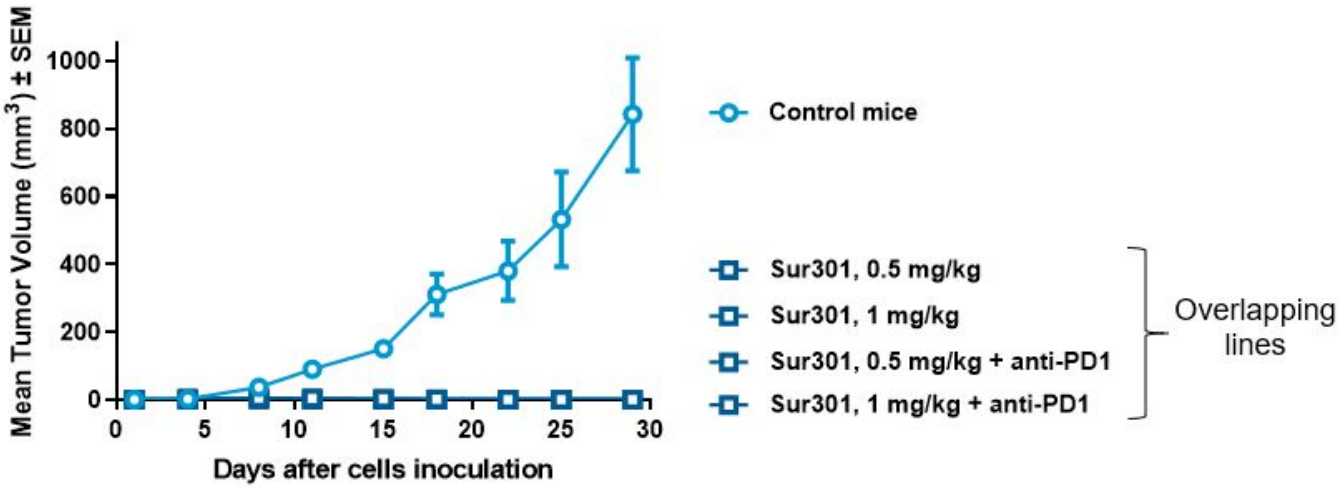


The anti-tumor activity of Sur301 in the CD25 negative MC38 syngeneic model. Data represent the mean tumor volume ± SEM for each group of mice.



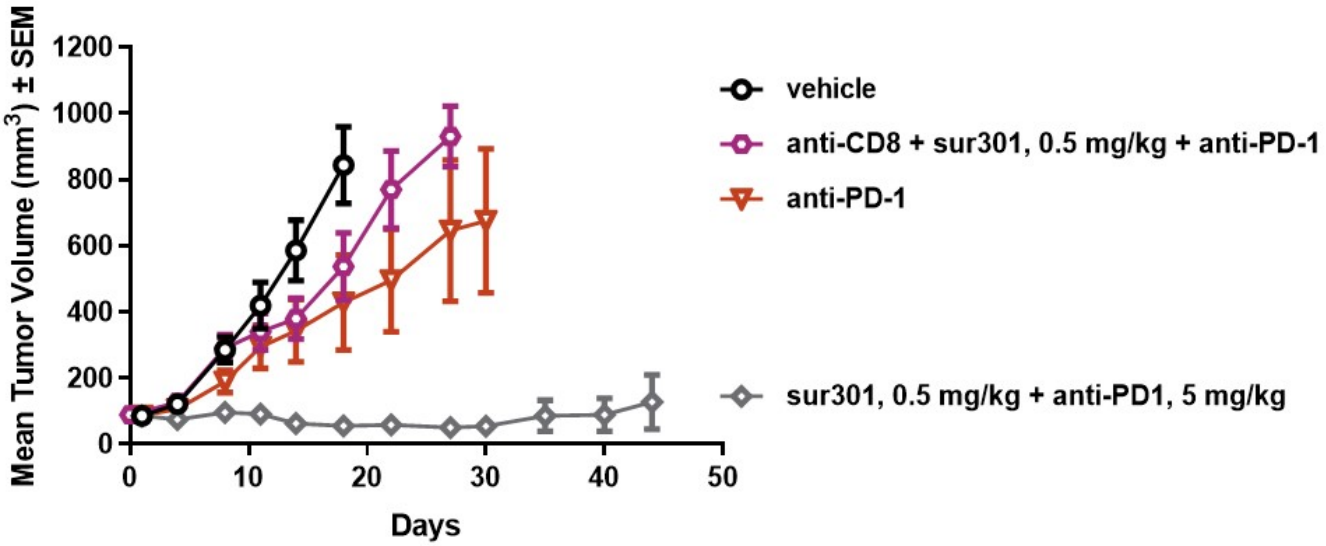
The synergistic effect of Sur301 and the anti-PD1 antibody in the CD25 negative MC38 syngeneic model. Data represent the mean tumor volume ± SEM for each group of mice.

In addition, the tumor-free survivors from our preclinical studies were re-challenged by being re-grafted with MC38 cancer cells. These re-grafted tumor-free survivors did not develop any tumor, suggesting that immunological memory was induced by treatment with Sur301, both alone or in combination with an anti-PD1 antibody. The figure below shows the mean tumor volume in the re-challenge of tumor-free survivors.



The immunological memory induced by Sur301 in the re-challenge of tumor-free survivors. Treatments indicated represent the treatment that the tumor-free survivors received before the re-challenge. Data represent the mean tumor volume ± SEM for each group of mice.

We undertook a preclinical study to assess Sur301's mechanism of action by removing CD8+ Teffs, which generally play an important role in anti-tumor immunity. Mice were treated with a CD8-depleting antibody to remove these cells before they were treated with Sur301, alone or in combination with an anti-PD1 antibody. We observed that the anti-tumor activity of Sur301 was lost when CD8+ Teffs were depleted, indicating these cells play a key role in Sur301's anti-tumor activity. The figure below shows the mean tumor volume in mice treated with a CD8-depleting antibody.



The anti-tumor activity of Sur301 depends on CD8+ Teffs. Data represent the mean tumor volume ± SEM for each group of mice.

We performed a longitudinal T cell immunophenotype study following a single dose of Sur301 at 0.5 mg/kg, either alone or in combination with an anti-PD1 antibody, in mice bearing established MC38 tumors. Following Sur301 treatment, the ratio of CD8+ Teffs to Tregs increased throughout the study, and a further increase in the ratio was observed in the combination therapy group. Tumor-infiltrating CD8+ Teffs from the Sur301 treatment groups (either alone or in combination with the anti-PD1 antibody) had higher activation and proliferation rates compared with CD8+ Teffs from the control groups. This study supports our hypothesis that Sur301 depletes Tregs, allowing Teffs to expand.

The conclusions from our preclinical studies with Sur301 suggest that targeting CD25 positive Tregs in the tumor microenvironment with Cami may be an attractive approach to induce an effective anti-tumor response, especially when combined with checkpoint inhibitors, because:

- Sur301 exhibited strong and durable anti-tumor activity that is superior to that achieved by an anti-PD1 antibody;
- Sur301 exhibited strong synergistic effects when tested at a low dose level in combination with an anti-PD1 regimen;
- Sur301's observed anti-tumor activity was dependent on CD8 Teffs, and a statistically significant increase in the ratio of intratumoral CD8+ Teffs to Tregs was observed after administration of Sur301; and
- Sur301 was associated with immunological memory in our re-challenge of tumor-free survivors.

Preclinical Safety Studies

We evaluated the toxicity of Cami primarily in non-human primates and with a single-dose MTD study in mice and rats. In non-human primates, Cami was observed to be well tolerated at 0.15 mg/kg. Toxicity was characterized by dose-dependent myelosuppression, increased liver enzymes, inflammation of the gastrointestinal tract, reduced bodyweight, nephropathy and skin toxicity. In mice and rats, the MTD for Cami was 9 mg/kg and 2 mg/kg, respectively.

Phase 1b Clinical Trial in Selected Advanced Solid Tumors

We are conducting a Phase 1b, open-label, dose escalation clinical trial of the safety and tolerability of Cami used as monotherapy and in combination with pembrolizumab, in patients with selected advanced solid tumors, defined as those that literature evidence indicates contains CD25 positive Tregs, such as colorectal cancer, head and neck cancer, non-small cell lung cancer, gastric and esophageal cancers, pancreatic cancer, bladder cancer, renal cell carcinoma, melanoma, triple negative breast cancer and ovarian cancer. We are conducting the clinical trial at several sites in the United States and Europe, pursuant to an IND accepted by the FDA in June 2018. The first patient was dosed in January 2019. We announced in November 2020 that the first patient was dosed in the second part of the Phase 1b clinical trial of Cami in combination with pembrolizumab.

Clinical Trial Design

The primary objectives of the clinical trial are to (i) evaluate the safety and tolerability of Cami (as monotherapy or in combination) in patients with selected advanced solid tumors and (ii) identify the recommended dose and dose schedule for future studies in patients with selected advanced solid tumors. The secondary objectives are to (i) evaluate the preliminary anti-tumor activity of Cami, (ii) characterize the pharmacokinetic profile of Cami and (iii) evaluate the immunogenicity of Cami.

The clinical trial will enroll patients with pathologically confirmed relapsed or refractory solid tumor malignancy that is locally advanced or metastatic at the time of screening and who have failed or are intolerant to existing therapies. The clinical trial is expected to enroll approximately 62 patients, with approximately 32 patients for the dose escalation stage and approximately 30 patients for the dose expansion stage. This number may be modified depending on the results of the escalation and expansion.

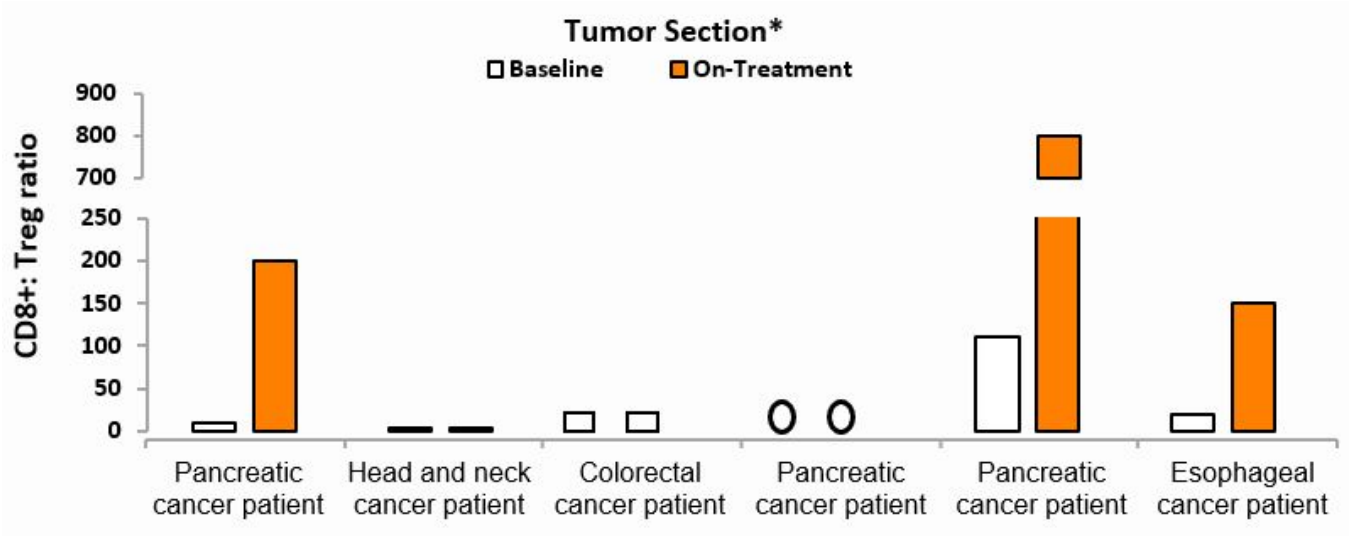
In the dose escalation stage, patients received intravenous infusion of Cami, at escalating doses, on the first day of each 21-day treatment cycle. The initial dose was 20 µg/kg and the highest allowed dose was 300 µg/kg. Dose escalation was conducted using a 3+3 design with oversight by a DESC. After completion of the dose escalation stage of Cami as a single agent, we amended the clinical trial protocol to allow patients in the dose escalation stage to receive Cami in combination with pembrolizumab to better understand its potential as both a monotherapy and in combination. Patients will receive Cami at the recommended dose determined by the DESC based on the anti-tumor activity and tolerability observed during the dose escalation stage. The dose escalation stage may have two cohorts, one for an indication for which Cami was shown in the dose escalation stage to have preliminary activity and one for a basket arm with the same indications allowed in the dose escalation stage. In this clinical trial, response to treatment is determined as CR, PR, SD or PD, based on Response Evaluation Criteria in Solid Tumors ("RECIST") and immune RECIST ("iRECIST"). Biomarkers may be used in future expansion cohorts to identify tumors more likely to be responsive based on the immune status of the tumor environment.

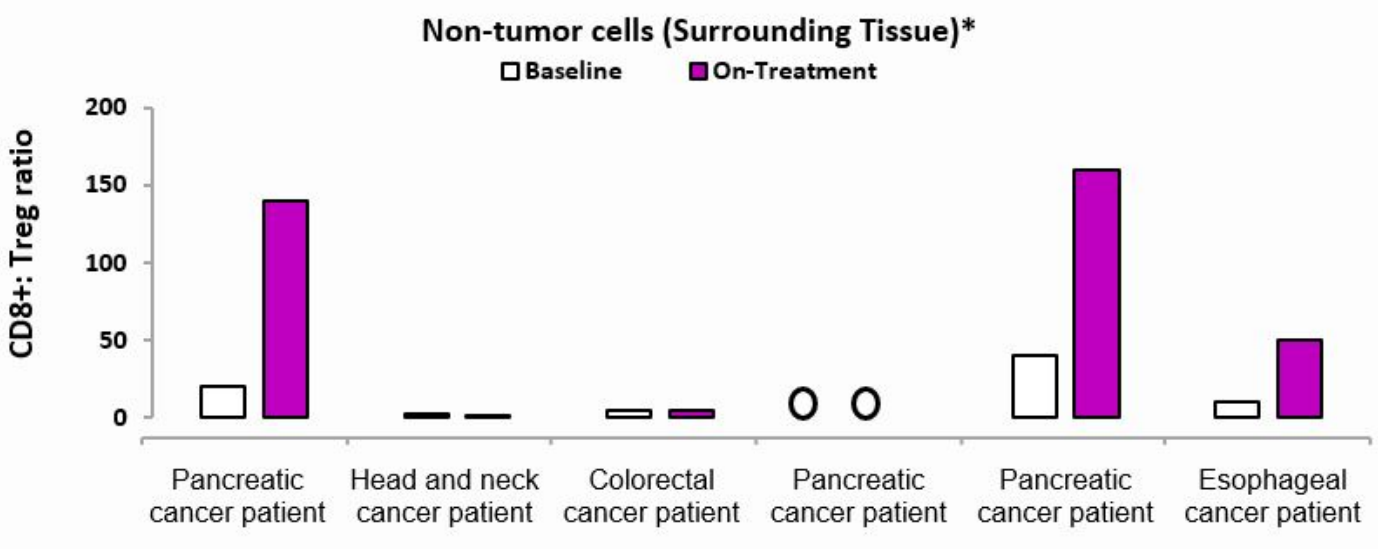
Interim Data

The dose escalation stage of the Phase 1b clinical trial is ongoing. As of the most recent report, 44 patients had been treated with Cami monotherapy and this first part, monotherapy, is completed. Twenty-seven patients reported one or more Grade ≥3 TEAEs, with the most common being anemia and rash. No DLTs have been observed.

Thirty patients have been assessed by the investigator for response to treatment, 18 of whom displayed stable disease.

In certain patients dosed with Cami, paired biopsies (i.e., one biopsy before dosing with Cami (baseline in the figure below) and one biopsy taken six weeks post the first dose of Cami (on-treatment in the figure below)) were analyzed by fluorescent multiplexing technology to quantify the number of CD8+ Teffs and Tregs in the tumor and in the tissue surrounding the tumor. In three of six paired biopsies analyzed to date, we observed a large increase in the ratio of CD8+ Teffs to Tregs in the local tumor environment following treatment with Cami. In two other paired biopsies, no Tregs were present at baseline. In the remaining paired biopsy, there was no observed increase in the ratio of CD8+ Teffs to Tregs.





The ratio of CD8+ Teffs to Tregs in the local tumor environment at baseline and following treatment with Cami. In the figure, 0 means no Tregs were detected in the biopsy. □ means CD8+ Teffs and Tregs were detected in the biopsy, but the ratio of CD8+ Teffs to Tregs was less than 0.1.

In September 2020, we reported preliminary PK/PD data from this clinical trial. Preliminary findings indicate that treatment with Cami was associated with clinically relevant modulation of immune cells in the circulation. Increases in soluble CD25 and cytokines in serum post-dosing followed a similar pattern to increases in CD4-positive and CD8-positive T cells, suggesting an increase in activated lymphocytes. Changes in lymphocyte subpopulations in the blood resulted in a dose-related increase in the Teff-to-Treg ratio. In June 2021 additional PK/PD blood data were reported at 2021 annual ASCO meeting. Results showed PK exposure profile comparable to the previous data and a statistically significant increase of the CD8+ Teff-to-Treg ratio in blood of patients treated with Cami.

Dose escalation for the combination has proceeded from the 30mcg/kg to the 60mcg/kg dose, and will continue to 80mcg/kg. According to the protocol, each dose cohort can be expanded with five additional patients to evaluate the possibility of antitumor activity, and we are currently expanding to five patients at the 60mcg/kg dose. The next phase of the protocol will allow for expansion of the one or more doses with attention to one or more specific tumor types based on responses observed in the smaller expansion cohort. The expansion will include biopsy and/or blood evaluation for specific markers of Treg infiltration, using known immunohistochemistry and cell sorting techniques, as well as identification of Micro Satellite instability, which is known to be associated with Treg infiltration and which appears to be a mechanism of acquired resistance to checkpoint inhibitors.

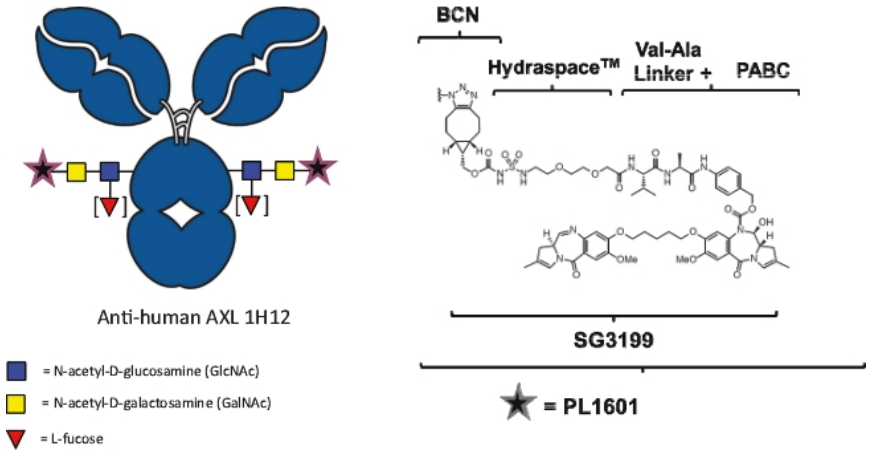
ADCT-601: PBD-Based ADC Targeting AXL

ADCT-601 (mipasetamab uzoptirine) is an ADC targeting AXL-expressing cancers. Currently, we have concluded a Phase 1 dose escalation clinical trial of ADCT-601 as a monotherapy for the treatment of selected advanced tumors and are preparing to undertake a Phase 1b clinical combination trial in the first half of 2022.

Structure and Mechanism of Action

ADCT-601 is composed of a humanized monoclonal antibody (1H12-HAKB) directed against human AXL and conjugated through a cathepsin-cleavable linker to SG3199, a PBD dimer cytotoxin. Once bound to an AXL-expressing cell, it is designed to be internalized by the cell, following which the warhead is released. The warhead is designed to bind irreversibly to DNA to create highly potent interstrand cross-links that block DNA strand separation, thus disrupting essential DNA metabolic processes such as replication and ultimately resulting in cell death. The figure below shows the structure of ADCT-601. ADCT-601 also features the following unique technologies:

- ADCT-601 uses Glycoconnect™ site-specific conjugation technology, which allows for fast and stable conjugation of the warhead to the antibody.
- The PBD payload of ADCT-601 contains a unique spacer, Hydraspace™, which we have shown to provide an additional improvement in therapeutic index in preclinical models.



Visual representation of ADCT-601.

AXL plays a pivotal role in various physiological and pathological processes. We believe that AXL is an attractive target for ADCs developed to treat solid tumors for the following reasons:

- AXL is highly overexpressed or ectopically expressed in a multitude of solid tumors, including in lung, breast, prostate, pancreas, glioma and esophageal cancers. Its overexpression is maintained in both primary tumors and metastasis.
- AXL expression in healthy tissues is significantly lower than that in tumor cells.
- AXL is expressed on M2 macrophages, which are part of the immunosuppressive tumor microenvironment.
- Expression and activation of AXL is associated with poor clinical prognosis in many tumor indications and several studies suggest that expression of AXL is induced by both targeted and chemotherapy drugs. Therefore, AXL-based therapies may be efficacious even where traditional therapies have failed.
- AXL is prevalent in tumors resistant to anti-PD1 therapy, and pre-clinical data have shown the benefit of combining AXL-targeted therapies with immunotherapies.
- The extracellular portion of AXL can be cleaved off from the membrane to generate soluble AXL ("sAXL"), which can be detected in serum. Recent studies suggest that sAXL can be a potential circulating biomarker in certain tumors, representing a potentially attractive biomarker for clinical use.

Preclinical Studies

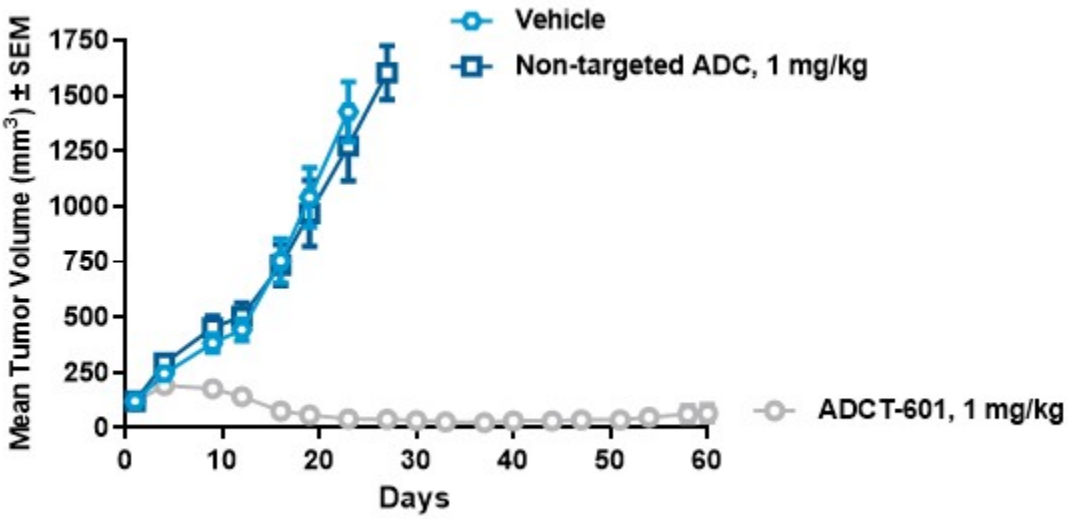
Preclinical Efficacy Studies

Breast Cancer

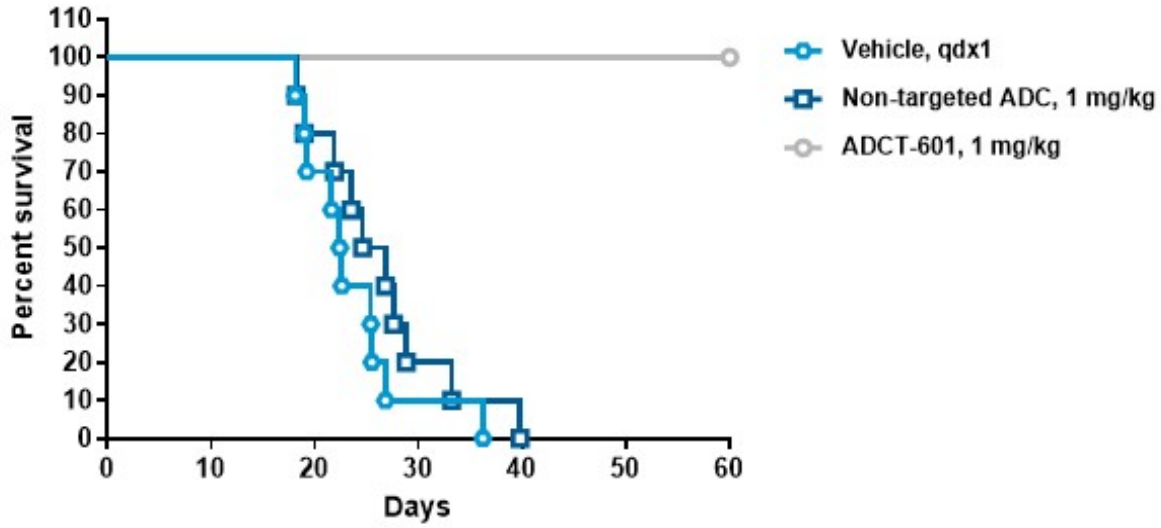
We evaluated the *in vivo* efficacy of ADCT-601 in the MDA-MB-231 xenograft model, in which mice received a single dose of (i) ADCT-601 at 1 mg/kg, (ii) a non-targeted ADC at 1 mg/kg, or (iii) a vehicle control. We observed that ADCT-601 exhibited potent and sustained anti-tumor activity, while the non-targeted ADC and the vehicle control did not exhibit any significant anti-tumor activity. The table below summarizes the response data, and the figures below show the mean tumor volume in the MDA-MB-231 xenograft model and the Kaplan-Meier plot from the MDA-MB-231 xenograft model.

	n (%)		
Response	**ADCT-601 1 mg/kg (n=10)**	**Non-Targeted ADC 1 mg/kg (n=10)**	**Vehicle Control (n=10)**
Complete response	4 (40.0)	0 (0.0)	0 (0.0)
Partial response	5 (50.0)	0 (0.0)	0 (0.0)
Tumor-free survivor	4 (40.0)	0 (0.0)	0 (0.0)

Response data obtained in the MDA-MB-231 xenograft model. Partial response is recorded when the tumor volume was 50% or less of its Day 1 volume for three consecutive measurements during the course of the study, and equal to or greater than 13.5 mm^3 for one or more of these three measurements. Complete response is recorded when the tumor volume was <13.5 mm^3 for three consecutive measurements during the course of the study. Tumor-free survivor is recorded when a complete response is recorded at the termination of a study.



The anti-tumor activity of ADCT-601 in the MDA-MB-231 xenograft model. Data represent the mean tumor volume ± SEM for each group of mice.



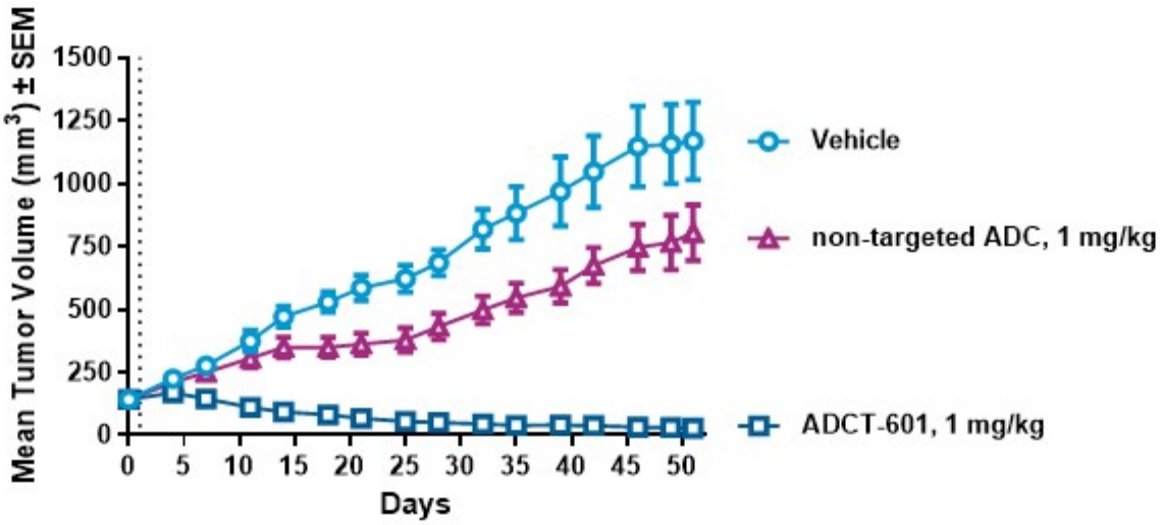
The Kaplan-Meier plot of the activity of ADCT-601 in the MDA-MB-231 xenograft model. Data represent Kaplan-Meier survival curves for each group of mice.

Esophageal Cancer

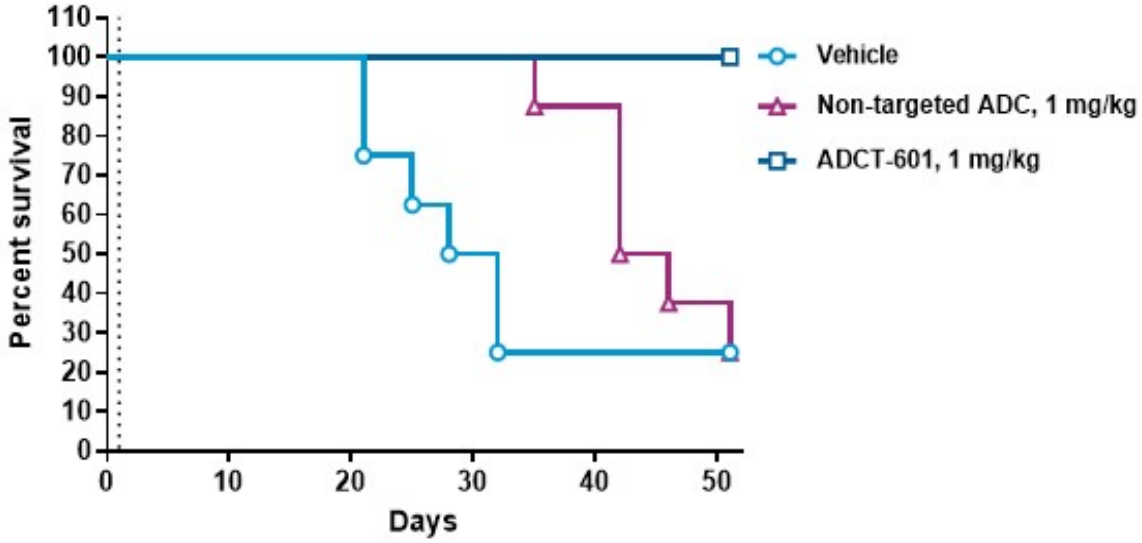
We evaluated the *in vivo* efficacy of ADCT-601 in the ES0195 patient-derived xenograft model, in which mice received a single dose of (i) ADCT-601 at 1 mg/kg, (ii) a non-targeted ADC at 1 mg/kg, or (iii) a vehicle control. We observed that ADCT-601 exhibited potent and sustained anti-tumor activity, while the non-targeted ADC and the vehicle control did not exhibit any significant anti-tumor activity. The table below summarizes the response data and the figures below show the mean tumor volume in the ES0195 patient-derived xenograft model and the Kaplan-Meier plot from the ES0195 patient-derived xenograft model.

	n (%)		
Response	**ADCT-601 1 mg/kg (n=8)**	**Non-Targeted ADC 1 mg/kg (n=8)**	**Vehicle Control (n=8)**
Complete response	2 (25.0)	0 (0.0)	0 (0.0)
Partial response	5 (62.5)	0 (0.0)	0 (0.0)
Tumor-free survivor	2 (25.0)	0 (0.0)	0 (0.0)

Response data obtained in the ES0195 patient-derived xenograft model. Partial response is recorded when the tumor volume was 50% or less of its Day 1 volume for three consecutive measurements during the course of the study, and equal to or greater than 13.5 mm^3 for one or more of these three measurements. Complete response is recorded when the tumor volume was <13.5 mm^3 for three consecutive measurements during the course of the study. Tumor-free survivor is recorded when a complete response is recorded at the termination of a study.



The anti-tumor activity of ADCT-601 in the ES0195 patient-derived xenograft model. Data represent the mean tumor volume ± SEM for each group of mice.



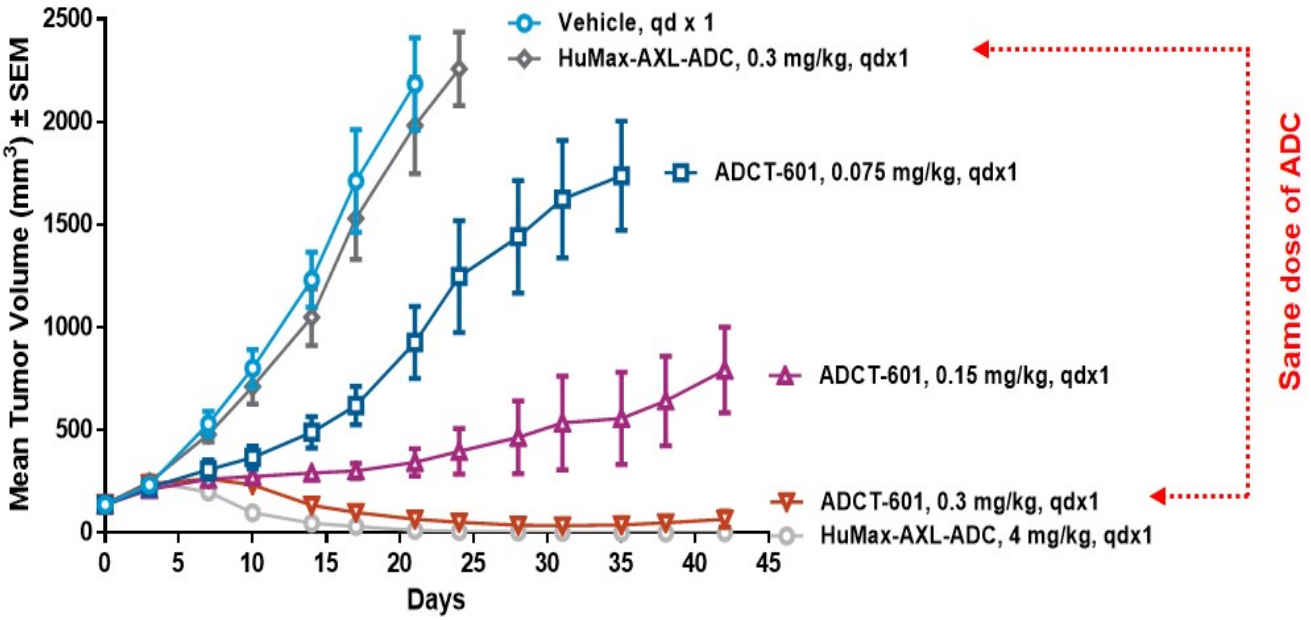
The Kaplan-Meier plot of the activity of ADCT-601 in the ES0195 patient-derived xenograft model. Data represent Kaplan-Meier survival curves for each group of mice.

Pancreatic Cancer

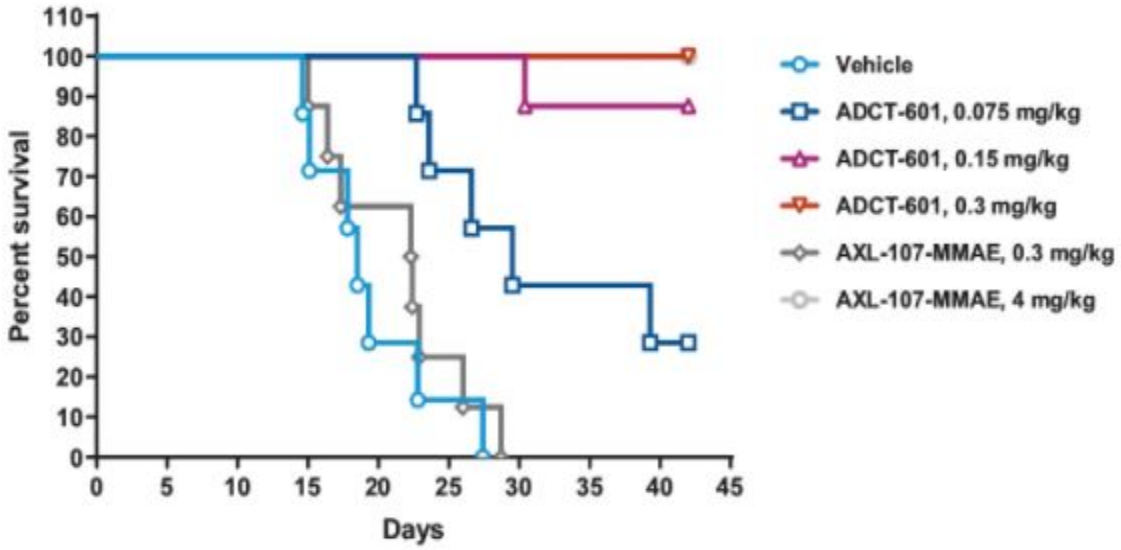
We evaluated the in vivo efficacy of ADCT-601 and that of AXL-107-MMAE, an AXL-targeted ADC similar to HuMax-AXL-ADC, which is currently in Phase 1/2 development by a third party for multiple types of solid tumors, in the PAXF1657 pancreatic cancer patient-derived xenograft model, in which mice received a single dose of (i) ADCT-601 at 0.075 mg/kg, (ii) ADCT-601 at 0.15 mg/kg, (iii) ADCT-601 at 0.3 mg/kg, (iv) AXL-107-MMAE at 0.3 mg/kg, (v) AXL-107-MMAE at 4 mg/kg, or (vi) a control vehicle. We observed that ADCT-601 exhibited dose-dependent anti-tumor activity and superior anti-tumor activity compared to AXL-107-MMAE when tested at the same low dose of 0.3 mg/kg. The table below summarizes the response data and the figures below show the mean tumor volume in the PAXF1657 xenograft model and the Kaplan-Meier plot from the PAXF1657 patient-derived xenograft model.

	n (%)					
Response	**ADCT-601 0.075 mg/kg (n=8)**	**ADCT-601 0.15 mg/kg (n=8)**	**ADCT-601 0.3 mg/kg (n=8)**	**AXL-107-MMAE 0.3 mg/kg (n=8)**	**AXL-107-MMAE 4 mg/kg (n=8)**	**Vehicle Control (n=8)**
Complete response	0 (0.0)	0 (0.0)	3 (37.5)	0 (0.0)	8 (100.0)	0 (0.0)
Partial response	0 (0.0)	0 (0.0)	1 (12.5)	0 (0.0)	0 (0.0)	0 (0.0)
Tumor-free survivor	0 (0.0)	0 (0.0)	3 (37.5)	0 (0.0)	8 (100.0)	0 (0.0)

Response data obtained in the PAXF1657 patient-derived xenograft model. Partial response is recorded when the tumor volume was 50% or less of its Day 1 volume for three consecutive measurements during the course of the study, and equal to or greater than 13.5 mm^3 for one or more of these three measurements. Complete response is recorded when the tumor volume was <13.5 mm^3 for three consecutive measurements during the course of the study. Tumor-free survivor is recorded when a complete response is recorded at the termination of a study.



The anti-tumor activity of ADCT-601 in the PAXF1657 patient-derived xenograft model. Data represent the mean tumor volume ± SEM for each group of mice.



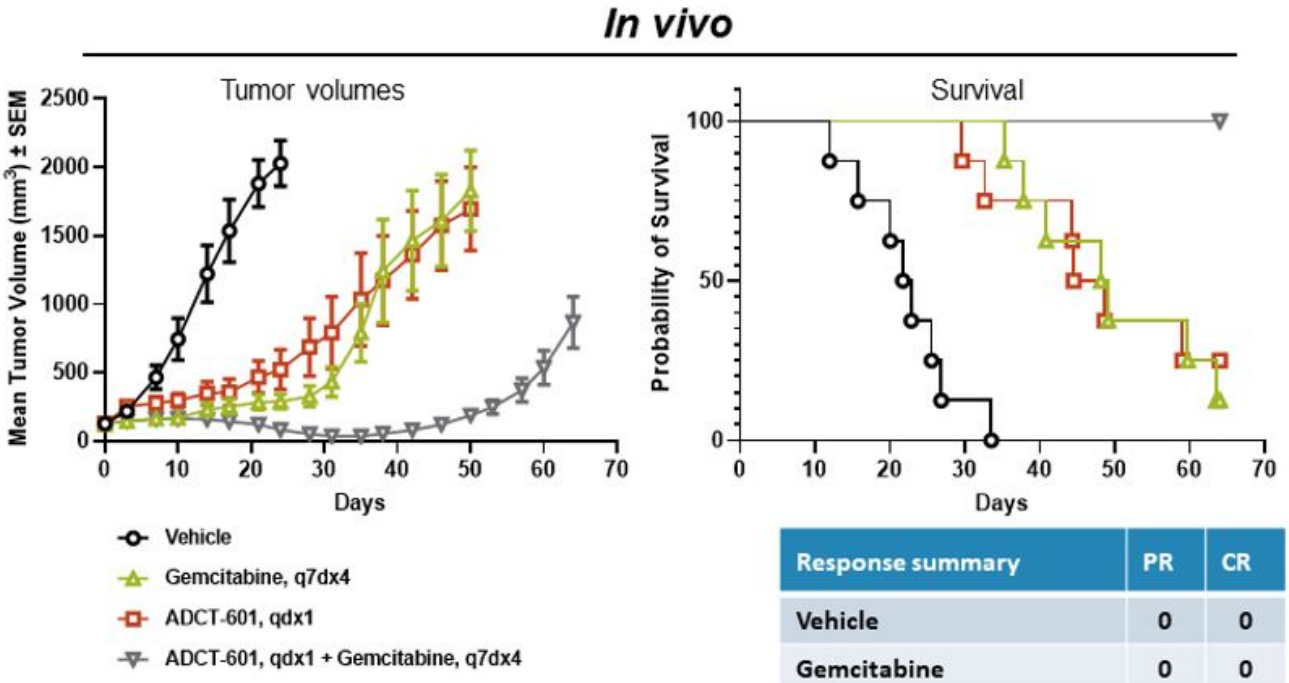
The Kaplan-Meier plot of the activity of ADCT-601 in the PAXF1657 patient-derived xenograft model. Data represent Kaplan-Meier survival curves for each group of mice.

Preclinical Safety Studies

We evaluated the toxicity of ADCT-601 primarily in non-human primates and with a single-dose MTD study in rats. In non-human primates, toxicity was observed in the immune system, bone marrow, kidney, mammary glands (females only), reproductive tract and skin. Most microscopic findings were not reversible after a six-week recovery phase, except for the morphologic effect on the hematopoietic system in the bone marrow in both sexes, and the immune system (spleen, thymus and gut-associated lymphoid tissue) in males. In rats, the MTD for ADCT-601 was 6 mg/kg.

Preclinical Studies Combined with Gemcitabine

In preclinical models, ADCT-601 had additive or synergistic activity with the antimetabolite gemcitabine, which inhibits DNA synthesis. In vitro, ADCT-601 and gemcitabine had additive activity in 6/7 pancreatic cancer cell lines, whereas synergy was observed in another pancreatic cancer cell line and one non-small cell lung cancer line. In vivo in a pancreatic PDX model, increased survival was observed in all mice treated with the combination of gemcitabine and ADCT-601 when compared to either ADCT-601 or gemcitabine alone, while it increased the numbers of mice with partial response or a complete response.



Response summary	PR	CR
Vehicle	0	0
Gemcitabine	0	0
ADCT-601	0	1
ADCT-601+gemcitabine	6	1

The anti-tumor activity of ADCT-601 in combination with gemcitabine in the PAXF1657 patient-derived xenograft model. Data represent the mean tumor volume ± SEM for each group of mice. Treatments started on day 1; ADCT-601 was tested as single dose at 0.075 mg/kg; gemcitabine was tested at 240 mg/kg, q7d x 4. Left graph shows the mean tumor volumes, whereas the Kaplan-Meier plot is shown on the right. Data represent Kaplan-Meier survival curves for each group of mice.

Phase 1 Clinical Trial in Selected Advanced Solid Tumors

We conducted a Phase 1, open-label, dose escalation and dose expansion clinical trial of the safety, tolerability, pharmacokinetics and anti-tumor activity of ADCT-601, used as monotherapy, in patients with selected advanced solid or metastatic tumors, including triple-negative breast cancer, colorectal cancer, esophageal cancer, gastric cancer, head and neck cancer, mesothelioma, non-small cell lung cancer, ovarian cancer, pancreatic cancer and soft tissue sarcoma. The clinical trial's design and our interim findings are summarized below.

Clinical Trial Design

The primary objectives of the clinical trial were to (i) evaluate the safety and tolerability of ADCT-601 in patients with selected advanced solid tumors and (ii) identify the recommended dose and dose schedule for future studies in patients with selected advanced solid tumors. The secondary objectives were to (i) evaluate the preliminary anti-tumor activity of ADCT-601, (ii) characterize the pharmacokinetic profile of ADCT-601 and (iii) evaluate the immunogenicity of ADCT-601.

The clinical trial enrolled patients with pathologically confirmed relapsed or refractory solid tumor malignancy that is locally advanced or metastatic at the time of screening and who have failed or are intolerant to existing therapies.

In the dose escalation stage, patients received intravenous infusion of ADCT-601, at escalating doses, on the first day of each 21-day treatment cycle. The initial dose was 50 µg/kg and the highest given dose was 150 µg/kg. Dose escalation was conducted using a 3+3 design with oversight by a DESC. In this clinical trial, response to treatment was determined as CR, PR, SD or PD, based on RECIST and iRECIST.

Clinical Trial Results

The dose escalation stage of the Phase 1 clinical trial has been completed. As of November 4, 2019, 17 patients have been treated with ADCT-601. Ten patients experienced one or more Grade ≥3 TEAEs, with the most common being abdominal pain and urinary tract obstruction. One DLT of Grade 3 hematuria was observed in a colorectal cancer patient treated at the 100 µg/kg dose level who had a history of radiotherapy involving the bladder. In addition, one DLT of hyponatremia was observed in an ovarian cancer patient treated at the 150 µg/kg dose level, which the investigator assessed as probably being related to ADCT-601.

Thirteen patients have been assessed by the investigator for response to treatment, one of whom achieved a partial response and seven of whom displayed stable disease.

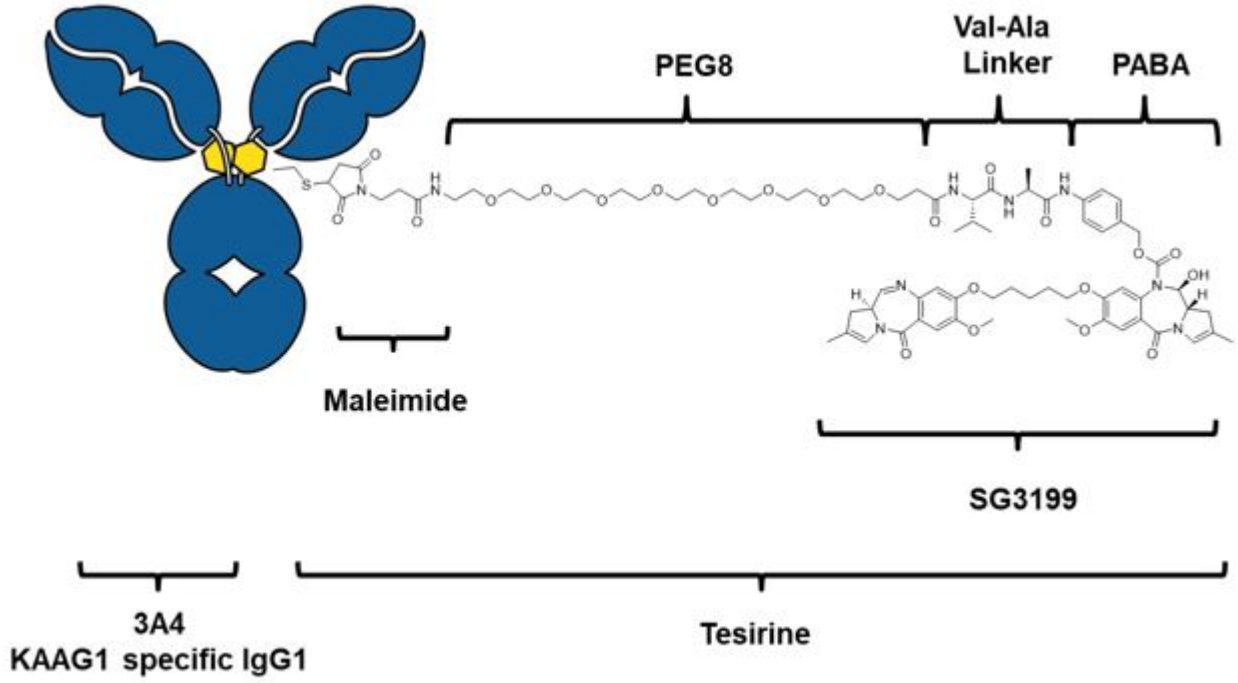
Based on safety and anti-tumor activity data from this clinical trial, we plan to commence a Phase 1b dose escalation trial during first half of 2022 of ADCT-601 in combination with other therapies, enrolling patients with tumor types identified from literature to have AXL expression on tumor cells in a significant number of patients. This includes patients with sarcoma, known to express AXL, and patients whose tumors have amplifications of the AXL gene, which is correlated to surface expression.

ADCT-901: PBD-Based ADC Targeting KAAG1

ADCT-901 is a potential first-in-class ADC targeting kidney associated antigen 1 (KAAG1) expressing cancers. We are developing ADCT-901 for the treatment of advanced solid tumors with high unmet medical needs, including ovarian cancer and triple negative breast cancer. KAAG1 is a novel tumor-associated antigen expressed in a high percentage of ovarian tumors and triple negative breast cancers, with limited expression in healthy tissues. We believe that KAAG1 is an attractive target for ADC development as (i) it is exposed on the tumor cells, (ii) it has high expression in tumors with high unmet medical need, including ovarian cancer and triple negative breast cancer, while its expression on healthy tissue is very limited and (iii) it internalizes and co-localizes with lysosomal-associated membrane protein 1, a lysosomal marker, which shows that the target is efficiently transported to that cellular compartment.

Structure and Mechanism of Action

ADCT-901 is an antibody-drug conjugate (ADC) composed of a humanized monoclonal antibody (3A4) directed against human kidney associated antigen 1 (KAAG1) and conjugated through a cathepsin-cleavable linker to SG3199, a pyrrolobenzodiazepine (PBD)-dimer cytotoxin. The PBD dimer cytotoxin (SG3199) attached to the linker is designated as tesirine. The figure below shows the structure of ADCT-901.



Visual representation of ADCT-901.

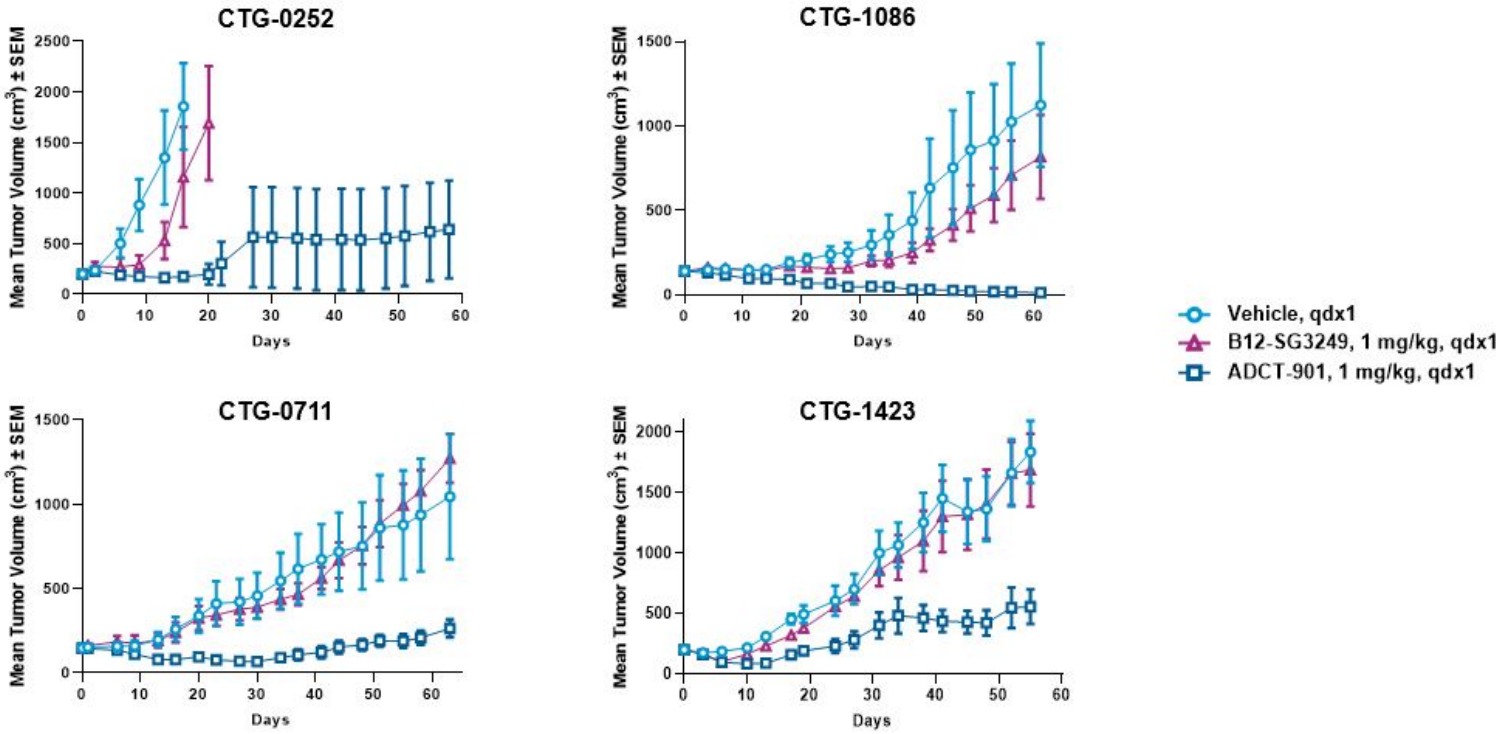
Once bound to KAAG1, ADCT-901 is internalized and the cathepsin-cleavable linker is cleaved, releasing free PBD dimers (SG3199) inside the target cell. The PBD dimers are highly efficient anticancer drugs that covalently bind in the minor groove of DNA and form highly cytotoxic DNA interstrand cross-links. The cross-links formed by the PBD dimers are relatively non-distorting the DNA structure, making them hidden to DNA's repair mechanisms.

Preclinical Studies

Preclinical Efficacy Studies

We evaluated the *in vivo* efficacy of ADCT-901 in the CTG-0252, CTG-0711, CTG-1086, and CTG-1423 ovarian cancer patient-derived xenograft models, in which mice received a single dose of (i) ADCT-901 at 1 mg/kg, (ii) a non-targeted ADC at 1 mg/kg, or (iii) a vehicle control. We observed that ADCT-901 exhibited potent and specific anti-tumor activity, while the non-targeted ADC and the vehicle control did not exhibit any significant anti-tumor activity. The table below summarizes the response data and the figure below shows the mean tumor volumes in the CTG-0252, CTG-0711, CTG-1086, and CTG-1423 patient-derived xenograft models.

Model #	Test Material	PR	CR	TFS
CTG-0252 (Day 58)	Vehicle	0	0	0
	Isotype-control ADC	0	0	0
	ADCT-901	3	1	1
CTG-0711 (Day 63)	Vehicle	0	0	0
	Isotype-control ADC	0	0	0
	ADCT-901	3	0	0
CTG-1086 (Day 61)	Vehicle	0	0	0
	Isotype-control ADC	0	0	0
	ADCT-901	4	1	1
CTG-1423 (Day 55)	Vehicle	0	0	0
	Isotype-control ADC	0	0	0
	ADCT-901	0	0	0



Preclinical Safety Studies

We evaluated the toxicity of ADCT-901 primarily in non-human primates. ADCT-901 was observed to be well tolerated at the 0.3 mg/kg dose and toxicity of ADCT-901 was largely consistent with the toxicity of the PBD dimer warhead and characterized by skin lesions, regenerative anemia and nephropathy. In addition, degenerative changes in the tongue and esophagus were noted.

Phase 1 Clinical Trial in KAAG1-Expressing Tumor Types

Clinical Trial Design

On September 27, 2021, we announced that the first patient was dosed in the Phase 1 clinical trial evaluating ADCT-901, targeting KAAG1, in patients with selected advanced solid tumors with high unmet medical needs, including platinum resistant ovarian cancer and triple negative breast cancer. The open-label, dose-escalation and dose-expansion clinical trial will evaluate the safety, tolerability, pharmacokinetics, and antitumor activity of ADCT-901 as monotherapy in patients with selected advanced solid tumors.

The primary objectives of the dose escalation stage are to (i) determine the recommended dose(s) for the expansion stage, and (ii) evaluate the safety and tolerability, and determine, as appropriate, the MTD of ADCT-901 in patients with select relapsed or refractory solid tumors. The primary objective of the dose expansion stage is to evaluate the efficacy of ADCT-901 at the dose level(s) recommended from the results of the dose escalation stage. The secondary objectives of the clinical trial are to (i) evaluate the anti-tumor activity of ADCT-901, as measured by ORR, DoR, OS and PFS, (ii) characterize the pharmacokinetic profile of ADCT-901 and, (iii) evaluate the immunogenicity of ADCT-901.

The clinical trial will enroll patients with pathologically confirmed locally advanced or metastatic cholangiocarcinoma, ovarian/fallopian tube cancers, prostate cancer, renal cell carcinoma, and triple negative breast cancer who are refractory to or intolerant to exciting therapy(ies) known to provide clinical benefit for their condition. The clinical trial is expected to enroll approximately 76 patients.

In the dose escalation stage, patients receive intravenous infusions of ADCT-901, at escalating doses, on the first day of each 21-day treatment cycle. The initial dose of ADCT-901 is 15 µg/kg and the highest allowed dose will be 290 µg/kg. Dose escalation is conducted using a 3+3 design with oversight by a DESC. In the dose expansion stage, patients will receive ADCT-901 at the recommended dose determined by the DESC based on the anti-tumor activity and tolerability observed during the dose escalation stage. Dose expansion will be conducted with the dose of ADCT-901 identified as RDE/MTD during dose-escalation. In this clinical trial, response to treatment is determined as CR, PR, SD or PD, based on RECIST v1.1.

We are currently in the dose escalation stage of the Phase 1 trial at a dose of 30 µg/kg.

Our Preclinical Solid Tumor Product Candidates

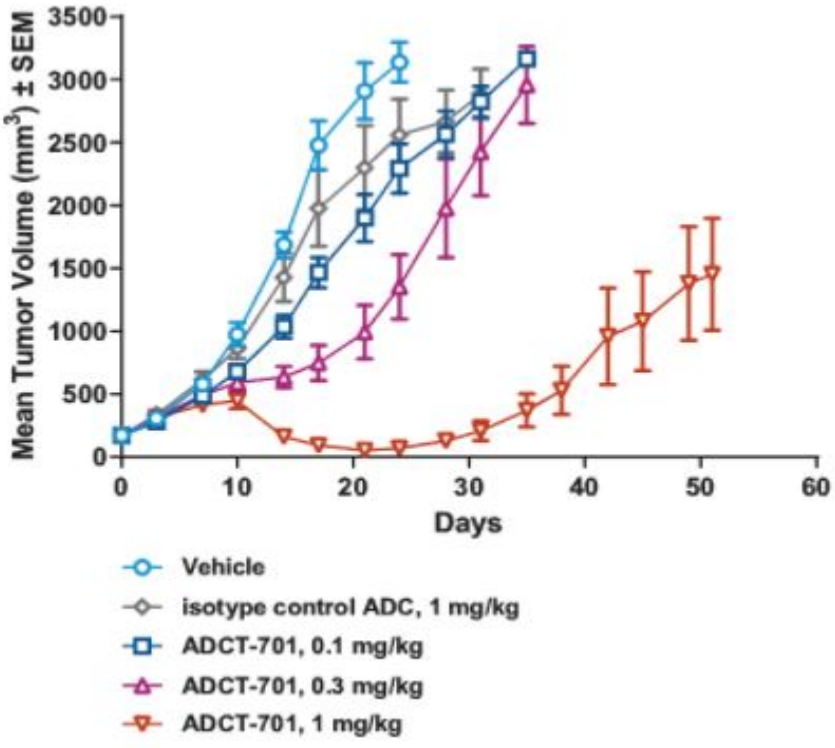
ADCT-701: PBD-Based ADC Targeting DLK-1

ADCT-701 is an ADC targeting DLK-1-expressing cancers. We are developing ADCT-701 for the treatment of neuroendocrine tumors with high unmet medical needs, including adrenocortical carcinoma, pheochromocytoma, paraganglioma, hepatocellular carcinoma, neuroblastoma and small cell lung cancer ("SCLC"). ADCT-701 is composed of a humanized monoclonal antibody (HuBa-1-3D) directed against human DLK-1 and conjugated through a cathepsin-cleavable linker to SG3199, a PBD dimer cytotoxin. DLK-1 is widely expressed during fetal development, but its expression is highly restricted in adults. However, DKL-1 is expressed in adults in several tumors, such as neuroblastoma, hepatocellular carcinoma ("HCC") and SCLC. We have entered into a collaboration with NCI at the National Institutes of Health for the continued development of ADCT-701. We are completing preclinical studies to support an IND filing by the NCI.

We evaluated the *in vivo* efficacy of ADCT-701 in the LI1097 patient-derived hepatocellular carcinoma xenograft model, in which mice received a single dose of (i) ADCT-701 at 0.1 mg/kg, (ii) ADCT-701 at 0.3 mg/kg, (iii) ADCT-701 at 1 mg/kg, (iv) a non-targeted ADC at 1 mg/kg, or (v) a vehicle control. We observed that ADCT-701 exhibited potent, specific and dose-dependent anti-tumor activity, while the non-targeted ADC and the vehicle control did not exhibit any significant anti-tumor activity. The table below summarizes the response data and the figure below shows the mean tumor volume in the LI1097 patient-derived xenograft model.

	n (%)				
Response	**ADCT-701 0.1 mg/kg (n=8)**	**ADCT-701 0.3 mg/kg (n=8)**	**ADCT-701 1 mg/kg (n=8)**	**Non-Targeted ADC 1 mg/kg (n=8)**	**Vehicle Control (n=8)**
Complete response	0 (0.0)	0 (0.0)	2 (37.5)	0 (0.0)	0 (0.0)
Partial response	0 (0.0)	0 (0.0)	3 (62.5)	0 (0.0)	0 (0.0)
Tumor-free survivor	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)

Response data obtained in the LI1097 patient-derived xenograft model. Partial response is recorded when the tumor volume was 50% or less of its Day 1 volume for three consecutive measurements during the course of the study, and equal to or greater than 13.5 mm^3 for one or more of these three measurements. Complete response is recorded when the tumor volume was <13.5 mm^3 for three consecutive measurements during the course of the study. Tumor-free survivor is recorded when a complete response is recorded at the termination of a study.

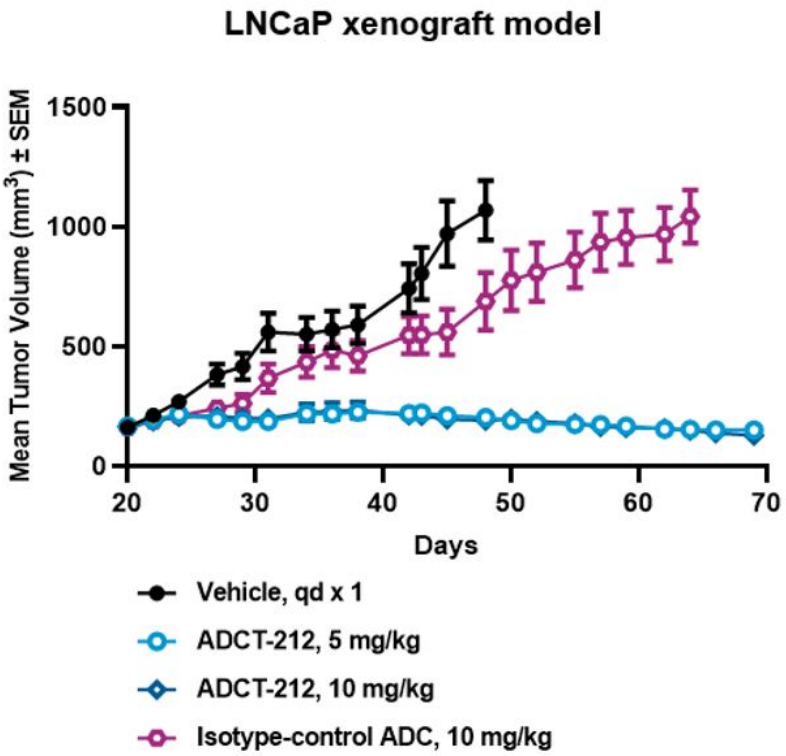


The anti-tumor activity of ADCT-701 in the LI1097 patient-derived xenograft model. Data represent the mean tumor volume ± SEM for each group of mice.

ADCT-212: PBD-Based ADC Targeting PSMA

We are developing ADCT-212 targeting PSMA for the treatment of metastatic castrate resistant prostate cancer (mCRPC). ADCT-212 is a second generation PBD based ADC targeting PSMA-expressing cancers. Initially, we and Medimmune developed the PSMA-specific ADC MEDI3726 in a collaboration with Medimmune. We observed signs of clinical efficacy with MEDI3726, but patients did not tolerate multiple cycles and the pharmacokinetic profile of MEDI3726 was characterized by rapid PK and instability of MEDI3726, reducing exposure of the tumor to the ADC. In ADCT-212, we have changed the PSMA specific antibody, the site-specific conjugation method, the PBD linker and the PBD dimer toxin to improve PK and tolerability. ADCT-212 is composed of a fully human antibody directed against human PSMA and conjugated using Glycoconnect technology to a payload containing Hydraspace, a cathepsin-cleavable linker and the PBD toxin SG2000, which is a PBD toxin with a lower potency compared to the PBD toxin SG3199, which was used in MEDI3726.

We evaluated the in vivo efficacy of ADCT-212 in the LNCaP xenograft model, in which mice received a single dose of (i) ADCT-212 at 5 mg/kg or 10 mg/kg, a non-targeted isotype control ADC at 10 mg/kg, or (v) a vehicle control. We observed that ADCT-212 exhibited potent, specific anti-tumor activity, while the non-targeted ADC and the vehicle control did not exhibit any significant anti-tumor activity.



We are completing preclinical studies to support the filing of an IND and potential Phase 1 clinical trial.

Our Research Pipeline

In addition to our product candidates described above, we have selected four additional ADC targets (one hematological and three solid tumor targets) and ten XDC targets (four hematological and six solid tumor targets) for which we are conducting preclinical research, with the aim of selecting clinical candidates for further development. For the XDC product candidates, we are exploring different non-antibody protein scaffolds as well as peptides for tumor targeting.

We are also testing complementary technologies to expand the therapeutic index of our product candidates. For example, we are investigating novel conjugation and linker technologies to maximize the benefits of the PBD dimer technology. As an example, we benchmarked multiple site-specific conjugation technologies and identified GlycoConnect™/Hydraspace technology (licensed from Synaffix) to provide the enhanced therapeutic index for ADCT-601, ADCT-701 and ADCT-212 that we observed in preclinical models. We are also exploring the use of a novel Silinol-based linker technology that we licensed from a third party. We continue to explore alternative conjugation and linker technologies as well as novel toxin strategies as they become available and determine whether there is any merit in utilizing them in product candidates.

Moreover, we are exploring the development of ADCs that use tumor-conditional binding approaches, such as antibody masking, which depends on the unique proteolytic environment in the tumor. These tumor-specific proteases can be used to remove masking peptides engineered on a masked antibody. Such masked antibodies will not bind to healthy tissue expressing the target and will not bind to soluble target shed into circulation (as there is no expression of the tumor specific proteases and the mask prevents binding to target). However, once in the tumor microenvironment, tumor-specific proteases release the masking peptide from the antibody and it will bind to the target on the tumor cell membrane, allowing internalization of the ADC into the tumor. We are also exploring ADCs based on conditionally binding antibodies, which bind stronger to target in the more acidic local tumor environment and less strong to target expressed on healthy tissue which has a neutral pH.

Chemistry, Manufacturing and Controls

We believe that the manufacture of ADCs requires considerable expertise, know-how and resources. Since our inception, we have made significant financial and human resource investments to become a leader in the industry for ADC chemistry, manufacture and control processes. Currently, we have a 32-person, in-house team, based in the San Francisco Bay Area, overseeing our CMC operations for each of our product candidates.

We do not own or operate, and do not plan to own or operate, manufacturing infrastructure for the manufacture of clinical or commercial supply of our product candidates. Instead, we contract with third-party cGMP-compliant CMOs that have the facilities and capabilities to

manufacture on our behalf the intermediate components and the final product candidates for use in clinical trials and commercial supply. We believe there will be sufficient commercial-grade drug product of ZYNLONTA in stock for the foreseeable future and we and our CMOs will be able to conduct additional manufacturing at the appropriate time. Our in-house team oversees all aspects of the CMO manufacturing process, including defining the scope of work and monitoring all aspects of the manufacturing process to ensure that they meet our specifications and quality requirements, including conducting routine site visits and audits. We also contract with external specialist quality control and stability-testing organizations to monitor the quality of the materials manufactured by the CMOs.

Intellectual Property

Our success depends in part on our ability to obtain and maintain proprietary protection for our technology, programs and know-how related to our business, defend and enforce our intellectual property rights, in particular, our patent rights, preserve the confidentiality of our trade secrets, and operate without infringing valid and enforceable intellectual property rights of others. We seek to protect our proprietary position by, among other things, exclusively licensing and filing U.S. and foreign patent applications related to our technology, existing and planned programs and improvements that are important to the development of our business, where patent protection is available. We also rely on trade secrets, know-how, continuing technological innovation and confidential information to develop and maintain our proprietary position and protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection. We seek to protect our proprietary technology and processes, in part, by confidentiality agreements with our employees, consultants, scientific advisors, and contractors. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems.

Notwithstanding these efforts, we cannot be sure that patents will be granted with respect to any patent applications we have licensed or filed or may license or file in the future, and we cannot be sure that any patents we have licensed or patents that may be licensed or granted to us in the future will not be challenged, invalidated, or circumvented or that such patents will be commercially useful in protecting our technology. Moreover, trade secrets can be difficult to protect. While we have confidence in the measures we take to protect and preserve our trade secrets, such measures can be breached, and we may not have adequate remedies for any such breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors.

In addition, we or our licensors may be subject to claims that former employees, collaborators, or other third parties have an interest in our owned or in-licensed patents or other intellectual property as an inventor or co-inventor. If we are unable to obtain an exclusive license to any such third party co-owners' interest in such patent applications, such co-owners may be able to license their rights to other third parties, including our competitors. In addition, we may need the cooperation of any such co-owners to enforce any patents that issue from such patent applications against third parties, and such cooperation may not be provided to us.

Patent Portfolio

The term of individual utility patents depends upon the countries in which they are granted. In most countries, including the United States, the utility patent term is generally 20 years from the earliest claimed filing date of a non-provisional utility patent application in the applicable country. United States provisional utility patent applications are not eligible to become issued patents until, among other things, non-provisional patent applications are filed within 12 months of the filing date of the applicable provisional patent applications and the failure to file such non-provisional patent applications within such timeline could cause us to lose the ability to obtain patent protection for the inventions disclosed in the associated provisional patent applications. In the United States, a patent's term may, in certain cases, be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the USPTO in examining and granting a patent, or may be shortened if a patent is terminally disclaimed over a commonly owned patent having an earlier expiration date. In certain circumstances, U.S. patents can also be eligible for patent term extension; for more information, see "Information on the Company—Business Overview—Government Regulation—Regulatory Approval in the United States—U.S. Patent Term Restoration and Marketing Exclusivity." The expiration dates referred to below are without regard to potential patent term adjustment or extension that may be available to us.

In general, our licensed, owned or co-owned patents relate to our ADC products, the underlying antibodies, the PBD-based warhead, the linker used to connect such PBD warheads to the antibodies to form an ADC, modifications of the antibodies to enhance efficacy, and the methods to formulate, co-formulate, use and administer or co-administer such ADCs.

"PBD Warhead," "PBD Warhead with Linker" Patent Protection

As of December 31, 2021, with respect to the PBD-based warhead and ADC technology we use to develop our product candidates, we have exclusively licensed from MedImmune for particular target molecules, 36 patent families directed to different aspects of the chemistry of the PBD molecules and methods of using the molecules in the treatment of proliferative diseases. These families include approximately 38 issued U.S. utility patents, 25 granted European patents, 23 granted Japanese patents and 13 granted Chinese patents. These issued utility patents, and any utility patents granted from such applications, are expected to expire between 2023 and 2038.

Antibody and Product-Specific Patent Protection

As of December 31, 2021, we co-own with MedImmune, and have exclusive rights to, approximately 40 patent families directed to ADCs with PBD warheads and targeting moieties that bind to specific target molecules, combinations of these ADCs with other therapeutic molecules and therapeutic uses of these ADCs. These families include approximately 9 issued U.S. utility patents, 8 granted European patents, 7 granted Japanese patents and 4 granted Chinese patents. These issued utility patents, and any utility patents granted from the pending applications in these families, are expected to expire between 2033 and 2042. Further details in relation to particular products, as well as details of in-licensed patents relating to particular antibodies are provided below.

ZYNLONTA

The antibody for ZYNLONTA is in the public domain.

Patents more specifically directed to the ZYNLONTA ADC are co-owned by us and MedImmune, with us having the exclusive right to exploit the relevant patents during the term of our license and collaboration agreement with MedImmune. As of December 31, 2021, there are six such patent families directed to the ADC product, methods of using the ADC as a single agent or in combination with other named molecules in the treatment of proliferative diseases, and dosing regimens. The family having issued claims directed to the ZYNLONTA composition includes one issued U.S. utility patent, one granted utility patent in each of Europe, Japan and China. The issued utility patents, and any utility patents granted from the pending applications in these families, are expected to expire between 2033 and 2042.

Cami

As of December 31, 2021, with respect to the antibody for Cami, we exclusively license an antibody utility patent family from Genmab that includes approximately five issued U.S. utility patents, one pending U.S. non-provisional utility patent application and 14 granted patents in foreign jurisdictions. These issued utility patents, and any utility patents granted from such applications, are expected to expire between 2023 and 2024.

The patents more specifically directed to the Cami ADC are co-owned by us and MedImmune, with us having the exclusive right to exploit the relevant patents during the term of our license and collaboration agreement with MedImmune. As of December 31, 2021, there are 14 such patent families directed to the ADC product, methods of using the ADC as a single agent or in combination with other named molecules in the treatment of proliferative diseases, and dosing regimens. The family having issued claims directed to the Cami composition includes one issued U.S. utility patent, one granted utility patent in each of Europe, Japan and China. These issued utility patents, and any utility patents granted from the pending applications in these families, are expected to expire between 2033 and 2042.

ADCT-602

As of December 31, 2021, we and MedImmune co-own four patent families relating specifically to the ADCT-602 ADC, along with methods of using the ADC as a single agent or in combination with other named molecules in the treatment of proliferative diseases; we have the exclusive right to exploit the relevant patents during the term of our license and collaboration agreement with MedImmune. The family having issued claims directed to the ADCT-602 composition includes two issued U.S. utility patents, two granted utility patents in Europe and one granted utility patent in each of Japan and China. These issued utility patents, and any utility patents granted from the pending applications in these families, are expected to expire between 2033 and 2042.

ADCT-601

As of December 31, 2021, we and MedImmune co-own two patent families relating specifically to the ADCT-601 ADC, along with methods of using the ADC as a single agent or in combination with other named molecules in the treatment of proliferative diseases; we have the exclusive right to exploit the relevant patents during the term of our license and collaboration agreement with MedImmune. The family directed to the ADCT-601 ADC contains one pending U.S. non-provisional utility patent application, one pending utility patent application in each of Europe and China, and one granted utility patent application in Japan. These issued utility patents, and any utility patents granted from the pending applications in these families, are expected to expire in 2038.

Additionally, we license several patent families relating to ADCT-601. As of December 31, 2021, this includes one patent family exclusively licensed from Bergenbio relating to the antibody used in ADCT-601. This family includes two issued U.S. utility patents, one granted European utility patent application, one granted Japanese utility patent application, and one pending utility patent application in China. The issued utility patent, and any utility patents granted from the pending applications in these families, are expected to expire between 2035 and 2036. We also non-exclusively license patent families from Synaffix relating to processes for producing ADCs with the ADCT-601 linker technology and linker synthesis intermediates. These issued utility patents, and any utility patents granted from the pending applications in these families, are expected to expire between 2031 and 2037. Additionally, we exclusively license one patent family from MedImmune relating to the ADCT-601 ADC that contains one pending utility patent application in each of the United States, Europe, Japan, China and India. Any utility patents granted from these applications are expected to expire in 2038.

Competition

The biotechnology industry, and the oncology subsector, are characterized by rapid evolution of technologies, fierce competition and strong defense of intellectual property. While we believe that our technology, intellectual property, know-how, scientific expertise and leadership team provide us with certain competitive advantages, we face potential competition from many sources, including major pharmaceutical and biotechnology companies, academic institutions and public and private research organizations. Many competitors and potential competitors have substantially greater scientific, research and product development capabilities, as well as greater financial, marketing and human resources than we do.

Many companies are active in the oncology market and are developing or marketing products for the specific therapeutic markets that we target, including both antibody and non-antibody-based therapies. Similarly, we also face competition from other companies and institutions that continue to invest in innovation in the ADC field including new payload classes, new conjugation approaches and new targeting moieties. Specifically, we are aware of multiple companies with ADC technologies that may be competitive to our product candidates, including, but not limited to, AbbVie, Inc., Astellas Pharma Inc., AstraZeneca plc, BioAtla, LLC, Bristol-Myers Squibb Company, CytomX Therapeutics, Daiichi Sankyo Company, Eli Lilly and Company, Genentech, Inc., Genmab, GlaxoSmithKline plc, ImmunoGen, Inc., Gilead Sciences, Inc., Mersana Therapeutics Inc., Millennium Pharmaceuticals, Inc., MorphoSys AG, Novartis International AG, Pfizer Inc., F. Hoffmann-La Roche AG, Sanofi S.A., Seattle Genetics, Inc., Sutro Biopharma, Inc., Takeda Pharmaceutical Company Ltd and Wyeth Pharmaceuticals, Inc. There are hundreds of ADCs in development, the vast majority of which were being developed for the treatment of cancer.

In the relapsed or refractory DLBCL setting, for which we have developed ZYNLONTA, current third-line treatment options include CAR-T, allogeneic stem cell transplant, polatuzumab in combination with bendamustine and a rituximab product, selinexor, tafasitamab in combination with lenalidomide and chemotherapy using small molecules. In addition, we expect potential new competitors, including bispecific antibodies, to enter the market as potential treatment options for such patients in the future. In the relapsed or refractory HL setting, for which we are developing Cami, current third-line treatment options include chemotherapy, immunotherapy and brentuximab vedotin. In addition, we expect changes to the treatment paradigm, such as the movement of brentuximab vedotin to earlier lines of therapy and the potential expanded use of checkpoint inhibitors, and potential new entrants such as bispecific antibodies.

Any products and product candidates that we successfully develop and commercialize may compete directly with approved therapies and any new therapies that may be approved in the future. Competition will be based on their safety and effectiveness, the timing and scope of marketing approvals, the availability and cost of supply, marketing and sales capabilities, reimbursement coverage, price levels and discounts offered, patent position and other factors. Our competitors may succeed in developing competing products before we do, obtaining marketing approval for products and gaining acceptance for such products in the same markets that we are targeting.

Government Regulation

Government authorities in the United States at the federal, state and local level and in other countries and jurisdictions, including the European Union, extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of drug and biological products, such as our investigational medicines and any future investigational medicines. Generally, before a new drug or biologic can be marketed, considerable data demonstrating its quality, safety and efficacy must be obtained, organized into a format specific for each regulatory authority, submitted for review and approved by the regulatory authority.

Regulatory Approval in the United States

In the United States, pharmaceutical products are subject to extensive regulation by the FDA. The FDCA, and other federal and state statutes and regulations, govern, among other things, the research, development, testing, manufacture, storage, recordkeeping, approval, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of pharmaceutical products. Biological products used for the prevention, treatment or cure of a disease or condition of a human being are subject to regulation under the FDCA, except the section of the FDCA that governs the approval of new drug applications ("NDAs") does not apply to the approval of biological products. Biological products, such as our ADC product candidates, are approved for marketing under provisions of the Public Health Service Act (the "PHSA"), via a BLA. However, the application process and requirements for approval of BLAs are very similar to those for NDAs, and biologics are associated with similar approval risks and costs as drugs. Failure to comply with applicable U.S. requirements may subject a company to a variety of administrative or judicial sanctions, such as clinical hold, FDA refusal to approve pending NDAs or BLAs, warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties, and criminal prosecution.

Our investigational medicines and any future investigational medicines must be approved by the FDA pursuant to a BLA before they may be legally marketed in the United States. The process generally involves the following:

- completion of extensive preclinical laboratory and animal studies in accordance with applicable regulations, including studies conducted in accordance with GLP requirements;

- submission to the FDA of an IND, which must become effective before human clinical trials may begin;
- approval by an IRB or independent ethics committee at each clinical trial site before each clinical trial may be commenced;
- performance of adequate and well-controlled human clinical trials in accordance with applicable IND regulations, GCP requirements and other clinical trial-related regulations to establish the safety and efficacy of the investigational product for each proposed indication;
- submission to the FDA of a BLA;
- a determination by the FDA within 60 days of its receipt of a BLA to accept the filing for review;
- satisfactory completion of one or more FDA pre-approval inspections of the manufacturing facility or facilities where the biologic, or components thereof, will be produced to assess compliance with cGMP requirements to assure that the facilities, methods and controls are adequate to preserve the biologic's identity, strength, quality and purity;
- satisfactory completion of any potential FDA audits of the clinical trial sites that generated the data in support of the BLA to assure compliance with GCPs and integrity of the clinical data;
- payment of any user fees for FDA review of the BLA;
- FDA review and approval of the BLA, including consideration of the views of any FDA advisory committee; and
- compliance with any post-approval requirements, including REMS, where applicable, and post-approval studies required by the FDA as a condition of approval.

The preclinical and clinical testing and approval process requires substantial time, effort and financial resources, and we cannot be certain that any approvals for our product candidates will be granted on a timely basis, or at all.

Preclinical Studies

Before testing any biological product candidates in humans, the product candidate must undergo rigorous preclinical testing. Preclinical studies include laboratory evaluation of product chemistry and formulation, as well as *in vitro* and animal studies to assess the potential for adverse events and in some cases to establish a rationale for therapeutic use. The conduct of preclinical studies is subject to federal regulations and requirements, including GLP regulations for safety/toxicology studies. An IND sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and plans for clinical studies, among other things, to the FDA as part of an IND. An IND is a request for authorization from the FDA to administer an investigational product to humans and must become effective before human clinical trials may begin. Some long-term preclinical testing may continue after the IND is submitted. An IND automatically becomes effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions related to one or more proposed clinical trials and places the trial on clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. As a result, submission of an IND may not result in the FDA allowing clinical trials to commence.

Clinical Trials

The clinical stage of development involves the administration of the investigational product to healthy volunteers or patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control. Clinical trials must be conducted: (i) in compliance with federal regulations; (ii) in compliance with GCPs, an international standard meant to protect the rights and health of patients and to define the roles of clinical trial sponsors, administrators, and monitors; as well as (iii) under protocols detailing, among other things, the objectives of the trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated in the trial. Each protocol involving testing on U.S. patients and subsequent protocol amendments must be submitted to the FDA as part of the IND. Furthermore, each clinical trial must be reviewed and approved by an IRB for each institution at which the clinical trial will be conducted to ensure that the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the informed consent form that must be provided to each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed.

There also are requirements governing the reporting of ongoing clinical trials and completed clinical trial results to public registries. Information about certain clinical trials, including clinical trial results, must be submitted within specific timeframes for publication on the www.clinicaltrials.gov website. Information related to the product, patient population, phase of investigation, clinical trial sites and investigators, and other aspects of the clinical trial is then made public as part of the registration. Sponsors are also obligated to discuss the results of their clinical trials after completion. Disclosure of the results of these clinical trials can be delayed in certain circumstances for up to

two years after the date of completion of the trial. Competitors may use this publicly available information to gain knowledge regarding the progress of development programs.

A sponsor who wishes to conduct a clinical trial outside of the United States may, but need not, obtain FDA authorization to conduct the clinical trial under an IND. If a foreign clinical trial is not conducted under an IND, the sponsor may submit data from the clinical trial to the FDA in support of a BLA. The FDA will accept a well-designed and well-conducted foreign clinical trial not conducted under an IND if the clinical trial was conducted in accordance with GCP requirements, and the FDA is able to validate the data through an onsite inspection if deemed necessary.

Clinical trials are generally conducted in three sequential phases, known as Phase 1, Phase 2 and Phase 3:

- Phase 1 clinical trials generally involve a small number of healthy volunteers or disease-affected patients who are initially exposed to a single dose and then multiple doses of the product candidate. The primary purpose of these clinical trials is to assess the metabolism, pharmacokinetics, pharmacologic action, side effect tolerability, safety of the product candidate, and, if possible, early evidence of effectiveness. Phase 1 clinical trials may be designated as Phase 1a, which may involve dose escalation to determine the maximum tolerated dose, or Phase 1b, which may involve dose expansion at one or more dose levels to determine the recommended dose level for Phase 2 clinical trials.

- Phase 2 clinical trials generally involve studies in disease-affected patients to evaluate proof of concept and/or determine the dosing regimen(s) for subsequent investigations. At the same time, safety and further pharmacokinetic and pharmacodynamic information is collected, possible adverse effects and safety risks are identified, and a preliminary evaluation of efficacy is conducted.

- Phase 3 clinical trials generally involve a large number of patients at multiple sites and are designed to provide the data necessary to demonstrate the effectiveness of the product for its intended use, its safety in use and to establish the overall benefit/risk relationship of the product, and provide an adequate basis for product labeling. In most cases, the FDA requires two adequate and well-controlled Phase 3 clinical trials to demonstrate the efficacy of the biologic.

These Phases may overlap or be combined. For example, a Phase 1/2 clinical trial may contain both a dose-escalation stage and a dose-expansion stage, the latter of which may confirm tolerability at the recommended dose for expansion in future clinical trials (as in traditional Phase 1 clinical trials) and provide insight into the anti-tumor effects of the investigational therapy in selected subpopulation(s).

Typically, during the development of oncology therapies, all subjects enrolled in Phase 1 clinical trials are disease-affected patients and, as a result, considerably more information on clinical activity may be collected during such trials than during Phase 1 clinical trials for non-oncology therapies. A single Phase 3 or Phase 2 trial may be sufficient in rare instances, including (1) where the trial is a large, multicenter trial demonstrating internal consistency and a statistically very persuasive finding of a clinically meaningful effect on mortality, irreversible morbidity or prevention of a disease with a potentially serious outcome and confirmation of the result in a second trial would be practically or ethically impossible or (2) when in conjunction with other confirmatory evidence. Approval on the basis of a single trial may be subject to the requirement of additional post-approval studies.

Phase 1, Phase 2, Phase 3 and other types of clinical trials may not be completed successfully within any specified period, if at all. The FDA, the IRB, or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including non-compliance with regulatory requirements or a finding that the patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug or biologic has been associated with unexpected serious harm to patients. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group provides authorization for whether a trial may move forward at designated checkpoints based on access to certain data from the trial.

Concurrent with clinical trials, companies usually complete additional animal studies and also must develop additional information about the chemistry and physical characteristics of the drug or biologic as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product and, among other things, companies must develop methods for testing the identity, strength, quality, potency, and purity of the final product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the investigational medicines do not undergo unacceptable deterioration over their shelf life.

FDA Review Process

Following completion of the clinical trials, the results of preclinical studies and clinical trials are submitted to the FDA as part of a BLA, along with proposed labeling, chemistry and manufacturing information to ensure product quality and other relevant data. To support marketing approval, the data submitted must be sufficient in quality and quantity to establish the safety and efficacy of the investigational product to the satisfaction of the FDA. FDA approval of a BLA must be obtained before a biologic or drug may be marketed in the United States.

The cost of preparing and submitting a BLA is substantial. Under the PDUFA, each BLA must be accompanied by a substantial user fee. The FDA adjusts the PDUFA user fees on an annual basis. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on BLAs for products designated as orphan drugs, unless the product also includes a non-orphan indication. The applicant under an approved BLA is also subject to an annual program fee.

The FDA reviews all submitted BLAs before it accepts them for filing and may request additional information. The FDA must make a decision on accepting a BLA for filing within 60 days of receipt, and such decision could include a refusal to file by the FDA. Once the submission is accepted for filing, the FDA begins an in-depth review of the BLA. Under the goals and policies agreed to by the FDA under PDUFA, the FDA has 10 months, from the filing date, in which to complete its initial review of an original BLA for a new molecular entity and respond to the applicant, and six months from the filing date of an original BLA designated for priority review. The review process for both standard and priority review may be extended by the FDA for three additional months to consider certain late-submitted information, or information intended to clarify information already provided in the submission. The FDA does not always meet its PDUFA goal dates for standard and priority BLAs, and the review process can be extended by FDA requests for additional information or clarification.

Before approving a BLA, the FDA will conduct a pre-approval inspection of the manufacturing facilities for the new product to determine whether they comply with cGMP requirements. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications.

The FDA also may audit data from clinical trials to ensure compliance with GCP requirements and the integrity of the data supporting safety and efficacy. Additionally, the FDA may refer applications for novel products or products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions, if any. The FDA is not bound by recommendations of an advisory committee, but it generally follows such recommendations when making decisions on approval. The FDA likely will reanalyze the clinical trial data, which could result in extensive discussions between the FDA and the applicant during the review process.

After the FDA evaluates a BLA, it will issue either an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the biologic with specific prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete, and the application will not be approved in its present form. A Complete Response Letter generally outlines the deficiencies in the BLA and may require additional clinical data, additional pivotal clinical trial(s), and/or other significant and time-consuming requirements related to clinical trials, preclinical studies or manufacturing in order for FDA to reconsider the application. If a Complete Response Letter is issued, the applicant may either resubmit the BLA, addressing all of the deficiencies identified in the letter, or withdraw the application or request an opportunity for a hearing. The FDA has committed to reviewing such resubmissions in two or six months, depending on the type of information included. Even if such data and information are submitted, the FDA may decide that the BLA does not satisfy the criteria for approval.

As a condition of BLA approval, the FDA may require a risk evaluation and mitigation strategy (“REMS”) to help ensure that the benefits of the biologic outweigh the potential risks to patients. A REMS can include medication guides, communication plans for healthcare professionals, and elements to assure a product’s safe use (“ETASU”). An ETASU can include, but is not limited to, special training or certification for prescribing or dispensing the product, dispensing the product only under certain circumstances, special monitoring, and the use of patient-specific registries. The requirement for a REMS can materially affect the potential market and profitability of the product. Moreover, the FDA may require substantial post-approval testing and surveillance to monitor the product’s safety or efficacy.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biological product intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the United States, or more than 200,000 individuals in the United States but for which there is no reasonable expectation that the cost of developing and making the product for this type of disease or condition will be recovered from sales of the product in the United States.

Orphan drug designation must be requested before submitting a BLA. After the FDA grants orphan drug designation, the identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation on its own does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If a product that has orphan designation subsequently receives the first FDA approval for the disease or condition for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications to market the same product for the same indication for seven years from the date of such approval, except in limited circumstances, such as a showing of clinical superiority to the product with orphan exclusivity by means of greater effectiveness, greater safety, or providing a major contribution to patient care, or in instances of drug supply issues. Competitors, however, may receive approval of either a different product for the same

indication or the same product for a different indication. In the latter case, because healthcare professionals are free to prescribe products for off-label uses, the competitor's product could be used for the orphan indication despite another product's orphan exclusivity.

FDA's determination of whether two ADCs are the same product for purposes of orphan drug exclusivity is based on a determination of sameness of the monoclonal antibody element and the functional element of the conjugated molecule. Two ADCs are deemed to be the same product if the complementarity determining region sequences of the antibody and the functional element of the conjugated molecule are the same. A difference in either of those two elements can result in a determination that the molecules are different.

Expedited Development and Review Programs

The FDA is authorized to designate certain products for expedited review if they are intended to address an unmet medical need in the treatment of a serious or life-threatening disease or condition.

Fast track designation may be granted for products that are intended to treat a serious or life-threatening disease or condition for which there is no effective treatment and preclinical or clinical data demonstrate the potential to address unmet medical needs for the condition. Fast track designation applies to both the product and the specific indication for which it is being studied. The sponsor of a new biologic candidate can request the FDA to designate the candidate for a specific indication for fast track status concurrent with, or after, the submission of the IND for the candidate. The FDA must determine if the biologic candidate qualifies for fast track designation within 60 days of receipt of the sponsor's request. For fast track products, sponsors may have greater interactions with the FDA and the FDA may initiate review of sections of a fast track product's BLA before the application is complete. This "rolling review" is available if the FDA determines, after preliminary evaluation of clinical data submitted by the sponsor, that a fast track product may be effective. The sponsor must also provide, and the FDA must approve, a schedule for the submission of the remaining information and the sponsor must pay applicable user fees. Any product submitted to the FDA for marketing, including under a fast track program, may be eligible for other types of FDA programs intended to expedite development and review, such as priority review and accelerated approval.

Breakthrough therapy designation may be granted for products that are intended, alone or in combination with one or more other products, to treat a serious or life-threatening condition and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over currently approved therapies on one or more clinically significant endpoints. Under the breakthrough therapy program, the sponsor of a new biologic candidate may request that the FDA designate the candidate for a specific indication as a breakthrough therapy concurrent with, or after, the submission of the IND for the biologic candidate. The FDA must determine if the biological product qualifies for breakthrough therapy designation within 60 days of receipt of the sponsor's request. The FDA may take certain actions with respect to breakthrough therapies, including holding meetings with the sponsor throughout the development process, providing timely advice to the product sponsor regarding development and approval, involving more senior staff in the review process, assigning a cross-disciplinary project lead for the review team and taking other steps to design the clinical studies in an efficient manner.

Priority review may be granted for products that are intended to treat a serious or life-threatening condition and, if approved, would provide a significant improvement in safety and effectiveness compared to available therapies. The FDA will attempt to direct additional resources to the evaluation of an application designated for priority review in an effort to facilitate the review.

Accelerated approval may be granted for products that are intended to treat a serious or life-threatening condition and that generally provide a meaningful therapeutic advantage to patients over existing treatments. A product eligible for accelerated approval may be approved on the basis of either a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity or prevalence of the condition and the availability or lack of alternative treatments. In clinical trials, a surrogate endpoint is a measurement of laboratory or clinical signs of a disease or condition that substitutes for a direct measurement of how a patient feels, functions, or survives. The accelerated approval pathway is most often used in settings in which the course of a disease is long and an extended period of time is required to measure the intended clinical benefit of a product, even if the effect on the surrogate or intermediate clinical endpoint occurs rapidly. Thus, accelerated approval has been used extensively in the development and approval of products for treatment of a variety of cancers in which the goal of therapy is generally to improve survival or decrease morbidity and the duration of the typical disease course requires lengthy and sometimes large studies to demonstrate a clinical or survival benefit. The accelerated approval pathway is contingent on a sponsor's agreement to conduct additional post-approval confirmatory studies to verify and describe the product's clinical benefit. These confirmatory trials must be completed with due diligence and, in some cases, the FDA may require that the trial be designed, initiated, and/or fully enrolled prior to approval. Failure to conduct required post-approval studies, or to confirm a clinical benefit during post-marketing studies, would allow the FDA to withdraw the product from the market on an expedited basis. All promotional materials for product candidates approved under accelerated regulations are subject to prior review by the FDA.

Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or the time period for FDA review or approval may not be shortened. Furthermore, fast track designation, breakthrough therapy designation, priority review and accelerated approval do not change the standards for approval, but may expedite the development or approval process.

Additional Controls for Biologics

To help reduce the increased risk of the introduction of adventitious agents, the PHSA emphasizes the importance of manufacturing controls for products whose attributes cannot be precisely defined. The PHSA also provides authority to the FDA to immediately suspend licenses in situations where there exists a danger to public health, to prepare or procure products in the event of shortages and critical public health needs, and to authorize the creation and enforcement of regulations to prevent the introduction or spread of communicable diseases in the United States and between states.

After a BLA is approved, the product may also be subject to official lot release as a condition of approval. As part of the manufacturing process, the manufacturer is required to perform certain tests on each lot of the product before it is released for distribution. If the product is subject to official release by the FDA, the manufacturer submits samples of each lot of product to the FDA together with a release protocol showing a summary of the history of manufacture of the lot and the results of all of the manufacturer's tests performed on the lot. The FDA may also perform certain confirmatory tests on lots of some products, such as viral vaccines, before releasing the lots for distribution by the manufacturer. In addition, the FDA conducts laboratory research related to the regulatory standards on the safety, purity, potency, and effectiveness of biological products. As with drugs, after approval of biologics, manufacturers must address any safety issues that arise, are subject to recalls or a halt in manufacturing, and are subject to periodic inspection after approval.

Pediatric Information

Under the Pediatric Research Equity Act, or PREA, BLAs or supplements to BLAs must contain data to assess the safety and effectiveness of the biological product for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the biological product is safe and effective. The FDA may grant full or partial waivers, or deferrals, for submission of data. Unless otherwise required by regulation, PREA generally does not apply to any biological product for an indication for which orphan designation has been granted. However, PREA applies to BLAs for orphan-designated biologics if the biologic is a molecularly targeted cancer product intended for the treatment of an adult cancer and is directed at a molecular target that FDA has determined is substantially relevant to the growth or progression of a pediatric cancer.

The Best Pharmaceuticals for Children Act (the "BPCA") provides a six-month extension of non-patent exclusivity for a biologic if certain conditions are met. Conditions for exclusivity include the FDA's determination that information relating to the use of a new biologic in the pediatric population may produce health benefits in that population, FDA making a written request for pediatric studies, and the applicant agreeing to perform, and reporting on, the requested studies within the statutory timeframe. Applications under the BPCA are treated as priority applications, with all of the benefits that designation confers.

Post-Approval Requirements

Once a BLA is approved, a product will be subject to certain post-approval requirements. For instance, the FDA closely regulates the post-approval marketing and promotion of biologics, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the Internet. Biologics may be marketed only for the approved indications and in a manner consistent with the provisions of the approved labeling.

Adverse event reporting and submission of periodic safety summary reports is required following FDA approval of a BLA. The FDA also may require post-marketing testing, known as Phase 4 testing, REMS, and surveillance to monitor the effects of an approved product, or the FDA may place conditions on an approval that could restrict the distribution or use of the product. In addition, quality control, biological product manufacture, packaging, and labeling procedures must continue to conform to cGMPs after approval. Biologic manufacturers and certain of their subcontractors are required to register their establishments with the FDA and certain state agencies. Registration with the FDA subjects entities to periodic unannounced inspections by the FDA, during which the agency inspects a biologic product's manufacturing facilities to assess compliance with cGMPs. Accordingly, manufacturers must continue to expend time, money, and effort in the areas of production and quality-control to maintain compliance with cGMPs. Regulatory authorities may withdraw product approvals or request product recalls if a company fails to comply with required regulatory standards, if it encounters problems following initial marketing, or if previously unrecognized problems are subsequently discovered.

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information, imposition of post-market studies or clinical studies to assess new safety risks or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, suspension of the approval, complete withdrawal of the product from the market or product recalls;
- fines, warning or other enforcement-related letters or holds on post-approval clinical studies;

- refusal of the FDA to approve pending BLAs or supplements to approved BLAs, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

U.S. Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration, and specifics of FDA approval of our product candidates, some of our U.S. patents may be eligible for limited patent term extension under the Hatch Waxman Amendments. The Hatch Waxman Amendments permit a patent term extension of up to five years as compensation for patent term lost during the FDA regulatory review process. Patent term extension, however, cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term extension period is generally one half the time between the effective date of an IND and the submission date of a BLA, plus the time between the submission date of a BLA and the approval of that application, except that the review period is reduced by any time during which the applicant failed to exercise due diligence. Only one patent applicable to an approved drug is eligible for such an extension, only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended and the application for the extension must be submitted prior to the expiration of the patent. The USPTO, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we or our licensors may apply for patent term extension for our owned or licensed patents to add patent life beyond their current expiration date, depending on the expected length of the clinical trials and other factors involved in the filing of the relevant BLA. However, an extension might not be granted because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than requested.

The BPCIA created an abbreviated approval pathway for biological products shown to be biosimilar to, or interchangeable with, an FDA-licensed reference biological product. Biosimilarity, which requires that the biological product be highly similar to the reference product notwithstanding minor differences in clinically inactive components and that there be no clinically meaningful differences between the biological product and the reference product in terms of safety, purity and potency, can be shown through analytical studies, animal studies and a clinical trial or trials. Interchangeability requires that a biological product be biosimilar to the reference product and that the product can be expected to produce the same clinical results as the reference product in any given patient and, for products administered multiple times to an individual, that the product and the reference product may be alternated or switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biological product without such alternation or switch.

A reference biological product is granted 12 years of data exclusivity from the time of first licensure of the product and the FDA will not accept an application for a biosimilar or interchangeable product based on the reference biological product until four years after the date of first licensure of the reference product. "First licensure" typically means the initial date the particular product at issue was licensed in the United States. Date of first licensure does not include the date of licensure of (and a new period of exclusivity is not available for) a biological product if the licensure is for a supplement for the biological product or for a subsequent application by the same sponsor or manufacturer of the biological product (or licensor, predecessor in interest, or other related entity) for a change (not including a modification to the structure of the biological product) that results in a new indication, route of administration, dosing schedule, dosage form, delivery system, delivery device or strength, or for a modification to the structure of the biological product that does not result in a change in safety, purity or potency.

Regulatory Approval in the European Union

The EMA is a decentralized scientific agency of the European Union. It coordinates the evaluation and monitoring of centrally authorized medicinal products. It is responsible for the scientific evaluation of applications for EU marketing authorizations, as well as the development of technical guidance and the provision of scientific advice to sponsors. The EMA decentralizes its scientific assessment of medicines by working through a network of about 4,500 experts throughout the European Union, nominated by the member states. The EMA draws on resources of over 40 National Competent Authorities of European Union member states.

The process regarding approval of medicinal products in the European Union follows roughly the same lines as in the United States and likewise generally involves satisfactorily completing each of the following:

- preclinical laboratory tests, animal studies and formulation studies all performed in accordance with the applicable EU Good Laboratory Practice regulations;
- submission to the relevant national authorities of a clinical trial application ("CTA") for each trial in humans, which must be approved before the trial may begin in each country where patient enrollment is planned;
- performance of adequate and well-controlled clinical trials to establish the safety and efficacy of the product for each proposed indication;
- submission to the relevant competent authorities of a MAA, which includes the data supporting safety and efficacy as well as detailed information on the manufacture and composition of the product in clinical development and proposed labelling;
- satisfactory completion of an inspection by the relevant national authorities of the manufacturing facility or facilities, including those of third parties, at which the product is produced to assess compliance with strictly enforced cGMP;
- potential audits of the non-clinical and clinical trial sites that generated the data in support of the MAA; and
- review and approval by the relevant competent authority of the MAA before any commercial marketing, sale or shipment of the product.

Preclinical Studies

Preclinical tests include laboratory evaluations of product chemistry, formulation and stability, as well as studies to evaluate toxicity in animal studies, in order to assess the quality and potential safety and efficacy of the product. The conduct of the preclinical tests and formulation of the compounds for testing must comply with the relevant international, EU and national legislation, regulations and guidelines. The results of the preclinical tests, together with relevant manufacturing information and analytical data, are submitted as part of the CTA.

Clinical Trials

Pursuant to the Clinical Trials Directive 2001/20/EC, as amended (the "Clinical Trials Directive"), a system for the approval of clinical trials in the European Union has been implemented through national legislation of the member states. Under this system, approval must be obtained from the competent national authority of each European Union member state in which a clinical trial is planned to be conducted. To this end, a CTA is submitted, which must be supported by an investigational medicinal product dossier and further supporting information prescribed by the Clinical Trials Directive and other applicable guidance documents including but not being limited to the clinical trial protocol. Furthermore, a clinical trial may only be started after a competent ethics committee has issued a favorable opinion on the clinical trial application in that country.

Directive 2001/20/EC will be replaced by Regulation (EU) No. 536/2014, which became effective on June 16, 2014. The Regulation introduces an authorization procedure based on a single submission via a single EU portal, an assessment procedure leading to a single decision, as well as transparency requirements (the proactive publication of clinical trial data in the EU database). Since October 2016, based on its Policy 0070, the EMA has been publishing clinical data submitted by pharmaceutical companies to support their MAA for human medicines under this centralized procedure.

Manufacturing and import into the EU of investigational medicinal products is subject to the holding of appropriate authorizations and must be carried out in accordance with cGMP.

Review and Approval

Authorization to market a product in the European Union member states proceeds under one of four procedures: a centralized authorization procedure, a mutual recognition procedure, a decentralized procedure or a national procedure. Since our products by their virtue of being antibody-based biologics fall under the centralized procedure, only this procedure will be described here.

Certain drugs, including medicinal products developed by means of biotechnological processes, must be approved via the centralized authorization procedure for marketing authorization. A successful application under the centralized authorization procedure results in a marketing authorization from the European Commission, which is automatically valid in all European Union member states. The other European Economic Area member states (namely Norway, Iceland and Liechtenstein) are also obligated to recognize the European Commission decision. The EMA and the European Commission administer the centralized authorization procedure.

Under the centralized authorization procedure, the Committee for Medicinal Products for Human Use (the "CHMP") serves as the scientific committee that renders opinions about the safety, efficacy and quality of human products on behalf of the EMA. The CHMP is

composed of experts nominated by each member state's national drug authority, with one of them appointed to act as Rapporteur for the co-ordination of the evaluation with the possible assistance of a further member of the CHMP acting as a Co-Rapporteur. After approval, the Rapporteur(s) continue to monitor the product throughout its life cycle. The CHMP is required to issue an opinion within 210 days of receipt of a valid application, though the clock is stopped if it is necessary to ask the applicant for clarification or further supporting data. The process is complex and involves extensive consultation with the regulatory authorities of member states and a number of experts. Once the procedure is completed, a European Public Assessment Report is produced. If the CHMP concludes that the quality, safety and efficacy of the medicinal product is sufficiently proven, it adopts a positive opinion. The CHMP's opinion is sent to the European Commission, which uses the opinion as the basis for its decision whether or not to grant a marketing authorization. If the opinion is negative, information is given as to the grounds on which this conclusion was reached.

After a drug has been authorized and launched, it is a condition of maintaining the marketing authorization that all aspects relating to its quality, safety and efficacy must be kept under review. Sanctions may be imposed for failure to adhere to the conditions of the marketing authorization. In extreme cases, the authorization may be revoked, resulting in withdrawal of the product from sale.

Conditional Approval and Accelerated Assessment

As per Article 14(7) of Regulation (EC) 726/2004, a medicine that would fulfill an unmet medical need may, if its immediate availability is in the interest of public health, be granted a conditional marketing authorization on the basis of less complete clinical data than are normally required, subject to specific obligations being imposed on the authorization holder. These specific obligations are to be reviewed annually by the EMA. The list of these obligations shall be made publicly accessible. Such an authorization shall be valid for one year, on a renewable basis.

When an application is submitted for a marketing authorization in respect of a drug for human use which is of major interest from the point of view of public health and in particular from the viewpoint of therapeutic innovation, the applicant may request an accelerated assessment procedure pursuant to Article 14(9) of Regulation (EC) 726/2004. Under the accelerated assessment procedure, the CHMP is required to issue an opinion within 150 days of receipt of a valid application, subject to clock stops. We believe that some of the disease indications in which our product candidates are currently being or may be developed in the future qualify for this provision, and we will take advantage of this provision as appropriate.

Period of Authorization and Renewals

A marketing authorization is initially valid for five years and may then be renewed on the basis of a re-evaluation of the risk-benefit balance by the EMA or by the competent authority of the authorizing member state. To this end, the marketing authorization holder shall provide the EMA or the competent authority with a consolidated version of the file in respect of quality, safety and efficacy, including all variants introduced since the marketing authorization was granted, at least six months before the marketing authorization ceases to be valid. Once renewed, the marketing authorization shall be valid for an unlimited period, unless the European Commission or the competent authority decides, on justified grounds relating to pharmacovigilance, to proceed with one additional five-year renewal. Any authorization which is not followed by the actual placing of the drug on the EU market (in case of centralized procedure) or on the market of the authorizing member state within three years after authorization shall cease to be valid (the so-called "sunset clause").

Without prejudice to the law on the protection of industrial and commercial property, marketing authorizations for new medicinal products benefit from an 8+2+1 year period of regulatory protection. This regime consists of a regulatory data protection period of eight years plus a concurrent market exclusivity of 10 years plus an additional market exclusivity of one further year if, during the first eight years of those 10 years, the marketing approval holder obtains an approval for one or more new therapeutic indications which, during the scientific evaluation prior to their approval, are determined to bring a significant clinical benefit in comparison with existing therapies. Under the current rules, a third party may reference the preclinical and clinical data of the reference product beginning eight years after first approval, but the third party may market a generic version of the reference product after only 10 (or 11) years have lapsed.

Orphan Drug Designation

Regulation (EC) 141/2000 states that a drug shall be designated as an orphan drug if its sponsor can establish (i) that it is intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting not more than five in 10,000 persons in the European Union when the application is made, or that it is intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition in the European Union and that without incentives it is unlikely that the marketing of the drug in the European Union would generate sufficient return to justify the necessary investment; and (ii) that there exists no satisfactory method of diagnosis, prevention or treatment of the condition in question that has been authorized in the European Union or, if such method exists, the drug will be of significant benefit to those affected by that condition.

Regulation (EC) 847/2000 sets out criteria for the designation of orphan drugs. An application for designation as an orphan product can be made any time prior to the filing of an application for approval to market the product. Marketing authorization for an orphan drug leads to a 10-year period of market exclusivity, which means that no similar medicinal product can be authorized in the same indication. This period may,

however, be reduced to six years if, at the end of the fifth year, it is established that the product no longer meets the criteria for orphan drug designation, for example because the product is sufficiently profitable not to justify continued market exclusivity. In addition, derogation from market exclusivity may be granted on an individual basis in very selected cases, such as consent from the marketing authorization holder, inability to supply sufficient quantities of the product or demonstration of "clinically relevant superiority" by a similar medicinal product. Medicinal products designated as orphan drugs pursuant to Regulation (EC) 141/2000 are eligible for incentives made available by the European Union and by the member states to support research into, and the development and availability of, orphan drugs.

If the MAA of a medicinal product designated as an orphan drug pursuant to Regulation (EC) 141/2000 includes the results of all studies conducted in compliance with an agreed PIP, and a corresponding statement is subsequently included in the marketing authorization granted, the 10-year period of market exclusivity will be extended to 12 years.

European Data Collection and Processing

The collection, transfer, processing and other use of personal information, including health data, in the European Union is governed by the GDPR, which came into effect in May 2018. This directive imposes several requirements relating to (i) obtaining, in some situations, the consent of the individuals to whom the personal data relates, (ii) the information provided to the individuals about how their personal information is used, (iii) ensuring the security and confidentiality of the personal data, (iv) the obligation to notify regulatory authorities and affected individuals of personal data breaches, (v) extensive internal privacy governance obligations and (vi) obligations to honor rights of individuals in relation to their personal data (for example, the right to access, correct and delete their data). The GDPR prohibits the transfer of personal data to countries outside the European Economic Area, such as the United States, which are not considered by the European Commission to provide an adequate level of data protection. Switzerland has adopted similar restrictions. Failure to comply with the requirements of the GDPR and the related national data protection laws of the European Union member states may result in fines and other administrative penalties. The GDPR introduces new data protection requirements in the EU and substantial fines for breaches of the data protection rules. The GDPR and related data protection laws may impose additional responsibility and liability in relation to personal data that we collect and process and we may be required to put in place additional mechanisms ensuring compliance with such rules. This may be onerous and adversely affect our business, financial condition, results of operations, and prospects.

Marketing

Much like the Anti-Kickback Statute prohibition in the United States, the provision of benefits or advantages to physicians to induce or encourage the prescription, recommendation, endorsement, purchase, supply, order or use of medicinal products is also prohibited in the EU. The provision of benefits or advantages to physicians is governed by the national anti-bribery laws of European Union member states, such as the U.K. Bribery Act 2010. Infringement of these laws could result in substantial fines and imprisonment.

Payments made to physicians in certain European Union member states must be publicly disclosed. Moreover, agreements with physicians often must be the subject of prior notification and approval by the physician's employer, his or her competent professional organization, and/or the regulatory authorities of the individual European Union member states. These requirements are provided in the national laws, industry codes or professional codes of conduct, applicable in the European Union member states. Failure to comply with these requirements could result in reputational risk, public reprimands, administrative penalties, fines or imprisonment.

International Regulation

In addition to regulations in the United States and Europe, a variety of foreign regulations govern clinical trials, commercial sales and distribution of product candidates. The approval process varies from country to country and the time to approval may be longer or shorter than that required for FDA or European Commission approval.

Other Healthcare Laws and Regulations and Legislative Reform

Healthcare and Privacy Laws and Regulations

Healthcare providers, physicians and third-party payors will play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our operations, including any arrangements with healthcare providers, physicians, third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws that may affect the business or financial arrangements and relationships through which we would market, sell and distribute our products. The healthcare laws that may affect our ability to operate include, but are not limited to:

- The federal Anti-Kickback Statute, which prohibits any person or entity from, among other things, knowingly and willfully soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of an item or service reimbursable, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs. The term "remuneration" has been broadly interpreted to include anything of value. The federal Anti-Kickback Statute has also been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers, and formulary managers on the other hand. There are a

number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, but the exceptions and safe harbors are drawn narrowly and require strict compliance in order to offer protection.

- Federal civil and criminal false claims laws, such as the FCA, which can be enforced by private citizens through civil qui tam actions, and civil monetary penalty laws prohibit individuals or entities from, among other things, knowingly presenting, or causing to be presented, false, fictitious or fraudulent claims for payment of federal funds, and knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim to avoid, decrease or conceal an obligation to pay money to the federal government. For example, pharmaceutical companies have been prosecuted under the FCA in connection with their alleged off-label promotion of drugs, purportedly concealing price concessions in the pricing information submitted to the government for government price reporting purposes, and allegedly providing free product to customers with the expectation that the customers would bill federal healthcare programs for the product. In addition, a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes "any request or demand" for money or property presented to the U.S. government. In addition, manufacturers can be held liable under the FCA even when they do not submit claims directly to government payors if they are deemed to "cause" the submission of false or fraudulent claims.

- HIPAA, among other things, imposes criminal liability for executing or attempting to execute a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and creates federal criminal laws that prohibit knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation, or making or using any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry in connection with the delivery of or payment for healthcare benefits, items or services.

- HIPAA, as amended by HITECH, and their implementing regulations, which impose privacy, security and breach reporting obligations with respect to individually identifiable health information upon entities subject to the law, such as health plans, healthcare clearinghouses and certain healthcare providers, known as covered entities, and their respective business associates that perform services for them that involve individually identifiable health information. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in U.S. federal courts to enforce HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions.

- Federal and state consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers.

- The federal transparency requirements under the Physician Payments Sunshine Act, created under the Health Care Reform Act, which requires, among other things, certain manufacturers of drugs, devices, biologics and medical supplies reimbursed under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to CMS information related to payments and other transfers of value provided to physicians, as defined by such law, certain other healthcare professionals, and teaching hospitals and physician ownership and investment interests, including such ownership and investment interests held by a physician's immediate family members.

- State and foreign laws that are analogous to each of the above federal laws, such as anti-kickback and false claims laws, that may impose similar or more prohibitive restrictions, and may apply to items or services reimbursed by non-governmental third-party payors, including private insurers.

- State and foreign laws that require pharmaceutical companies to implement compliance programs, comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, or to track and report gifts, compensation and other remuneration provided to physicians and other healthcare providers; state laws that require the reporting of marketing expenditures or drug pricing, including information pertaining to and justifying price increases; state and local laws that require the registration of pharmaceutical sales representatives; state laws that prohibit various marketing-related activities, such as the provision of certain kinds of gifts or meals; state laws that require the posting of information relating to clinical trials and their outcomes; and other federal, state and foreign laws that govern the privacy and security of health information or personally identifiable information in certain circumstances, including state health information privacy and data breach notification laws which govern the collection, use, disclosure, and protection of health-related and other personal information, many of which differ from each other in significant ways and often are not pre-empted by HIPAA, thus requiring additional compliance efforts.

If our operations are found to be in violation of any of these laws or any other current or future healthcare laws that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, contractual damages, reputational harm, diminished profits and future earnings, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, and the curtailment or restructuring of our operations, any of which could substantially

disrupt our operations. Although effective compliance programs can mitigate the risk of investigation and prosecution for violations of these laws, these risks cannot be entirely eliminated. Any action against us for an alleged or suspected violation could cause us to incur significant legal expenses and could divert our management's attention from the operation of our business, even if our defense is successful. In addition, if any of the physicians or other healthcare providers or entities with whom we expect to do business is found not to be in compliance with applicable laws, they may be subject to significant criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Legislative Reform

We operate in a highly regulated industry, and new laws, regulations and judicial decisions, or new interpretations of existing laws, regulations and decisions, related to healthcare availability, the method of delivery and payment for healthcare products and services could negatively affect our business, financial condition and prospects. There is significant interest in promoting healthcare reforms, and it is likely that federal and state legislatures within the United States and the governments of other countries will continue to consider changes to existing healthcare legislation.

For example, the United States and state governments continue to propose and pass legislation designed to reduce the cost of healthcare. In 2010, the U.S. Congress enacted the Health Care Reform Act, which included changes to the coverage and reimbursement of drug products under government healthcare programs. There have been efforts to modify, expand, repeal or replace the Health Care Reform Act, and it is unclear how such efforts in the future will impact the Health Care Reform Act and our business. It is difficult to predict the future legislative landscape in healthcare and the effect on our business, results of operations, financial condition and prospects.

In addition, there have been and continue to be a number of initiatives at the United States federal and state levels that seek to reduce healthcare costs, including the imposition of 2% reductions in Medicare payments to providers per fiscal year, which went into effect in 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2030 absent additional congressional action, with the exception of a temporary suspension of the 2% Medicare sequester reductions under the Budget Control Act from May 1, 2020 through March 31, 2022 due to the COVID-19 pandemic. The Medicare reductions phase back in starting with a 1% reduction in effect from April 1, 2022 to June 30, 2022 before increasing to the full 2% reduction. In 2012, the U.S. Congress enacted the American Taxpayer Relief Act, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. If government spending is further reduced, anticipated budgetary shortfalls may also impact the ability of relevant agencies, such as the FDA, to continue to function at current levels, which may impact the ability of relevant agencies to timely review and approve research and development, manufacturing and marketing activities, which may delay our ability to develop, market and sell any product candidates we may develop. In addition, any significant spending reductions affecting Medicare, Medicaid or other publicly funded or subsidized health programs that may be implemented, or any significant taxes or fees that may be imposed on us, as part of any broader deficit reduction effort or legislation, could have an adverse impact on our anticipated product revenues.

Furthermore, there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several congressional inquiries and proposed legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs and reform government program reimbursement methodologies for drug products. Congress and the U.S. Presidential Administration have each indicated that it will continue to seek measures to control drug costs. Individual states in the United States have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional healthcare authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs. We expect that additional state and federal healthcare reform measures will be adopted in the future.

Environmental, Health and Safety Laws and Regulations

We and our third-party contractors are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the use, generation, manufacture, distribution, storage, handling, treatment, remediation and disposal of hazardous materials and wastes. Hazardous chemicals, including flammable and biological materials, are involved in certain aspects of our business, and we cannot eliminate the risk of injury or contamination from the use, generation, manufacture, distribution, storage, handling, treatment or disposal of hazardous materials and wastes. In particular, our product candidates use PBDs, which are highly potent cytotoxins that require special handling by our and our contractors' staff. In the event of contamination or injury, or failure to comply with environmental, health and safety laws and regulations, we could be held liable for any resulting damages, fines and penalties associated with such liability could exceed our assets and resources. Environmental, health and safety laws and regulations are becoming increasingly more stringent. We may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations.

Pharmaceutical Coverage, Pricing and Reimbursement

The availability and extent of coverage and adequate reimbursement by governmental and private third-party payors are essential for most patients to be able to afford expensive medical treatments. In both domestic and foreign markets, sales of our product candidates will depend substantially on the extent to which the costs of our product candidates will be covered by third-party payors, such as government health programs, commercial insurance and managed healthcare organizations. These third-party payors decide which products will be covered and establish reimbursement levels for those products.

Coverage and reimbursement by a third-party payor may depend upon a number of factors, including the third-party payor's determination that use of a product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining coverage approval and reimbursement for a product from a government or other third-party payor is a time-consuming and costly process that could require us to provide supporting scientific, clinical and cost-effectiveness data for the use of our products to the payor. We may not be able to provide data sufficient to gain acceptance with respect to coverage and reimbursement at a satisfactory level. If coverage and adequate reimbursement of our future products, if any, are unavailable or limited in scope or amount, such as may result where alternative or generic treatments are available, we may be unable to achieve or sustain profitability. Adverse coverage and reimbursement limitations may hinder our ability to recoup our investment in our product candidates, even if such product candidates obtain regulatory approval.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. There is no uniform policy for coverage and reimbursement in the United States and, as a result, coverage and reimbursement can differ significantly from payor to payor. In the United States, the principal decisions about reimbursement for new medicines are typically made by the CMS, which decides whether and to what extent a new medicine will be covered and reimbursed under Medicare. Private payors often, but not always, follow the CMS's decisions regarding coverage and reimbursement. It is difficult to predict what third-party payors will decide with respect to coverage and reimbursement for fundamentally novel products such as ours, as there is no body of established practices and precedents for these new products. Further, one payor's determination to provide coverage and adequate reimbursement for a product does not assure that other payors will also provide coverage and adequate reimbursement for that product. We may need to conduct expensive pharmaco-economic studies in order to demonstrate the medical necessity and cost-effectiveness of our product candidates. There can be no assurance that our product candidates will be considered medically necessary or cost-effective. In addition to third-party payors, professional organizations and patient advocacy groups such as the National Comprehensive Cancer Network and the American Society of Clinical Oncology can influence decisions about reimbursement for new medicines by determining standards for care. Therefore, it is possible that any of our product candidates, even if approved, may not be covered by third-party payors or the reimbursement limit may be so restrictive that we cannot commercialize the product candidates profitably.

Reimbursement agencies in Europe may be more restrictive than payors in the United States. For example, a number of cancer products have been approved for reimbursement in the United States but not in certain European countries. In Europe, pricing and reimbursement schemes vary widely from country to country. For example, some countries provide that products may be marketed only after an agreement on reimbursement price has been reached. Such pricing negotiations with governmental authorities can take considerable time after receipt of marketing approval for a product. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Other countries require the completion of additional health technology assessments that compare the cost-effectiveness of a particular product candidate to currently available therapies. In addition, the European Union provides options for its member states to restrict the range of products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. European Union member states may approve a specific price for a product, may adopt a system of direct or indirect controls on the profitability of the company placing the product on the market or monitor and control prescription volumes and issue guidance to physicians to limit prescriptions. Reference pricing used by various European Union member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. Furthermore, many countries in the European Union have increased the amount of discounts required on pharmaceutical products, and these efforts could continue as countries attempt to manage healthcare expenditures, especially in light of the severe fiscal and debt crises experienced by many countries in the European Union. The downward pressure on healthcare costs in general, and prescription products in particular, has become increasingly intense. As a result, there are increasingly higher barriers to entry for new products. There can be no assurance that any country that has reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our

products, if approved in those countries. Accordingly, the reimbursement for any products in Europe may be reduced compared with the United States and may be insufficient to generate commercially reasonable revenues and profits.

Furthermore, the containment of healthcare costs has become a priority of foreign and domestic governments as well as private third-party payors. The prices of drugs have been a focus in this effort. Governments and private third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications, which could affect our ability to sell our product candidates profitably. We also expect to experience pricing pressures due to the trend towards managed healthcare, the increasing influence of health maintenance organizations and additional legislative changes. These and other cost-control initiatives could cause us to decrease the price we might establish for products, which could result in lower-than-anticipated product revenues. In addition, the publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If pricing is set at unsatisfactory levels or if coverage and adequate reimbursement of our products is unavailable or limited in scope or amount, our revenues and the potential profitability of our product candidates in those countries would be negatively affected.

Organizational Structure

As of December 31, 2021, we had two subsidiaries. The following table set out for each of our principal subsidiaries, the countries of incorporation, and the percentage ownership and voting interest held by us (directly or indirectly through subsidiaries).

Company	Country of Incorporation	Percentage Ownership and Voting Interest	Main Activities
ADC Therapeutics America, Inc.	United States	100%	Clinical, commercial and U.S. operations
ADC Therapeutics (UK) Limited	England	100%	Research and development

In addition to the two subsidiaries above, as of December 31, 2021, we own a 49% equity interest in Overland ADCT BioPharma. See note 19 “Interest in joint venture” within the audited consolidated financial statements. During February 2022, we incorporated a 100% owned subsidiary in the Netherlands, ADC Therapeutics (NL) BV, in anticipation of the potential launch of ZYNLONTA in the European Union, if approved by the EMA.

Property, Plant and Equipment

For the year ended December 31, 2021, we had intangible asset and property, plant and equipment additions of USD 6.9 million, consisting of USD 3.5 million related to the purchase of intangible assets (license agreements) and USD 3.4 million related to the purchase of property, plant and equipment (leasehold improvements and laboratory equipment).

Facilities

We do not own any real property. The table below sets forth the sizes and uses of our leased facilities as of December 31, 2021:

Location	Primary Function	Approximate Size
Biopôle Route de la Corniche 3B 1066 Epalinges Switzerland	Head office	500 m^2
430 Mountain Avenue, 4th Floor Murray Hill, New Jersey 07974 United States	Clinical, commercial and U.S. operations	965 m^2
84 Wood Lane London, W12 0BZ United Kingdom	Research and preclinical development	1,100 m^2
1510 Fashion Island Boulevard, Suite 205 San Mateo, California 94404 United States	Chemistry manufacturing and control	375 m^2

We are not aware of any environmental issues or other constraints that would materially impact the intended use of our facilities.

Financial Review

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations together with our audited consolidated financial statements, including the notes thereto, included in this Annual Report.

Our audited consolidated financial statements were prepared in accordance with IFRS. None of our financial statements was prepared in accordance with U.S. GAAP. The following discussion includes forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those described elsewhere in this Annual Report.

Operating Results

Overview

We are a commercial-stage biotechnology company improving the lives of cancer patients with our next-generation, targeted antibody drug conjugates ("ADCs") for patients with hematologic malignancies and solid tumors. We develop our ADCs by applying our decades of experience in this field and using next-generation pyrrolobenzodiazepine ("PBD") technology to which we have proprietary rights for our targets. By leveraging our R&D strengths, our disciplined approach to target selection and our preclinical and clinical development strategy, we have created a diverse and balanced portfolio and research pipeline. Our hematology franchise comprises one approved product (ZYNLONTA, formerly known as loncastuximab tesirine or Lonca) and two clinical-stage product candidates, camidanlumab tesirine ("Cami" and previously known as ADCT-301) and ADCT-602. Our solid tumor franchise comprises three clinical-stage product candidates, Cami, ADCT-601 (mipasetamab uzoptirine) and ADCT-901, and two preclinical product candidates, ADCT-701 and ADCT-212.

Our flagship product, ZYNLONTA, received accelerated approval from the FDA on April 23, 2021 for the treatment of adult patients with relapsed or refractory large B-cell lymphoma after two or more lines of systemic therapy, including diffuse large B-cell lymphoma ("DLBCL") not otherwise specified, DLBCL arising from low-grade lymphoma, and also high-grade B-cell lymphoma. The broad patient population included in the label is a key point of differentiation for ZYNLONTA. In a pivotal Phase 2 clinical trial for the treatment of relapsed or refractory DLBCL, ZYNLONTA demonstrated significant clinical activity across a broad population of heavily pre-treated patients, achieving a 48.3% overall response rate ("ORR") and a 24.8% complete response rate ("CRR"), while maintaining a manageable tolerability profile. The trial included a broad spectrum of heavily pre-treated patients (median three prior lines of therapy) with difficult-to-treat disease, including patients who did not respond to first-line therapy, patients refractory to all prior lines of therapy, patients with double/triple hit genetics and patients who had stem cell transplant and CAR-T therapy prior to their treatment with ZYNLONTA. In the most recent data cut as of March 1, 2021, patients who received ZYNLONTA had a median duration of response ("DoR") of 13.4 months for all responders, and the median DoR was not reached for patients with a complete response. We believe that ZYNLONTA has a current addressable patient population of approximately 6,000 patients in the United States, and our experienced commercial organization is striving to unlock this market opportunity by engaging physicians regarding ZYNLONTA's differentiated product profile. ZYNLONTA was added to the NCCN Clinical Practice Guidelines for Oncology (NCCN Guidelines) with a Category 2A recommendation for third-line-plus DLBCL patients, which reflects the broad label and the differentiated profile of ZYNLONTA. In Europe, our Marketing Authorisation Application ("MAA") for ZYNLONTA for the treatment of relapsed or refractory DLBCL has been validated by the European Medicines Agency ("EMA"), which enables the evaluation process by the EMA's Committee for Medicinal Products for Human Use ("CHMP") to begin. On September 13, 2021, we received Orphan Drug Designation in the European Union for ZYNLONTA for the treatment of DLBCL. Orphan Drug Designation was granted by the European Commission based on a positive opinion issued by the EMA Committee for Orphan Medicinal Products.

In addition, to further expand the market opportunity for ZYNLONTA and maximize its commercial potential, we are conducting a confirmatory Phase 3 clinical trial of ZYNLONTA in combination with rituximab that, if successful, we believe will serve as the basis for a supplemental BLA ("sBLA") for ZYNLONTA for the treatment of relapsed or refractory DLBCL in second-line transplant-ineligible patients. We have completed the safety-run in portion of this trial with 20 patients dosed, and we are now enrolling the randomized phase of the trial. The combination appears to be well tolerated, and initial response data indicates that the combination of ZYNLONTA and rituximab is additive. In addition, we are planning to initiate a frontline study of ZYNLONTA combined with rituximab in unfit or frail patients who are not eligible for R-CHOP in the second half of 2022. We are initiating a Phase 1 clinical trial of ZYNLONTA in multiple combinations in NHL in the first half of 2022. In China, our joint venture with Overland Pharmaceuticals is continuing to advance the development of ZYNLONTA and has dosed the first patient in a pivotal Phase 2 clinical trial of ZYNLONTA for the treatment of relapsed or refractory DLBCL in China. This local pivotal study conducted by Overland ADCT BioPharma mirrors our Phase 2 LOTIS-2 trial that was the basis for FDA approval, and its results are intended to support the potential registration of ZYNLONTA in China.

Our next clinical-stage product candidate, Cami, has demonstrated significant clinical activity across a broad population of heavily pre-treated patients, while maintaining a tolerability profile that we believe is manageable. We are evaluating Cami in a 117-patient pivotal Phase 2 clinical trial for the treatment of relapsed or refractory Hodgkin lymphoma ("HL"), for which we completed enrollment in January 2021 and recently completed the 12-month follow-up stage of the trial. Patients had a median of six lines of prior systemic therapy. As of March 26,

2021, interim data from 101 evaluable patients showed a 66.3% ORR and a 27.7% CRR. No new safety signals were identified in the most recent data cut. Seven patients (6.0%) developed Guillain-Barre syndrome/polyradiculopathy, which is consistent with the incidence in the Phase 1 trial for Hodgkin lymphoma patients. We believe that this clinical trial, if successful, will support a BLA submission. We plan to have a pre-BLA meeting with the FDA in the second half of 2022. We are also evaluating Cami in a Phase 1b clinical trial as a novel immuno-oncology approach for the treatment of various advanced solid tumors. This clinical trial is currently enrolling patients and evaluates Cami in combination with pembrolizumab, a checkpoint inhibitor, to better understand its potential as both a monotherapy and in combination.

Recent Developments

During January 2022, we entered an exclusive license agreement with MTPC for the development and commercialization of ZYNLONTA for all hematologic and solid tumor indications in Japan. Under the terms of the agreement, we received an upfront payment of USD 30 million and could receive up to an additional USD 205 million in milestones if certain development and commercial milestones are achieved. We will also receive royalties ranging in percentage from the high teens to the low twenties based on net sales of the product in Japan.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic has negatively impacted the economies of countries around the world. Our operations, similar to those of other life sciences companies, have been impacted by the COVID-19 pandemic. As the COVID-19 pandemic continues to evolve, we believe the extent of the impact to our operations, operating results, cash flows, liquidity and financial condition will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and the timing, the availability and acceptance of vaccines, the effectiveness of vaccines, particularly against emerging variants of the novel coronavirus, scope and effectiveness of national and local governmental responses to the pandemic. Those primary drivers are beyond our knowledge and control, and as a result, at this time the ultimate impact on our results of operations, cash flows and financial position beyond 2021 cannot be reasonably predicted. We are continuously assessing and adapting our working practices and business operations to ensure compliance with official guidance and containment measures related to the pandemic, and we are working proactively with our partners and other stakeholders to take steps to mitigate and minimize any negative impact of the COVID-19 pandemic on our research and development programs, clinical trials, regulatory submissions, commercial activities and other business operations. At this time, our employees are meeting with investigators and site staff in person as allowed by institutions. Recently, we have had limited ability to participate in person at national and large regional conferences and advisory boards, but we plan to participate in person when such meetings can occur. We have also developed protocols to allow our employees to meet face-to-face in certain office locations.

- *Clinical Programs:* To date we have not experienced any material impact of the COVID-19 pandemic on our clinical trial enrollment, timelines or expenses. However, we have seen some increase in the time to activate new sites for trials that are in the start-up phase, and site activation timelines are expected to improve when the pandemic recedes in areas of the world where we are running our programs. We continue to work with sites to accelerate start-up activities, as delays in site activations may eventually impact the overall timelines and expenses of our trials. We continue to closely monitor the potential effect of the COVID-19 pandemic on our clinical trials, as well as the supply of our clinical-stage product candidates and will work closely with our clinical trial sites, contract research organizations and contract manufacturing partners to mitigate any such impact. The ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change.

- *Commercial Launch of ZYNLONTA:* We have built our launch plans for ZYNLONTA specifically to mitigate to the best of our ability the impact of the ongoing COVID-19 pandemic. Our Commercial and Medical Affairs teams prepared for a hybrid launch and have been able to engage physicians virtually and by phone as well as face-to-face as local conditions allow. Face-to-face engagement is critical to our continued success in driving the growth of ZYNLONTA through ongoing dialogs with the healthcare provider community on ZYNLONTA's differentiated product profile. In recent months, the delta and omicron variants have negatively impacted our ability to have face-to-face interactions with physicians, and we expect face-to-face engagements to continue to be challenging for the near-term. We will be prepared to pivot to in-person meetings with customers as soon as local conditions allow. The ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change.

Financial Operations Overview

Product Revenue, Net

On April 23, 2021, we received FDA regulatory and marketing approval for ZYNLONTA for the treatment of relapsed or refractory DLBCL and launched in the U.S. shortly thereafter. To date, our only source of product revenue, which commenced during May 2021, has been from sales of ZYNLONTA. Our ability to generate product revenue and to become profitable will depend upon our ability to successfully commercialize ZYNLONTA and to develop, obtain regulatory approval for and commercialize ZYNLONTA in additional indications, Cami, and our other product candidates. Because of the numerous risks and uncertainties associated with commercialization, product development and regulatory approval, we are unable to predict the amount or timing of product revenue.

Cost of sales

Cost of product sales include direct and indirect costs relating to the manufacture of ZYNLONTA from third-party providers of manufacturing, distribution and logistics, intangible asset amortization expense, and royalties to a collaboration partner based on net product sales of ZYNLONTA. Inventory amounts written down as a result of excess or obsolescence are charged to Cost of product sales.

Research and Development ("R&D") Expense

R&D expense consists principally of:

- salaries for R&D staff and related expenses, including share-based compensation expense;
- costs for production of preclinical and clinical-stage product candidates by CMOs;
- fees and other costs paid to contract research organizations in connection with the performance of preclinical studies and clinical trials;
- costs of related facilities, materials and equipment;
- costs associated with depreciation of right-of-use assets;
- costs associated with obtaining and maintaining patents and other intellectual property;
- amortization and depreciation, as well as impairment charges, of tangible and intangible fixed assets used to develop our product candidates; and
- achieved milestone payments associated with R&D collaboration arrangements that do not qualify to be capitalized.

R&D costs are expensed in the period in which they are incurred.

We expect that our total R&D expense will increase substantially in future periods. Our R&D expense primarily relates to the following key programs:

- *ZYNLONTA*. Our confirmatory Phase 3 clinical trial of ZYNLONTA in combination with rituximab for the treatment of relapsed or refractory DLBCL, and our frontline study in unfit or frail patients who are not eligible for R-CHOP.
- *Cami*. Our pivotal Phase 2 clinical trial of Cami for the treatment of relapsed or refractory HL and our Phase 1b clinical trial of Cami for the treatment of selected advanced solid tumors.
- *ADCT-901*. Our Phase 1 clinical trial of ADCT-901 for the treatment of kidney disease associated with antigen 1 ("KAAG1") in patients with selected advanced solid tumors with high unmet medical needs, including platinum resistant ovarian cancer and triple negative breast cancer
- *Other development programs*. Our other R&D expenses related to our Phase 1/2 clinical trial of ADCT-602 for the treatment of relapsed or refractory ALL, ADCT-601 for the treatment of selected advanced solid tumors and our preclinical studies of ADCT-701 for the treatment of selected advanced solid tumors and ADCT-212. The expenses mainly consist of salaries, costs for production of our product candidates and costs paid to contract research organizations in conjunction with clinical trials and preclinical studies.

Our R&D expense may vary substantially from period to period according to the status of our R&D activities. The timing of expenses are impacted by the commencement of clinical trials and enrollment of patients in clinical trials. R&D expense is expected to increase as we advance the clinical development of ZYNLONTA and Cami, and further advance the R&D of our other product candidates. The successful development of our product candidates is uncertain.

At this time, we cannot reasonably estimate the nature, timing and estimated costs of the efforts that will be necessary to complete the development of, or the period, if any, in which material net cash inflows may commence from, any of our product candidates. This is due to numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

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

A change in the outcome of any of these variables with respect to the development of ZYNLONTA in other indications and Cami, or any other current or future product candidates could mean a significant change in the costs and timing associated with the development of such product candidate.

In addition, R&D expense may fluctuate based on the status of regulatory approval of our drug candidates. We do not capitalize inventory costs associated with certain products prior to regulatory approval as such costs are not deemed highly probable of being recovered through future sales of the drug product until regulatory approval is obtained. As such, the costs are recorded as impairment charges to R&D expense. Upon receiving regulatory approval, we are permitted to reverse previously recorded impairment charges to the extent highly probable of being recovered through future sales. See note 3.5, “Inventory” to the audited consolidated financial statements for further information.

Selling and Marketing (“S&M”) Expense

S&M expense includes employee expenses (including share-based compensation expense) for commercial employees and external costs related to commercialization (including professional fees, communication costs and IT costs, travel expenses and depreciation of Property, plant and equipment). Depreciation expense of right-of-use assets and facilities were not material to the periods presented.

General and Administrative (“G&A”) Expense

G&A expense includes employee expenses (including share-based compensation expense) for G&A employees, external costs (including in particular professional fees, communications costs and IT costs, facility expenses and travel expenses), G&A costs charged by related parties (including telecommunications costs), depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets.

We have incurred and expect to continue to incur additional expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC, additional insurance expenses, investor relations activities and other administrative and professional services.

Other income (expense)

Financial Expense

Financial expense consists primarily of commercial banking fees, interest expense related to the accretion of our deferred royalty obligation with HCR, interest related to leases and the interest on the convertible loans. We will periodically assess the expected payments to HCR based on our underlying revenue projections and to the extent the amount or timing of such payments is materially different than our initial estimates we will record a cumulative catch-up adjustment to the deferred royalty obligation. The adjustment to the carrying amount is recognized in earnings as an adjustment to Financial income (expense) in the period in which the change in estimate occurred.

Financial Income

Financial income consists primarily of interest received from banks on our cash balances. Our policy is to invest funds in a variety of capital preservation instruments, which may include all or a combination of short-term and long-term interest-bearing instruments, investment-grade securities, and direct or guaranteed obligations of the U.S. government.

Non-operating income (expense)

Convertible Loans, Derivatives, Increase in Fair Value and Transaction Costs

Accounting for the first and second tranches

On May 19, 2020, we received the first tranche of convertible loans in the amount of USD 65.0 million upon completion of the IPO. As of December 31, 2021, these convertible loans have been recognized as a hybrid financial instrument and accounted for as two separate components: (i) a loan and (ii) an embedded conversion option derivative.

(i) The embedded conversion option derivative was initially measured at fair value and is subsequently remeasured to fair value at each reporting date. Under IAS 32, this derivative could have been classified as a component of equity only if in all cases the contract would be settled us delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or debt redemption. However, the agreement foresees, in the event of a major transaction, the payment of "make-whole" amounts that would have to be computed in the light of the circumstances and are therefore not fixed. As a result, the derivative is presented in the balance sheet as a liability and classified as non-equity in accordance with IFRS 9 and IAS 32. Changes in the fair value (gains or losses) of the derivative at the end of each period are recorded in the consolidated statement of operation.

(ii) The convertible loan's initial fair value is the residual amount of the consideration received, net of attributable costs, after separating out the fair value of the embedded conversion option derivative. The loan is subsequently measured at its amortized cost in accordance with IFRS 9. It is presented as a financial liability in the consolidated balance sheet.

On May 17, 2021, we drew down the second tranche of convertible loans in the amount of USD 50.0 million upon the receipt of FDA approval of ZYNLONTA. As of December 31, 2021, these convertible loans have been recognized as a hybrid financial instrument and accounted for as two separate components: (i) a loan and (ii) an embedded conversion option derivative.

(i) The embedded conversion option derivative was initially measured at fair value and is subsequently remeasured to fair value at each reporting date. Under IAS 32, this derivative could have been classified as a component of equity only if in all cases the contract would be settled by us delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or debt redemption. However, the agreement foresees, in the event of a major transaction, the payment of "make-whole" amounts that would have to be computed in the light of the circumstances and are therefore not fixed. As a result, the derivative is presented in the balance sheet as a liability and classified as non-equity in accordance with IFRS 9 and IAS 32. Changes in the fair value (gains or losses) of the derivative at the end of each period are recorded in the consolidated statement of operation.

(ii) Upon draw down, the Company used an independent valuation firm to assist in calculating the initial fair value of the entire instrument, including both components. The Company recorded the initial carrying amount of the convertible loan based on its fair value as of April 23, 2021. The convertible loan is measured at its amortized cost in accordance with IFRS 9. The amount at which the convertible loan is presented as a liability in the consolidated balance sheet represents the net present value of all future cash outflows associated with the loan discounted at the implied effective interest rate. The net present value of those cash outflows occurring within 12 months of the balance sheet date discounted at the same rate is presented as a short-term liability. The remainder of the amount is presented as a long-term liability.

Expenses and fees payable upon the issuance of the convertible loans have been allocated pro rata to the above two components. The share of expenses allocated to the embedded conversion option derivatives has been charged directly to the consolidated statement of operation, while the share of expenses allocated to the residual convertible loan has been deducted from the loan.

Share of Results with Joint Venture

Under the equity method, an investment in a joint venture is recognized initially in the consolidated balance sheet at cost and adjusted thereafter to recognize our share of the profit or loss, other comprehensive income or loss of the joint venture, distributions from the joint venture and other adjustments to our proportionate interest in the joint venture. Our initial investment is recorded as an Interest in joint ventures in the consolidated balance sheet. Our proportionate share of net income or losses of equity investments is included within Share of results with joint venture in the consolidated statement of operation. The carrying value of our investment in a joint venture increases or decreases in relation to our proportionate share of comprehensive income or loss of the joint venture. When our share of losses of a joint venture exceeds the our interest in that joint venture less the carrying value of the deferred gain described below, we cease to recognize its share of further losses. Additional losses are recognized only to the extent that we have incurred legal or constructive obligations or made payments on behalf of the joint venture. In connection with our initial investment, the gain resulting from our contribution of intellectual property was only recognized to the extent of the unrelated investors' equity interest in the joint venture, which resulted in a deferred gain of a portion of our initial investment. We will begin to recognize the deferred gain upon the commercialization of any or all the Licensed Products by the joint venture. The deferred gain will be recognized over the estimated commercialization period in which a Licensed Product is developed and approved using a systematic

approach that approximates the pattern of consumption of the Licensed IP by the joint venture. Investments accounted for under the equity method are assessed for potential impairment on a regular basis based on qualitative factors.

R&D Tax Credit

Other income (expense) consists of income amounts received and receivable by our subsidiary, ADC Therapeutics (UK) Limited, under the United Kingdom's R&D Expenditure Credit scheme. Due to the strictness of the eligibility criteria for these credits, we did not recognize any income under this scheme until we received confirmation in 2019 that our initial claims were approved for payment.

The claims are payable through the tax system, as a refund of corporation tax or of other taxes, including income tax and social security payments deducted from qualifying employees' payroll and VAT. The credit is independent of ADC Therapeutics (UK) Limited's taxable profit and is designed to incentivize companies to invest in R&D activities and is itself taxable income. We therefore have recognized the income as government grants within other income and not as a credit to the tax charge.

Exchange Differences

Other income (expense) also includes favorable or unfavorable exchange differences. Due to our international operations, we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to British pounds, Euros and Swiss francs. Our exchange differences represent income or (loss) based on changes in foreign currencies.

Taxation

We are subject to corporate taxation in Switzerland. We are also subject to taxation in other jurisdictions in which we operate, in particular, the United States and the United Kingdom, where our two wholly-owned subsidiaries are incorporated. We are entitled under Swiss laws to carry forward any losses incurred for a period of seven years, which could be used to offset future taxable income. We are also entitled under U.S. tax law to carry forward R&D tax credits for a period of up to 20 years, which could be used to offset future taxable income.

Results of Operations

For a comparison of our results of operations for the years ended December 31, 2020 and 2019, see "Operating and Financial Review and Prospects—Operating Results—Results of Operations—Comparison of the Years Ended December 31, 2020 and December 31, 2019" in Annual Report on Form 20-F for the year ended December 31, 2020.

Comparison of the Years Ended December 31, 2021 and December 31, 2020

The following table summarizes our results of operations for the years ended December 31, 2021 and 2020:

	Year Ended December 31,		
	2021	2020	Change
	(in USD thousands)		
Product revenues, net	33,917	—	33,917
Operating expense			
Cost of product sales	(1,393)	—	(1,393)
R&D expenses	(158,002)	(142,032)	(15,970)
S&M expenses	(64,780)	(22,101)	(42,679)
G&A expenses	(71,462)	(55,130)	(16,332)
Total operating expense	(295,637)	(219,263)	(76,374)
Loss from operations	**(261,720)**	**(219,263)**	**(42,457)**
Other income (expense)			
Financial expense	(18,340)	(4,926)	(13,414)
Financial income	66	832	(766)
Non-operating income (expense) [(1)]	28,489	(22,606)	51,095
Total other income (expense)	10,215	(26,700)	36,915
Loss before taxes	(251,505)	(245,963)	(5,542)
Income tax benefit (expense)	21,479	(327)	21,806
Net Loss	**(230,026)**	**(246,290)**	**16,264**

[(1)] Prior to December 31, 2021, individual components of Non-operating income (expense) were reported separately within the statement of operations. Prior periods have been recast to conform to the current period presentation. See Note 9, "Non-operating income (expense)" to the audited consolidated financial statements for further information.

Notable items other than revenue from product sales impacting the results of operations for the year ended December 31, 2021 included:

		Year Ended December 31,		
	P&L Classification	2021	2020	Change
		(in USD thousands)		
Share-based compensation	R&D	16,562	9,886	6,676
Share-based compensation	S&M	9,594	3,593	6,001
Share-based compensation	G&A	34,399	29,449	4,950
Fair value adjustment of Facility agreement derivatives	Non-operating income (expense)	34,893	(45,411)	80,304
Transaction costs allocated to the second and first tranche derivatives	Non-operating income (expense)	(148)	(1,571)	1,423
Share of Overland ADCT BioPharma net loss	Non-operating income (expense)	(6,672)	(132)	(6,540)
Gain on intellectual property contributed to joint venture	Non-operating income (expense)	—	24,501	(24,501)
Effective interest on the first and second tranche convertible loans	Financial expense	(10,418)	(4,756)	(5,662)
Accretion expense and cumulative catch-up adjustment relating to deferred royalty obligation	Financial expense	(7,688)	—	(7,688)
Recognition of deferred tax assets related to previous years U.S. R&D tax credits and temporary differences	Income tax benefit (expense)	25,676	—	25,676

Product revenues, net

On April 23, 2021, the Company received FDA regulatory and marketing approval for ZYNLONTA for the treatment of relapsed or refractory DLBCL and launched in the U.S. shortly thereafter. To date, the Company's only source of product revenue, which commenced during May 2021, has been from sales of ZYNLONTA. During the year ended December 31, 2021, Product revenues, net were KUSD 33,917. Revenue is reduced for GTN sales adjustments consisting of government rebates, chargebacks, distributor service fees, other rebates and administrative fees and sales returns and allowances. See note 3, "Significant accounting policies" to the audited consolidated financial statements for further information.

Cost of sales

Cost of product sales for the year ended December 31, 2021 was KUSD 1,393, which primarily consisted of direct and indirect costs relating to the manufacture of ZYNLONTA from third-party providers of manufacturing, distribution and logistics, intangible asset amortization expense, and royalties to a collaboration partner based on net product sales of ZYNLONTA. There were no Cost of product sales during 2020.

R&D Expenses

The following table summarizes our R&D expenses for the years ended December 31, 2021 and 2020:

	Year Ended December 31,		
	2021	2020	Change
	(in USD thousands)		
External costs [1]	91,875	97,768	(5,893)
Employee expenses [2]	66,127	44,264	21,863
R&D expenses	**158,002**	**142,032**	**15,970**

[1] Includes depreciation expense

[2] Includes share-based compensation expense

Our R&D expenses increased to USD 158.0 million for the year ended December 31, 2021 from USD 142.0 million for the year ended December 31, 2020, an increase of USD 16.0 million, or 11.2%. R&D expenses increased as we invested in medical programs to support ZYNLONTA, continued to expand the potential market opportunities for ZYNLONTA in earlier lines of therapies and new histologies, advance Cami to support BLA submission, and build our pipeline. As a result of these initiatives, employee expense increased due to higher headcount and share-based compensation expense of USD 16.6 million. External costs decreased primarily due to the reversal of USD 8.1 million of previously recorded impairment charges during the year ended December 31, 2021 relating to inventory costs associated with the

manufacture of ZYNLONTA that were historically recorded as R&D expenses. Partially offsetting this benefit were increased costs due to the advancement of our clinical trials associated with ZYNLONTA as new studies began. CMC expenses also increased in advance of the launch of ZYNLONTA and advancement of ADCT-601 clinical activities. In addition, in the year ended December 31, 2020, we recorded a charge for a milestone payment of USD 5.0 million associated with a collaboration agreement that was achieved during December 2020. The amount of the impairment reversal may increase in future periods based on future enhancements that may extend the shelf life of the components used to manufacture ZYNLONTA and/or of the ultimate drug product. See note 3, "Significant accounting policies" to the audited consolidated financial statements for further information.

The following table summarizes our research and development expenses for our major development programs for the years ended December 31, 2021 and 2020:

	Year Ended December 31,		
	2021	**2020**	**Change**
	(in USD thousands)		
ZYNLONTA	76,629	71,274	5,355
Cami	33,898	39,585	(5,687)
ADCT-602	2,125	2,533	(408)
ADCT-601	11,895	5,857	6,038
ADCT-901	8,524	9,384	(860)
Preclinical product candidates, research pipeline	16,135	8,363	7,772
Not allocated to specific programs	8,796	5,036	3,760
R&D expenses	**158,002**	**142,032**	**15,970**

R&D expenses for our major development programs will fluctuate from period to period primarily due to the nature and timing associated with the various lifecycle stages of each program, including but not limited to early R&D activities; manufacturing of clinical drug product; clinical trial activity; costs associated with the regulatory approval process; and manufacturing costs associated with commercialization activities prior to the receipt of regulatory approval.

The increase in R&D expenses related to ZYNLONTA was due to increased clinical activities as additional studies began and higher CMC expenses in advance of the launch of ZYNLONTA. Professional expenses also increased to support the launch of ZYNLONTA. As a result of FDA approval of ZYNLONTA, we reversed USD 8.1 million of previously recorded impairment charges relating to inventory costs incurred for the manufacture of product prior to FDA approval. See note 3, "Significant accounting policies" to the audited consolidated financial statements for further information.

The decrease in R&D expenses related to Cami was due to lower expenses related to clinical activities as various development activities to support ongoing clinical trial activity occurred during the year ended December 31, 2020.

The increase in R&D expenses related to ADCT-601 was primarily due to higher CMC expenses as we began to manufacture supply for clinical trials during the year ended December 31, 2021.

The increase in R&D expenses related to Preclinical product candidates, research pipeline was primarily due to higher expenses related to ADCT-212 and the continued advancement of our preclinical pipeline during the year ended December 31, 2021.

S&M Expenses

The following table summarizes our S&M expenses for the years ended December 31, 2021 and 2020:

	Year Ended December 31,		
	2021	2020	Change
	(in USD thousands)		
External costs [1]	28,817	11,887	16,930
Employee expenses [2]	35,963	10,214	25,749
S&M expenses	**64,780**	**22,101**	**42,679**

[1] Includes depreciation expense relating to Property, plant and equipment. All other depreciation expense was not material for the year ended December 31, 2021. Depreciation expense for S&M was not material for year ended December 31, 2020.

[2] Includes share-based compensation expense

Our S&M expenses increased to USD 64.8 million for the year ended December 31, 2021 from USD 22.1 million for the year ended December 31, 2020, an increase of USD 42.7 million, or 193.1%. Employee expense increased primarily due to the recruitment of commercial employees for the commercial launch of ZYNLONTA. Employee expense was USD 36.0 million, of which USD 9.6 million was related to share-based compensation expense. External costs increased primarily as a result of higher professional fees for the launch of ZYNLONTA.

G&A Expenses

The following table summarizes our G&A expenses for the years ended December 31, 2021 and 2020:

	Year Ended December 31,		
	2021	2020	Change
	(in USD thousands)		
External costs [1]	21,486	13,637	7,849
Employee expenses [2]	49,976	41,493	8,483
G&A expenses	**71,462**	**55,130**	**16,332**

[1] Includes depreciation expense.

[2] Includes share-based compensation expense

Our G&A expense increased to USD 71.5 million for the year ended December 31, 2021 from USD 55.1 million for the year ended December 31, 2020, an increase of USD 16.3 million, or 29.6%. G&A expenses increased primarily due to higher employee expense which included share-based compensation expense of USD 34.4 million. External costs increased primarily as a result of higher professional fees associated with being a public company.

Employee expense for the year ended December 31, 2020 includes share-based compensation expense relating to the 2014 Incentive Plan and the 2016 Share Purchase Plan, both of which terminated upon the effectiveness of the registration statement for our initial public offering, with all awards vesting as of that date and with all outstanding charges relating to those plans, which were being amortized over the vesting period, having to be recognized at that time. The amount of expense recognized for these plans in the year ended December 31, 2020 was USD 7.5 million, which is included in the share-based compensation expense noted above.

Other Income (Expense)

The following table summarizes our other income (expense) for the years ended December 31, 2021 and 2020:

	Year Ended December 31,		
	2021	2020	Change
	(in USD thousands)		
Financial expense	(18,340)	(4,926)	(13,414)
Financial income	66	832	(766)
Non-operating income (expense)	28,489	(22,606)	51,095
Total other income (expense)	**10,215**	**(26,700)**	**36,915**

Financial Expense

Our financial expense increased to USD 18.3 million for the year ended December 31, 2021 from USD 4.9 million for the year ended December 31, 2020. The increase was primarily due to interest on the convertible loans, calculated at the implied effective interest rate from May 19, 2020 for the first tranche and May 17, 2021 for the second tranche and accretion expense related to the deferred royalty obligation entered into with HCR during the quarter ended September 30, 2021. Financial expense for the year ended December 31, 2020 did not include a full year of effective interest on the convertible loan relating to the first tranche as it was drawn down in May 2020. In addition, financial expense did not include any effective interest on the convertible loan relating to the second tranche as it was drawn down in May 2021 and any interest expense related to the deferred royalty obligation with HCR as it was entered into in August 2021. Financial expense for the year ended December 31, 2021 also includes a cumulative catch-up adjustment to the Deferred royalty obligation as a result of a change to the initial revenue projections used in the initial valuation performed during the quarter ended September 30, 2021. These expenses are explained in note 24, “Convertible loans” and note 26, “Deferred royalty obligation”, respectively, to the audited consolidated financial statements.

Financial Income

Our financial income decreased to USD 0.1 million for the year ended December 31, 2021 from USD 0.8 million for the year ended December 31, 2020. The decrease was primarily due to lower amounts placed on short-term deposit and lower interest rates.

Non-Operating Income (Expense)

Convertible Loans, Derivatives, Change in Fair Value

Changes in convertible loans, derivatives, change in fair value was income of USD 34.9 million and expense of USD 45.4 million for the years ended December 31, 2021 and 2020, respectively. Pursuant to the Facility Agreement with Deerfield we drew down the first tranche of the convertible loans amounting to USD 65 million on May 19, 2020. Additionally, in connection with the FDA approval of ZYNLONTA, we drew down the second tranche of convertible loans amounting to USD 50 million. Changes in derivative fair values are explained in note 24, “Convertible loans”, to the audited consolidated financial statements.

Convertible Loans, Derivatives, Transaction Costs

Changes in convertible loans, derivatives, transaction costs was KUSD 148 and KUSD 1,571 for the years ended December 31, 2021 and 2020, respectively. The costs allocated to the loans have been deducted from the initial book value of the loans and will therefore be recognized over the life of the loans as part of the effective interest costs (see “Financial expense” above). The costs allocated to the embedded derivative feature of the first and second tranches have been recognized directly in the consolidated statement of operation. As explained in note 24, “Convertible loans” to the audited consolidated financial statements, transaction costs incurred on the issuance of the first and second tranches have been allocated pro rata to the embedded conversion option derivative and to the convertible loan.

Share of Results with Joint Venture

In connection with the formation of Overland ADCT BioPharma in December 2020, we recognized a gain of USD 24.5 million associated with our contribution of intellectual property. In addition, we recorded our proportionate share of Overland ADCT BioPharma’s net loss of USD 6.7 million and KUSD 132 for the years ended December 31, 2021 and 2020, respectively. The increase in our proportionate share of Overland ADCT BioPharma’s net loss was primarily attributable to increased R&D activities by Overland ADCT BioPharma. See note 19, “Interest in joint venture” within the notes to the audited consolidated financial statements for further details.

Exchange Differences

Due to our international operations, we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to British pounds, Euros and Swiss francs. Our exchange differences represent income or (loss) based on changes in foreign currencies. Favorable or unfavorable changes in foreign currencies resulted in a gain of KUSD 50, and a loss of KUSD 576 for the years ended December 31, 2021 and 2020, respectively. See note 9, "Non-operating income (expense)" within the audited consolidated financial statements for further details.

R&D Tax Credit

We recognized income of KUSD 366 and KUSD 584 in connection with our R&D tax credits for the years ended December 31, 2021 and 2020, respectively. We recognize as Other income amounts received and receivable by our subsidiary, ADC Therapeutics (UK) Limited, under the United Kingdom's Research and Development Expenditure Credit scheme. See note 9, "Non-operating income (expense)" within the audited consolidated financial statements for further details.

Income Tax Expenses

We recorded an income tax benefit of USD 21.5 million for the year ended December 31, 2021 as compared to income tax expense of USD 0.3 million for the year ended December 31, 2020. Following the approval of ZYNLONTA and the commencement of commercial sales in the U.S., management revised its projections of future taxable income. On this basis, during 2021, we recognized deferred tax assets related to R&D tax credits and temporary differences related to our U.S. subsidiary, which resulted in the deferred income tax benefit for the year ended December 31, 2021. Our current income tax expense is primarily due to our internal arrangements to reimburse our foreign subsidiaries in the United States and the United Kingdom for the services they render to Switzerland. See note 12, "Income tax expense" and note 21, "Deferred income tax and tax credits" to the audited consolidated financial statements for further information.

In estimating future taxable income, management develops assumptions including the amount of future net revenue and pre-tax operating income and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying business. Management notes that its projections of future taxable profits rely on currently enacted law and are subject to revision if the U.S. legislates new tax law. As such, changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. We record the effect of a tax rate or law change on our deferred tax assets and liabilities in the period of enactment. Future tax rate or law changes could have a material effect on our financial condition, results of operations or cash flows. See note 12, "Income tax expense" and note 21, "Deferred income tax and tax credits" to the audited consolidated financial statements for further information.

Liquidity and Capital Resources

Since inception, we have incurred significant net losses. To date, we have financed our operations through equity financings, including our initial public offering and follow-on offering, convertible debt financings, and additional funds provided by collaborations and royalty financings. On August 25, 2021, we entered into a purchase and sale agreement with certain entities managed by HCR for a capped royalty interest on ZYNLONTA and Cami for USD 225.0 million upon the closing of the agreement with an additional USD 100.0 million in potential milestone payments. During the year ended December 31, 2021, we received gross proceeds of USD 225.0 million before deducting expenses of USD 7.0 million. See note 26, "Deferred royalty obligation" to the audited consolidated financial statements for further information. On May 17, 2021, we drew down USD 50.0 million of convertible loans relating to the second tranche under the Facility Agreement following our receipt of FDA approval for ZYNLONTA. See note 24, "Convertible loans" to the audited consolidated financial statements for further information. As of December 31, 2021, we had cash and cash equivalents of USD 466.5 million.

Our primary uses of capital are, and we expect will continue to be, R&D expenses, S&M expenses, compensation and related expenses, and other operating expenses. Cash used to fund operating expenses is impacted by the timing of when we pay expenses, as reflected in the change in our outstanding accounts payable and accrued expenses, as well as the timing of collecting receivables from the sale of ZYNLONTA and paying royalties related to our deferred royalty obligation with HCR. We expect to incur substantial expenses in connection with the advancement of clinical trials, including pivotal and confirmatory clinical trials, regulatory submissions for our products, product candidates and research pipeline, and the commercialization of ZYNLONTA.

We plan to continue to fund our operating needs through the net proceeds of our public offerings, the Facility Agreement, revenues from the sale of ZYNLONTA, amounts received under the royalty purchase agreement with HCR and additional equity financings, debt financings and/or other forms of financing, as well as funds provided by collaborations. In January 2022, we entered into an exclusive license agreement with MTPC for the development and commercialization of ZYNLONTA for all hematologic and solid tumor indications in Japan, received an upfront payment of USD 30 million and are eligible to receive additional milestones if certain development and commercial events are achieved and royalties based on net sales of the product in Japan. See note 33, "Events after the reporting date" within the audited consolidated financial statements for further information.

On June 4, 2021, we entered into an open market sale agreement with Jefferies, to sell our common shares from time to time through an ATM offering program. The ATM Facility provides us the opportunity to sell our common shares with an aggregate offering price of up to USD 200.0 million. There have been no shares sold under the ATM Facility since the inception of the program.

Cash Flows

For a comparison of our cash flows for the years ended December 31, 2020 and 2019, see " Operating and Financial Review and Prospects —Liquidity and Capital Resources—Cash Flows—Comparison of the Years Ended December 31, 2020 and December 31, 2019" in Annual Report on Form 20-F for the year ended December 31, 2020.

Comparison of the Years Ended December 31, 2021 and December 31, 2020

The following table summarizes our cash flows for the years ended December 31, 2021 and 2020:

	Year Ended December 31,		
	2021	2020	Change
	(in USD thousands)		
Net cash provided by (used in):			
Operating activities	(233,378)	(168,729)	(64,649)
Investing activities	(6,673)	(2,828)	(3,845)
Financing activities	267,394	494,966	(227,572)
Net change in cash and cash equivalents	27,343	323,409	(296,066)

Net Cash Used in Operating Activities

Net cash used in operating activities increased to USD 233.4 million for the year ended December 31, 2021 from USD 168.7 million for the year ended December 31, 2020, an increase of USD 64.6 million, or 38.3%. The increase was primarily due to increased cash expenditure in the period related to operating expenses in advancing development of our pipeline and the commercial launch of ZYNLONTA.

Net Cash Used in Investing Activities

Net cash used in investing activities increased to USD 6.7 million for the year ended December 31, 2021 from USD 2.8 million for the year ended December 31, 2020, an increase of USD 3.8 million, or 136.0%, primarily due to an increased capital expenditures primarily relating to the build-out of our new R&D facility and intangible asset purchases during the year ended December 31, 2021.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was USD 267.4 million for the year ended December 31, 2021 compared to USD 495.0 million of net cash provided by financing activities for the year ended December 31, 2020. The year ended December 31, 2021 included proceeds from the sale and purchase agreement associated with our deferred royalty obligation with HCR and the second tranche of convertible loans under the Facility Agreement. The year ended December 31, 2020 included proceeds from our initial public offering, follow-on offering and the first tranche of convertible loans under the Facility Agreement.

Research and Development, Patents and Licenses, etc.

See "Information on the Company— Business Overview" and "Operating and Financial Review and Prospects— Operating Results— Results of Operations."

Trend Information

See "Operating and Financial Review and Prospects— Operating Results."

We did not have, during the periods presented, and we do not currently have, any off-balance sheet arrangements or commitments.

Critical Accounting Estimates

Revenue Recognition

Upon the April 23, 2021 FDA approval of ZYNLONTA for the treatment of relapsed or refractory DLBCL, we began generating revenue from the sale of its product candidates. In previous years, we generated only service revenues from a license and collaboration arrangement.

Revenue from the sale of products is recognized in a manner that depicts the transfer of those promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for these goods or services. To achieve this core principle, we follow a five-step model: (i) identify the customer contract; (ii) identify the contract's performance obligation; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when, or as, a performance obligation is satisfied.

Revenue is also reduced for GTN sales adjustments, which may include government rebates, chargebacks, distributor service fees, other rebates and administrative fees, sales returns and allowances and sales discounts. GTN sales adjustments involve significant estimates and judgment after considering factors including legal interpretations of applicable laws and regulations, historical experience and drug product analogs in the absence of our experience, payer channel mix, current contract prices under applicable programs, unbilled claims and processing time lags and inventory levels in the distribution channel. The Company also uses information from external sources to identify prescription trends, patient demand, average selling prices and sales return and allowance data for analog drug products. Our estimates are subject to inherent limitations of estimates that rely on third-party information, as certain third-party information was itself in the form of estimates, and reflect other limitations including lags between the date as of which third-party information is generated and the date on which we receive third-party information. Estimates will be assessed each period and adjusted as required to revise information or actual experience.

R&D Expenses

Research expenditure is recognized in expense in the year in which it is incurred. Internal development expenses are capitalized only if it meets the recognition criteria of IAS 38 "Intangible Assets". Where regulatory and other uncertainties are such that the criteria are not met, which is almost invariably the case prior to approval of the drug by the relevant regulatory authority, the expenditure is recognized in the consolidated statement of operation. When certain criteria are met, we may capitalize the internal development expenses as internally generated intangible assets and amortizes the asset over its estimated useful life based on a systematic and rational approach.

Current, Deferred Income Tax and Tax Credit

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of operation, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity; in this case the related tax is recognized in other comprehensive loss or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Taxes on income are accrued in the same periods as the revenues and expenses to which they relate. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the audited consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences or the unused tax losses can be utilized.

Deferred income tax assets from tax credit carryforwards are recognized to the extent that the national tax authority confirms the eligibility of such a claim and that the realization of the related tax benefit through future taxable profits is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee Benefits

Pension Obligations

We operate defined benefit and defined contribution pension schemes in accordance with the local conditions and practices in the countries in which we operate. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which we pay fixed contributions into a separate entity (a

fund) and have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employees' service in previous, current and future periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. However, as is the case with many Swiss pension plans, although the amount of ultimate pension benefit is not defined, certain legal obligations of the plan nevertheless create constructive obligations on the employer to pay further contributions to fund an eventual deficit. This results in the plan being accounted for as a defined benefit plan.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity that approximate to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognized in the consolidated statement of operation in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year.

Past service costs, resulting from a plan amendment or curtailment, are recognized immediately in the consolidated statement of operation.

The net interest cost is calculated by applying the discount rate to the net balance of the present value of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expenses in the consolidated statement of operation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive loss in the period in which they arise.

For defined contribution plans, we pay contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, we have no further payment obligations. The contributions are recognized as employee benefit expenses when they are due and are included in staff costs. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-Based Compensation Expense

The fair value of shares or options granted, respectively, under share purchase or share option plans is recognized as an employee share-based compensation expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares or options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, we revise our estimate of the number of options that are expected to vest based on the non-market vesting and service conditions. We recognize the impact of the revision to original estimate, if any, within the consolidated statement of operation, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited directly to equity.

The application of our accounting policy for share-based compensation is described below for each of our plans.

2019 Equity Incentive Plan

In November 2019, we adopted the 2019 Equity Incentive Plan to motivate and reward our employees, directors, consultants and advisors to further our best interest and those of our shareholders. Under the 2019 Equity Incentive Plan, we may at our discretion grant to plan participants (directors, certain employees and service providers working for the benefit of the Company at the time) awards in the form of restricted shares and restricted share units ("RSUs"), share options, share appreciation rights, performance awards ("PSUs") and other share-based awards.

Share options, RSUs and PSUs have been granted under this plan. The exercise price per share option was set by us at the fair market value of the underlying common shares on the date of grant, as determined by us. The awards generally vest 25% on the first anniversary of the date

of grant, and thereafter evenly on a monthly basis over the subsequent three years. The contractual term of each option award granted is ten years. Under the grant, the options may be settled only in shares. Therefore, the grants of share options under this plan have been accounted for as equity-settled under IFRS 2.

We may grant RSUs to our directors, certain employees and service providers working for us at the time. The awards generally vest annually over a period of three years commencing on the first anniversary of the date of grant. Under the grant, the RSUs may be settled only in our common shares. Therefore, the grants of RSUs have been accounted for as equity-settled under IFRS 2.

In each accounting period, we take a charge for the vested portion of award grants and for partially earned but non-vested portions of award grants. This results in a front-loaded charge to the consolidated statement of operation. The charge to the consolidated statement of operation results in a corresponding credit being booked to "Other reserves" within equity.

Prior to our initial public offering, the determination of the fair value of awards involved the application of an adjusted form of the Black-Scholes option pricing model that took into account the strike price, the term of the award, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the award and the correlations and volatilities of the shares of peer group companies. In addition, for awards granted on and subsequent to July 1, 2019 through our initial public offering, the fair value of grants was based on a probability-weighted expected returns method that took into account both the value derived by using an adjusted form of the Black-Scholes option pricing model and a discounted estimate of the price that may have been achieved in a future transaction. This method entailed further significant judgement, both in estimating a transaction price and in estimating the probabilities of different outcomes. The adjusted form of the Black-Scholes option pricing model used to derive a value for the common share price at grant date derived the implied equity value for one type of equity security from a contemporaneous transaction involving another type of security and considered the timing, amount, liquidation preferences and dividend rights of issues of preference shares.

After our initial public offering, the determination of the fair value of awards involves the application of the Black-Scholes option pricing model for our option equity awards, which utilizes certain assumptions including expected volatility, expected life and risk-free interest rate. In addition, the exercise price per share option is set by us at the fair market value of the underlying common shares on the date of grant, as determined by the us, which is generally the closing share price of our common shares traded on the NYSE.

We used an independent valuation firm to assist us in calculating the fair value of the award grants per participant.

2013 Share Purchase Plan and 2016 Share Purchase Plan

Under the terms of the 2013 and 2016 promissory notes issued in connection with the ADC Therapeutics SA 2013 (the "Share Purchase Plan 2013") and ADC Therapeutics SA 2016 (the "Share Purchase Plan 2016"), in the case of an initial public offering the relevant plan participants were required to repay the outstanding amounts under the promissory notes prior to the initial public offering by delivering a number of shares of equivalent value to cover the amount to be repaid. In anticipation of the initial public offering, each of the plan participants holding promissory notes entered into loan settlement agreements with us dated as of April 15, 2020, pursuant to which they repaid all amounts outstanding under the promissory notes, including accrued interest, by delivering a number of shares of equivalent value to cover the amounts outstanding under the promissory notes.

After consideration of all relevant factors, the board of directors determined the value of such shares delivered pursuant to the loan settlement agreements as of the settlement date to be USD 18.75 per share, resulting in the delivery of an aggregate of 597,774 common shares by all plan participants for the settlement of the promissory notes. These shares were held by us as treasury shares.

These transactions resulted in the termination of both plans on May 15, 2020. All compensation expense relating to the Share Purchase Plan 2013 was recognized in prior periods.

2014 Incentive Plan

In May 2014, we adopted the ADC Therapeutics Incentive Plan (as amended and restated as of October 1, 2015, the "Incentive Plan 2014") to incentivize selected employees or service providers to accept employment or service, foster retention of such employees or service providers and encourage them to contribute maximum efforts to our success.

All awards under the Incentive Plan 2014 vested and were settled in shares upon the completion of our initial public offering. We calculated for each participant the gain arising from the difference between the exercise price per share and the initial public offering price per share, undertook to settle in cash on behalf of the participant any associated tax and social charges liability and transferred to the participant the remaining balance in treasury shares, valued at USD 19.00 per share. A total of 356,144 shares were transferred to participants and an amount of USD 5.3 million was withheld for tax and social charges.

For participants whose awards had an exercise price greater than USD 19.00 per share (i.e., were "out-of-the-money"), we made an equal number of new awards under the 2019 Equity Incentive Plan with an exercise price of USD 19.00 per share and with a vesting period of only three years instead of the usual four years. These new awards have been accounted for as a modification of the previous awards under the

Incentive Plan 2014. Accordingly, the original compensation expense calculated for the old awards that were "out-of-the-money" will continue to be recognized over their remaining vesting period, while the expense to be recognized for the new awards under the 2019 Equity Incentive Plan will be limited to the incremental fair value of the new awards over the fair value, as of May 15, 2020, of the old awards.

Accounts receivable

Accounts receivable arise from product sales and consists of amounts due from customers, net of customer allowances for chargebacks, product returns and estimated credit losses. Upon the launch of ZYNLONTA, our contracts with customers had initial payment terms that ranged from 30 to 150 days. Subsequent to December 31, 2021, our inventory is no longer held on consignment by our third-party logistics and distribution provider. As such, payment terms for new sales commencing in 2022 will range from 30 to 120 days. When determining customer allowances for estimated credit losses, we analyze accounts that are past due, the creditworthiness of its customers, current economic conditions and, when sufficient historical data becomes available, actual credit losses incurred by us. As of December 31, 2021, we determined an allowance for expected credit losses was not required based upon the assessment performed.

Inventory

Prior to receiving FDA approval of ZYNLONTA, we had written down inventory costs relating to the manufacture of ZYNLONTA to a net realizable value of zero. We believed that capitalization of inventory costs associated with certain products prior to regulatory approval of such products, or for inventory produced in new production facilities, was only appropriate when management considered it highly probable that pre-approval inventory costs would be recoverable through future sales of the drug product. The determination to capitalize was based on the particular facts and circumstances related to the expected regulatory approval of the product or production facility being considered and, accordingly, the time frame within which the determination was made varied from product to product. The impairment charges were recorded as Research and development ("R&D") expenses in our consolidated statement of operation. Upon the receipt of FDA approval for ZYNLONTA during the year ended December 31, 2021, we reversed KUSD 8,100 of previously recorded impairment charges. The reversal of previously recorded impairment charges was based on a number of factors existing at that time, including the existence of inventory on hand and estimated demand, as well as expiration dating. The reversal of impairment charges was recorded as a gain to R&D expenses in our consolidated statement of operation. The amount of the impairment reversal may increase in future periods based on future enhancements that may extend the shelf life of the components used to manufacture ZYNLONTA and/or of the ultimate drug product.

Inventory of ZYNLONTA is stated at the lower of cost or net realizable value with costs determined on a first-in, first-out basis. We assess the recoverability of capitalized inventory during each reporting period and will write down excess or obsolete inventory to its net realizable value in the period in which the impairment is identified within Cost of product sales in the consolidated statement of operation. We have not recorded any material inventory impairments since the FDA approved ZYNLONTA. Included in inventory are materials used in the production of preclinical and clinical products, which are charged to R&D expenses when consumed.

We will continue to assess the likelihood that inventory costs associated with its other drug product candidates are recoverable through future sales of such product candidates to determine if and when such costs should be capitalized as inventory or be expensed to R&D expenses. The assessment of whether or not the product is considered highly probable to be saleable will be made on a quarterly basis and includes, but is not limited to, how far a particular product or facility has progressed along the approval process, any known safety or efficacy concerns, potential labeling restrictions and other impediments. If it is determined that inventory costs associated with a product candidate are not highly probable to be recovered through future sales, we would record such costs to R&D expenses.

Intangible assets

Licenses

Licenses acquired are capitalized as intangible assets at historical cost. Licenses with definite-useful lives are amortized over their useful lives, which are determined on a basis of the expected pattern of consumption of the expected future economic benefits embodied in the licenses and which therefore commence only once the necessary regulatory and marketing approval has been received. Prior to regulatory and marketing approval, licenses are treated as indefinite-lived assets and not amortized. These licenses are tested annually for impairment in the last quarter of each fiscal year and more frequently if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Amortization and impairment of licenses

Prior to regulatory and marketing approval, impairment of indefinite-lived licenses is charged to R&D expenses. Subsequent to regulatory and marketing approval, amortization of licenses will be charged to Cost of product sales. over the licenses' estimated useful lives. The useful life of definite-lived intangible assets will depend upon the legal term of the individual patent in the country in which the patent is obtained. In determining the useful life, we utilize the last-to-expire period of exclusivity (primary patent or regulatory approval) related to the primary marketed drug product. We may be able to obtain a patent term extension. However, we will only consider the inclusion of an extension period

to the extent we believe it is highly probable of being granted. See note 18, “Intangible assets” within the audited consolidated financial statements for further information.

Internally generated intangible assets

Internal R&D costs are fully charged to R&D expenses in the period in which they are incurred. We consider that regulatory and other uncertainties inherent in the development of new products preclude the capitalization of internal development expenses as an intangible asset until marketing approval from a regulatory authority is obtained in a major market such as the United States, the European Union or China.

Payments made to third parties, such as contract R&D organizations in compensation for subcontracted R&D, that are deemed not to transfer intellectual property to ADCT are expensed as internal R&D expenses in the period in which they are incurred. Such payments are only capitalized if they meet the criteria for recognition of an internally generated intangible asset, usually when marketing approval has been achieved from a regulatory authority in a major market. These internally generated intangible assets are recorded as an indefinite-lived intangible asset until regulatory approval is achieved and/or commercial launch. At that point, the asset will become a definite-lived intangible asset and we will commence amortization of the asset based on a systematic and rational approach. See note 18, “Intangible assets” within the audited consolidated financial statements for further information.

Investments in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. Under the equity method, an investment in a joint venture is recognized initially in the consolidated balance sheet at cost and adjusted thereafter to recognize our share of the profit or loss, other comprehensive income or loss of the joint venture, distributions from the joint venture and other adjustments to our proportionate interest in the joint venture. Our initial investment is recorded as an Interest in joint venture in the consolidated balance sheet. Our proportionate share of net income or losses of equity investments is included within Share of results with joint venture in the consolidated statement of operation. The carrying value of our investment in a joint venture increases or decreases in relation to our proportionate share of comprehensive income or loss of the joint venture. When our share of losses of a joint venture exceeds our interest in that joint venture less the carrying value of the deferred gain described below, we cease to recognize its share of further losses. Additional losses are recognized only to the extent that we have incurred legal or constructive obligations or made payments on behalf of the joint venture. In connection with the our initial investment, the gain resulting from the transaction was only recognized to the extent of the unrelated investors’ equity interest in the joint venture, which resulted in a deferred gain for a portion of our initial investment. We will begin to recognize the deferred gain upon the commercialization of any or all the licensed intellectual property by the joint venture. The deferred gain will be recognized over the estimated commercialization period in which a licensed product is developed and approved using a systematic approach that approximates the pattern of consumption of the licensed intellectual property by the joint venture. Investments accounted for under the equity method are assessed for potential impairment on a regular basis based on qualitative factors.

Leases

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by us. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of operation over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost and comprise the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Deferred royalty obligation

On August 25, 2021, we entered into a royalty purchase agreement with certain entities managed by Healthcare Royalty Partners ("HCR"). We accounted for the initial cash received as debt, less transaction costs and will subsequently account for the value of the debt at amortized cost. The amount received by us will be accreted to the total estimated royalty payments over the life of the agreement which will be recorded as interest expense. The carrying value of the debt will decrease for royalty payments made to HCR based on actual net sales and licensing revenue. We will periodically assess the expected payments to HCR based on its underlying revenue projections and to the extent the amount or timing of such payments is materially different than its initial estimates will record a cumulative catch-up adjustment to the deferred royalty obligation. The adjustment to the carrying amount is recognized in earnings as an adjustment to Financial income (expense) in the period in which the change in estimate occurred.

Convertible Notes

The Company entered into a USD 115.0 million Facility Agreement (the "Facility Agreement") (see note 24, "Convertible loans" within the audited consolidated financial statements) on April 24, 2020, pursuant to which the counterparty agreed to extend senior secured convertible term loans to the Company in two separate disbursements:

(i) an initial disbursement of convertible loans in the amount of USD 65.0 million upon the completion of the IPO, and satisfaction of certain other conditions (the "first tranche") and

(ii) a subsequent disbursement of convertible loans in the amount of USD 50.0 million upon the receipt of regulatory approval for ZYNLONTA, and satisfaction of certain other conditions (the "second tranche").

Accounting for the first and second tranches

On May 19, 2020, we received the first tranche of convertible loans in the amount of USD 65.0 million upon completion of the IPO. As of December 31, 2021, these convertible loans have been recognized as a hybrid financial instrument and accounted for as two separate components: (i) a loan and (ii) an embedded conversion option derivative.

(i) The embedded conversion option derivative was initially measured at fair value and is subsequently remeasured to fair value at each reporting date. Under IAS 32, this derivative could have been classified as a component of equity only if in all cases the contract would be settled by us delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or debt redemption. However, the agreement foresees, in the event of a major transaction, the payment of "make-whole" amounts that would have to be computed in the light of the circumstances and are therefore not fixed. As a result, the derivative is presented in the balance sheet as a liability and classified as non-equity in accordance with IFRS 9 and IAS 32. Changes in the fair value (gains or losses) of the derivative at the end of each period are recorded in the consolidated statement of operation.

(ii) The convertible loan's initial fair value is the residual amount of the consideration received, net of attributable costs, after separating out the fair value of the embedded conversion option derivative. The loan is subsequently measured at its amortized cost in accordance with IFRS 9. It is presented as a financial liability in the consolidated balance sheet.

On May 17, 2021, we drew down the second tranche of convertible loans in the amount of USD 50.0 million upon the receipt of FDA approval of ZYNLONTA. As of December 31, 2021, these convertible loans have been recognized as a hybrid financial instrument and accounted for as two separate components: (i) a loan and (ii) an embedded conversion option derivative.

(i) The embedded conversion option derivative was initially measured at fair value and is subsequently remeasured to fair value at each reporting date. Under IAS 32, this derivative could have been classified as a component of equity only if in all cases the contract would be settled by us delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or debt redemption. However, the agreement foresees, in the event of a major transaction, the payment of "make-whole" amounts that would have to be computed in the light of the circumstances and are therefore not fixed. As a result, the derivative is presented in the balance sheet as a liability and classified as non-equity in accordance with IFRS 9 and IAS 32. Changes in the fair value (gains or losses) of the derivative at the end of each period are recorded in the consolidated statement of operation.

(ii) The convertible loan is measured at its amortized cost in accordance with IFRS 9. The amount at which the convertible loan is presented as a liability in the consolidated balance sheet represents the net present value of all future cash outflows associated with the loan discounted at the implied effective interest rate. The net present value of those cash outflows occurring within 12 months of the balance sheet date discounted at the same rate is presented as a short-term liability. The remainder of the amount is presented as a long-term liability.

Expenses and fees payable upon the issuance of the first and second tranches of convertible loans were allocated pro rata to the above two components. The share of expenses allocated to the embedded conversion option derivative was charged directly to the consolidated statement of operation, while the share of expenses allocated to the residual convertible loan was deducted from the loan. Prior to the draw down of the

second tranche, the Company accounted for the second tranche as a derivative. See note 24, “Convertible loans” within the audited consolidated financial statement for further information.

Corporate Governance

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and Senior Management

The following table presents information about our current executive officers and directors. Ages are as of March 1, 2022.

Name	Position(s)	Age
Executive Officers and Directors		
Christopher Martin	Chief Executive Officer and Director	63
Michael Forer	Executive Vice President, General Counsel and Vice Chairman of the Board of Directors	56
Jennifer Creel	Chief Financial Officer	51
Joseph Camardo	Senior Vice President, Chief Medical Officer	69
Peter Greaney	Head of Corporate Development	42
Jennifer Herron	Senior Vice President, Chief Commercial Officer	52
Richard Onyett	Vice President, Business Development	74
Kimberly Pope	Senior Vice President, Chief Human Resources Officer	55
Susan Romanus	Chief Compliance Officer	56
Robert A. Schmidt	Vice President, Corporate Controller and Chief Accounting Officer	44
Lisa Skelton	Vice President, Global Project Management	54
Patrick van Berkel	Senior Vice President, Research and Development	53
Non-Executive Directors		
Ron Squarer	Chairman of the Board of Directors	55
Peter B. Corr	Director	73
Stephen Evans-Freke	Director	69
Peter Hug	Director	63
Viviane Monges	Director	58
Thomas Pfisterer	Director	40
Thomas M. Rinderknecht	Director	68
Tyrell J. Rivers	Director	49
Victor Sandor	Director	55
Jacques Theurillat	Director	62

Unless otherwise indicated, the current business address for our executive officers and directors and our non-executive directors is ADC Therapeutics SA, Biopôle, Route de la Corniche 3B, 1066 Epalinges, Switzerland.

Executive Officers

Christopher Martin, **D.Phil.**, has been an Executive Director of our board of directors since our formation and has been our Chief Executive Officer since June 2015. From 2000 to 2013, Dr. Martin was co-founder and Chief Executive Officer of Spirogen, which was acquired by AstraZeneca plc in 2013, at which point he became a member of both MedImmune's management leadership team and AstraZeneca plc's senior leaders group. Prior to this acquisition, Dr. Martin led numerous Spirogen collaboration transactions, including agreements with Genentech, Inc. and Seattle Genetics, Inc. He is currently a Non-Executive Chairman of Tokamak Energy Ltd. Dr. Martin holds a B.Sc. in chemical engineering from Aston University, a D.Phil. in engineering science from Oxford University and an M.B.A. from the International Institute for Management Development Lausanne and is a Fellow of the Institution of Chemical Engineers.

Michael Forer, **LL.B.**, has been Vice Chairman of our board of directors and our Executive Vice President since June 2015 and our General Counsel since October 2020. From May 2016 to May 2020, Mr. Forer was our Chief Financial Officer, and from our formation to 2015, Mr. Forer was our Chief Executive Officer. From 2009 to 2013, Mr. Forer was a board member and Executive Director of Spirogen. Previously, Mr. Forer was the Managing Director for the investment activities of Auven Therapeutics Holdings L.P. and the co-founder and Managing Director of Rosetta Capital Limited, after starting his career at Rothschild Asset Management. Mr. Forer holds a B.A. in economics

from the University of Western Ontario, an LL.B. from the University of British Columbia and a Diploma in international business from the University of Copenhagen.

Jennifer Creel has been our Chief Financial Officer since May 2020. From 2008 to 2020, she served in various senior positions at Celgene Corporation, including as Franchise Chief Financial Officer and Corporate Vice President, Global Finance & Business Planning, as Vice President of Finance, Hematology & Oncology and as Senior Director, Global Business Planning & Analysis. Ms. Creel holds a B.A. in economics and French from the College of William and Mary and an M.B.A. from the University of Virginia's Darden Graduate School of Business Administration.

Joseph Camardo, **M.D.**, has been our Senior Vice President and Chief Medical Officer since September 2021. From January 2020 to September 2021, Dr. Camardo served as our Vice President of Medical Affairs. From 2010 to 2020, Dr. Camardo held various senior positions at Celgene Corporation, including as Senior Vice President of Celgene Global Health and Senior Vice President of Global Medical Affairs and Corporate Medical Operations. Prior to that, Dr. Camardo was Senior Vice President of Clinical Development and Medical Affairs at Forest Research Institute and held several leadership positions at Wyeth Pharmaceuticals, Inc., including as Senior Vice President of Clinical Research and Development. Dr. Camardo holds an M.D. from the University of Pennsylvania and is board certified in internal medicine.

Peter Greaney, Ph.D., has been our Head of Corporate Development since September 2018. From 2006 to 2018, he served in various positions at Celgene Corporation, including as Director of Business Development, Strategy and Operations and Associate Director of Business Development. Dr. Greaney holds a B.S. in cell biology from the University of East Anglia and a Ph.D. in molecular and cellular biology from the University of Nottingham.

Jennifer Herron has been our Senior Vice President, Chief Commercial Officer since November 2019. In 2019, she served as Executive Vice President and Chief Commercial Officer at ImmunoGen, Inc. In 2018, she served as Executive Vice President, Global Commercial, at MorphoSys AG. From 2016 to 2017, she served as Executive Vice President and Chief Commercial Officer at Ariad Pharmaceuticals, Inc. From 2006 to 2016, she served in various positions at Bristol-Myers Squibb Company, including as Vice President, U.S. Immunology. Ms. Herron holds a B.A. in biology and economics from Lehigh University and an M.B.A. from Georgetown University.

Richard Onyett has been our Vice President of Business Development since April 2014. From July 2006 to January 2012, Mr. Onyett was the Commercial Director at Spirogen Limited and Commercial Director at Oxogen Limited. Previously, he was Senior Vice President of Business Development of KuDOS Pharmaceuticals Limited, Senior Vice President of Corporate Development at Epidauros GmbH and Senior Vice President of Corporate Development at Anthra Pharmaceuticals Inc. Mr. Onyett holds a B.Sc. in biological sciences from the University of Nottingham and a M.Sc. in general virology from the University of Birmingham.

Kimberly Pope has been our Senior Vice President, Chief Human Resources Officer since August 2020. From 2016 to 2020, Ms. Pope was the Senior Vice President, Head of Human Resources at Array BioPharma Inc. From 2013 to 2016, Ms. Pope was the Group Vice President, Human Resources at IDEX Corporation. Previously, Ms. Pope served in various senior positions at Hospira, Inc., including Director of Human Resources. Ms. Pope holds a B.B.A. in marketing and human resources management from the University of Iowa Tippie College of Business.

Susan Romanus has been our Chief Compliance Officer since June 2018. From 2015 to 2018, she served as Vice President, Compliance at Taiho Oncology, Inc. From 2009 to 2012, she served as Vice President, Chief Ethics & Compliance Officer at Daiichi Sankyo Company. Ms. Romanus holds a B.S. in biochemistry and cell biology from the University of California San Diego and an M.B.A. from the University of San Diego and a certificate in change leadership from Cornell University.

Robert A. Schmidt has been our Vice President, Corporate Controller and Chief Accounting Officer since August 2020. From 2019 to 2020, Mr. Schmidt was the Senior Vice President and Chief Accounting Officer at Newell Brands Inc. From 2016 to 2019, Mr. Schmidt was the Assistant Corporate Controller at Celgene Corporation. Previously, Mr. Schmidt served in various senior positions, including Vice President and Controller, at Tyco International plc. Mr. Schmidt holds a B.A. in accounting and economics from Muhlenberg College.

Lisa Skelton, Ph.D., has been our Vice President of Global Project Management since April 2014. Previously, Dr. Skelton served in various program and project management positions at Norgine B.V., including as Associate Director, Programme Management, Amgen Inc. and Antisoma plc. Dr. Skelton holds a Ph.D. in immunology from Open University.

Patrick van Berkel, Ph.D., has been our Senior Vice President of Research & Development since August 2012. From 2003 to 2012, Dr. van Berkel served in various roles at Genmab A/S, including as Vice President of Antibody Technology and Vice President of Chemistry, Manufacturing and Control, Research and Development and as Director of Technology for the Antibody Technology division. Dr. van Berkel holds a B.S. in chemistry from the University of Nijmegen and a Ph.D. in chemistry from the University of Leiden.

Non-Executive Directors

Ron Squarer has been the Chairman of our board of directors since April 2020. From 2012 to its acquisition by Pfizer, Inc. in August 2019, he served as the Chief Executive Officer at Array BioPharma Inc. Previously, Mr. Squarer served in various senior positions at Hospira,

Inc., which was later acquired by Pfizer, Inc., including as Chief Commercial Officer. In addition, Mr. Squarer has held leadership roles at Pfizer Inc. (focused on oncology) and at SmithKline Beecham Pharmaceuticals (now GlaxoSmithKline plc). In addition to our board of directors, Mr. Squarer also serves as a member of the board of directors of Deciphera Pharmaceuticals, Inc. and Travere Therapeutics, Inc. Mr. Squarer holds a B.S. in biochemistry from the University of California, Berkeley, and an M.B.A. from Northwestern University's Kellogg School of Management.

Peter B. Corr, **Ph.D.**, has been a Non-Executive Director of our board of directors since June 2011 and was the Chairman of our board of directors from June 2011 to April 2020. He is the co-founder and Managing General Partner of Auven Therapeutics Management L.L.L.P. From 2000 to 2006, he held various senior positions at Pfizer Inc., including Executive Vice President for Science and Technology, Executive Vice President for Global Research and Development and President for Worldwide Development. In addition to our board of directors, Dr. Corr also serves as Co-Founder and Chairman of the board of directors of Imvax Inc., Chairman of the board of directors of Lakewood Amedex, Inc. and as a member of the board of directors of Analytica Limited. Dr. Corr holds a B.S. in chemistry from Union University and a Ph.D. from Georgetown University School of Medicine.

Stephen Evans-Freke, **M.A.**, has been a Non-Executive Director of our board of directors since June 2011. He is the co-founder and Managing General Partner of Auven Therapeutics Management L.L.L.P., Auven Therapeutics Holdings LP and its subsidiaries, of which he serves as Director, including C.T. Group Services Bermuda Ltd., C.T. Group Services America, Inc., C.T. Phinco SARL, A.T. Holdings II SARL, Kiacta SARL, ADC Products Switzerland SARL and ADC Products (UK) Ltd. Mr. Evans-Freke was also the co-founder, Chairman and Chief Executive Officer of Sugen, Inc. until its sale to Pharmacia Corporation. Previously, Mr. Evans-Freke was the President of PaineWebber Development Corporation, Managing Director of Blyth Eastman PaineWebber Inc. and a member of the board of directors of PaineWebber, Inc. In addition, he was the co-founder of CIBUS Global LLC, Fibrogen, Inc. and Royalty Pharma AG. Mr. Evans-Freke is also the Chairman and owner of Castle Freke Farms and Castle Freke Distillery, and is a 75% shareholder in HighCross Health Foods Limited, all located in Ireland. He is the Managing Partner and 50% shareholder of Water Island Development Company and the Chairman of AeroMD Air Ambulance Company both located in the U.S. Virgin Islands. Mr. Evans-Freke holds an M.A. in law from Cambridge University.

Peter Hug, **Ph.D.**, has been a Non-Executive Director of our board of directors since June 2019. From 1983 to 2018, Dr. Hug served in various positions at F. Hoffmann-La Roche Ltd., including as head of Roche Pharma EEMEA region, head of Roche Pharma Europe region and Executive Vice President of Roche Pharma Partnering. In addition to our board of directors, Dr. Hug also serves as a member of the board of directors of Mundipharma MEA GmbH and at AC BioScience Ltd. He previously served as a member of the board of directors of Swiss Post Ltd. from 2018 to 2021. Dr. Hug holds a Ph.D. in economics from the University of Basel.

Viviane Monges has been a Non-Executive Director of our board of directors since June 2021. From 2010 to 2017, she served in various senior financial leadership positions at Nestlé S.A., including as Vice President, Finance and Control from 2015 to 2017. Prior to that, Ms. Monges served as Group Chief Financial Officer of Galderma S.A., Global Chief Financial Officer of the OTC Division of Novartis A/G and Chief Financial Officer of the Global Pharma Business Unit at Wyeth Pharmaceuticals Inc. In addition to our board of directors, Ms. Monges serves on the board of directors of DBV Technologies, Novo Holdings A/S, Pharvaris, EUROAPI and Union Chimique Belge Biopharmaceutical Company S.A. (UCB) and previously served on the board of directors of Voluntis SA and Idorsia Pharmaceuticals Ltd. She holds a B.A. and an M.B.A. in finance and public administration from the École Supérieure de Commerce de Paris.

Thomas Pfisterer has been a Non-Executive Director of our board of directors since October 2016. Since 2015, Mr. Pfisterer has headed the direct investment activities of the WILD Family Investment Office. From 2011 to 2015, Mr. Pfisterer served as the head of strategic development of WILD Flavors GmbH, where he directed the company's global M&A activities. Previously, Mr. Pfisterer also worked in the investment banking division of Morgan Stanley Bank AG. In addition to our board of directors, Mr. Pfisterer also serves as a member of the board of directors of Sermonix Pharmaceuticals Inc., InSphero AG, Bloom Diagnostics AG and Imvax Inc. Mr. Pfisterer holds a B.A. in economics and a B.A. in business administration from the University of St. Gallen and an M.Phil. in finance from Cambridge University.

Thomas M. Rinderknecht, **Ph.D.**, has been a Non-Executive director of our board of directors since May 2016. Since 2008, Dr. Rinderknecht has been a senior partner at the law firm Badertscher Rechtsanwälte AG. In addition to our board of directors, Dr. Rinderknecht also serves as a member of the board of directors of Chocoladefabriken Lindt & Sprüngli AG, Canyon Pharmaceuticals AG, APR Applied Pharma Research SA and several other firms in the biotechnology, media, hotel and industry sectors. Dr. Rinderknecht holds a masters in law and a Ph.D. in law from the University of Zurich and is admitted to the bar of the Canton of Zug, Switzerland.

Tyrell J. Rivers, **Ph.D.**, has been a Non-Executive Director of our board of directors since June 2018. Since 2014, Dr. Rivers has been an Executive Director within AstraZeneca's Corporate Development Group. From 2009 to 2014, Dr. Rivers was at MedImmune Ventures specializing in biotechnology investing. In addition to our board of directors, Dr. Rivers also serves as a member of the board of directors of BioHealth Innovation, Cerapedics, Inc., Goldfinch Bio, Inc. and VaxEquity, Ltd. Dr. Rivers holds a B.S. in chemical engineering from the Massachusetts Institute of Technology, an M.S. in engineering from the University of Texas at Austin, an M.B.A. from New York University Stern School of Business and a Ph.D. in chemical engineering from the University of Texas at Austin.

Victor Sandor, M.D. C.M., has been a Non-Executive Director of our board of directors since April 2020. From 2014 to its acquisition by Pfizer, Inc. in August 2019, he served as the Chief Medical Officer at Array BioPharma Inc. Previously, Dr. Sandor served in various senior

positions at Incyte Corporation, including as Senior Vice President of Global Clinical Development, at Biogen Idec, including as Vice President and Chief Medical Officer for Oncology, and at AstraZeneca plc. In addition to our board of directors, Dr. Sandor also serves as a member of the board of directors of Merus N.V., Prelude Therapeutics Inc. and Istari Oncology, Inc. Dr. Sandor holds a M.D. C.M from McGill University and completed a Fellowship in Medical Oncology at the National Cancer Institute in Bethesda Maryland.

Jacques Theurillat, **LL.B.**, has been a Non-Executive Director of our board of directors since July 2015. Since 2016, he has been a partner at the Sofinnova Crossover Fund. From 2008 to 2015, Mr. Theurillat served as the Chief Executive Officer of Ares Life Sciences AG. Previously, Mr. Theurillat was the Chief Financial Officer and Deputy CEO of Serono S.A. In addition to our board of directors, Mr. Theurillat also serves as a member of the board of directors of Vifor Pharma AG and Mundipharma Ltd. Mr. Theurillat holds an LL.B. from both Madrid University and Geneva University, an M.B.A. from Centro Estudios Financieros and a Swiss federal diploma in tax.

Relationships

There are no family relationships between any of our directors or executive officers.

Compensation

Compensation of Directors and Executive Officers

For the year ended December 31, 2021, the aggregate compensation accrued and paid to the members of our board of directors and our executive officers for services in all capacities, including retirement and similar benefits, was USD 10.7. During the year ended December 31, 2021, the total fair value of stock options and non-vested share awards (restricted shares and restricted share units) granted to directors and executive officers was USD 24.0 million. The amount set aside or accrued by us to provide pension, retirement or similar benefits to members of our board of directors and executive officers amounted to USD 0.5 million in the year ended December 31, 2021. We incorporate by reference into this Annual Report the information in “2. Compensation of the Board of Directors” and “3. Compensation of the Members of Executive Management” of Exhibit 99.4 to our report on Form 6-K filed with the SEC on March 17, 2022.

Equity Incentive Plans

2019 Equity Incentive Plan

In March 2021, we amended and restated the 2019 Equity Incentive Plan, which we originally adopted in November 2019. The purpose of the 2019 Equity Incentive Plan is to motivate and reward performance of our employees, directors, consultants and advisors and further the best interests of the Company and our shareholders. The 2019 Equity Incentive Plan is the sole means for the Company to grant new equity awards.

Plan Administration. The 2019 Equity Incentive Plan is administered by the compensation committee of our board of directors, subject to the board of directors’ discretion to administer or appoint another committee to administer it.

Eligible Participants. The administrator is able to offer equity awards at its discretion under the 2019 Equity Incentive Plan to: (1) any employees of us or any of our subsidiaries; (2) any non-employee directors serving on our board of directors; and (3) any consultants or other advisors to us or any of our subsidiaries. The administrator of the plan may determine that an award for the benefit of a non-employee director will be granted to an affiliate of such director, but only to the extent consistent with the registration of shares offered under the plan on Form S-8 under the Securities Act.

Awards. The maximum number of common shares in respect of which awards may be granted under the 2019 Equity Incentive Plan is 13,820,000 common shares (including share-based equity awards granted to date, less awards forfeited), subject to adjustment in the event of certain corporate transactions or events if necessary to prevent dilution or enlargement of the benefits made available under the plan. Equity incentive awards under the 2019 Equity Incentive Plan may be granted in the form of options, share appreciation rights, restricted shares, restricted share units, performance awards or other share-based awards but not “incentive stock options” for purposes of U.S. tax laws. Options and share appreciation rights will have an exercise price determined by the administrator but will not be less than fair market value of the underlying common shares on the date of grant.

Vesting. The vesting conditions for grants under the equity incentive awards under the 2019 Equity Incentive Plan are set forth in the applicable award documentation.

Termination of Service and Change in Control. In the event of a participant’s termination of employment, the compensation committee may, in its discretion, determine the extent to which an equity incentive award may be exercised, settled, vested, paid or forfeited. In the event of our termination of a participant’s employment without cause or a participant’s resignation for good reason (as defined in the 2019 Equity Incentive Plan) upon or within 18 months following a change in control of the company (as defined in the 2019 Equity Incentive Plan), any awards outstanding to the participant (unless otherwise provided in the award agreement) will immediately vest and settle, and options and share appreciation rights will become fully exercisable. In the event of a change in control that involves a merger, acquisition or other corporate transaction, any outstanding award not assumed, substituted, replaced or continued in connection with the transaction will immediately vest and

settle, and options and share appreciation rights will become fully exercisable. In connection with a change of control of the Company, the compensation committee may, in its discretion, take any one or more of the following actions with respect to outstanding awards: (i) cancel any such award, in exchange for a payment in cash, securities or other property or any combination thereof with a value equal to the value of such award based on the per share value of common shares received or to be received by other shareholders in the event (or without payment of consideration if the committee determines that no amount would have been realized upon the exercise of the award or other realization of the participant's rights); (ii) require the exercise of any outstanding option; (iii) provide for the assumption, substitution, replacement or continuation of any award by the successor or surviving corporation, along with appropriate adjustments with respect to the number and type of securities (or other consideration) of the successor or surviving corporation, subject to any replacement awards, the terms and conditions of the replacement awards (including performance targets) and the grant, exercise or purchase price per share for the replacement awards; (iv) make any other adjustments in the number and type of securities (or other consideration) subject to (a) such awards and in the terms and conditions of such awards in order to prevent the dilution or enlargement of benefits intended to be made available under the 2019 Equity Plan and (b) awards that may be granted in the future; (v) provide that any such award shall be accelerated and become exercisable, payable and/or fully vested with respect to all shares covered thereby or (vi) provide that any award shall not vest, be exercised or become payable as a result of such event.

Termination and Amendment. Unless terminated earlier, the 2019 Equity Incentive Plan will continue for a term of ten years. Our board of directors has the authority to amend or terminate the 2019 Equity Incentive Plan subject to shareholder approval with respect to certain amendments. However, no such action may impair the rights of the recipient of any options unless agreed to by the recipient.

During the year ended December 31, 2021, we have granted to members of our board of directors and to our executive officers, in the aggregate, the right to acquire 889,406 common shares at a weighted-average price of USD 28.36 per common share and have granted RSUs of 296,484 at a weighted-average grant date fair value of USD 28.06 under the 2019 Equity Incentive Plan. The expiration dates for these awards range from February 2031 to December 2031. In March 2021, we issued our first annual equity award and granted to certain of our board of directors and executive officers, in the aggregate, options to purchase 778,867 common shares at a weighted price of USD 28.70 and 183,307 RSUs at a weighted average grant date fair value of $28.70. Options generally vest 25% on the first anniversary of the date of grant, and thereafter for three-years, evenly on a monthly basis. The restricted share units generally vest ratably over a three-year period, subject to the executive officer's continued employment with us, and any unvested RSUs will be forfeited should the executive officer terminate his or her employment with us.

Employment Agreements

We have entered into employment agreements with certain of our executive officers. Each of these agreements provides for an initial salary and annual bonus opportunity, as well as participation in certain pension and welfare benefit plans. These agreements generally require advance notice of termination, from two to 12 months, and in some cases provide for paid garden leave. Some of our executive officers have agreed to covenants not to compete against us or solicit our employees or customers during employment and for a period of up to one year following termination. We may be required to pay some of our executive officers compensation for their covenant not to compete with us following termination.

Board Practices

Board Composition

Our board of directors is composed of 12 members. Each director is elected for a one-year term. The current members of our board of directors were elected at our shareholders' meeting on June 10, 2021 to serve until our annual general meeting of shareholders in 2022.

Board Practices

We are a foreign private issuer under the rules of the SEC. As a result, in accordance with the NYSE listing standards, we rely on home country governance requirements and certain exemptions thereunder rather than on the stock exchange corporate governance requirements, including the requirement that within one year of the completion of our initial public offering that we have a board that is composed of a majority of independent directors. There are no family relationships among any of our directors or executive officers. For an overview of our corporate governance principles, see "Additional Information— Memorandum and Articles of Association" and "Corporate Governance."

Board Meetings

Our board of directors held two physical meeting and five meetings by conference call in 2021.

Director Independence

Our board of directors has affirmatively determined that each of Peter Hug, Viviane Monges, Thomas Pfisterer, Thomas M. Rinderknecht, Tyrell J. Rivers, Victor Sandor, Stephen Evans-Freke, Peter Corr and Jacques Theurillat is an independent director within the meaning of NYSE standards.

Diversity

Our board of directors value diversity among its members. Our nomination and corporate governance committee, within the purview of its mandate, has the responsibility to take diversity into consideration as part of the overall director selection and nomination processes and to make the identification of diverse candidates a search criterion. As of the date of this Annual Report, our board of directors includes 11 male directors and 1 female director.

Committees of the Board of Directors

Our board of directors has established four separate committees: an audit committee, a compensation committee, a nomination and corporate governance committee and a science and technology committee.

Audit Committee

The audit committee, which consists of Jacques Theurillat (chair), Viviane Monges and Thomas M. Rinderknecht, assists our board of directors in overseeing our accounting and financial reporting processes and the audits of our consolidated financial statements. In addition, the audit committee is directly responsible for the compensation, retention and oversight of the work of our independent registered public accounting firm that our shareholders elect as our external auditors. The audit committee consists exclusively of members of our board of directors who are financially literate, and each of Jacques Theurillat, Vivian Monges and Thomas M. Rinderknecht is considered an "audit committee financial expert" as defined by the SEC. Our audit committee complies with Rule 10A-3(b)(1) of the Exchange Act, taking into account applicable transition periods under Rule 10A-3(b)(1)(iv)(A). Our board of directors has determined that all members of the audit committee satisfy the "independence" requirements set forth in Rule 10A-3 under the Exchange Act.

The audit committee is governed by a charter that complies with the NYSE listing standards that apply to us. The audit committee has the responsibility to, among other things:

- pre-approve the audit services and non-audit services (including the fees and terms thereof) to be provided by the independent auditor pursuant to pre-approval policies and procedures;
- evaluate the independent auditor's qualifications, performance and independence, and present its conclusions with respect to the independent auditor to the board of directors on at least an annual basis;
- confirm and evaluate the rotation of the audit partners on the audit engagement team as required by law;
- at least annually, review management's plans with respect to the responsibilities, budget and staffing of the internal audit function and its plans for the implementation of the internal audit function, if any;
- review and discuss with management and the independent auditor the annual audited consolidated and stand-alone financial statements and unaudited quarterly financial statements;
- review with management, personnel responsible for the design and implementation of the internal audit function and the independent auditor (i) any analyses or other written communications prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, (ii) the Company's critical accounting policies and practices, (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet transactions and structures, on the Company's financial statements and (iv) any major issues regarding accounting principles and financial statement presentations;
- review the type and presentation of information included in the earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, and may review earnings press releases prior to public dissemination;
- in conjunction with the chief executive officer and chief financial officer, review disclosure controls and procedures and internal control over financial reporting;
- review policies and practices with respect to risk assessment and risk management; and

- review any major litigation or investigations against the Company that may have a material impact on the Company's financial statements.

The audit committee meets as often as it determines is appropriate to carry out its responsibilities, but in any event meets at least four times per year.

Compensation Committee

The compensation committee, which consists of Peter Hug (chair), Peter B. Corr and Stephen Evans-Freke, supports our board of directors in establishing and reviewing the compensation and benefits strategy and guidelines as well as in preparing the proposals to the annual general meeting of shareholders regarding the compensation of the members of the board of directors and the executive officers. The compensation committee may submit proposals to the board of directors on other compensation-related matters. Swiss law requires that we have a compensation committee, so in accordance with NYSE listing standards, we follow home country requirements with respect to the compensation committee. As a result, our practice varies from NYSE listing standards, which set forth certain requirements as to the responsibilities, composition and independence of compensation committees for domestic issuers. Swiss law requires that our board of directors submit the aggregate amount of compensation of all members of our board of directors and of all executive officers to a binding shareholder vote every year. The members of the compensation committee are elected by our annual general meeting of shareholders. The board of directors appoints the chair of the compensation committee and fills any vacancies until the following annual general meeting of shareholders.

The compensation committee has the responsibility to, among other things:

- regularly review and make recommendations to the board of directors regarding our compensation and benefits strategy and guidelines;
- prepare the proposals to the shareholders' meeting regarding the compensation of the members of the board of directors and the executive committee;
- regularly review and make recommendations to the board of directors regarding the compensation of the members of the board of directors and of the executive committee;
- review and approve the recommendation of our chief executive officer regarding the fixed and variable compensation, including incentive plan participation and benefits, of the members of the management team other than members of the executive committee;
- review and make recommendations to the board of directors regarding our compensation and benefits plans (cash and/or equity-based plans) and, where appropriate or required, make recommendations to adopt, amend and terminate such plans;
- to the extent not delegated by the compensation committee to a different body or a third party, administer our compensation and benefits plans (other than equity-based plans);
- review and assess risks arising from our employee compensation policies and practices and whether any such risks are reasonably likely to have a material adverse effect on us; and
- discharge any other tasks allocated or delegated to it by the board of directors.

Nomination and Corporate Governance Committee

The nomination and corporate governance committee, which consists of Stephen Evans-Freke (chair), Peter Hug and Thomas M. Rinderknecht, is responsible for director and board committee nominations, succession planning, performance evaluation and reviewing and amending, if required, our corporate governance framework and guidelines. The members of the nomination and corporate governance committee and its chair are appointed by our board of directors.

The nomination and corporate governance committee has the responsibility to, among other things:

- determine selection criteria for the succession of the members of the board of directors and board committees, our chief executive officer, our chief financial officer and our executive vice president, and establish such succession planning (including for the event of the incapacitation, retirement or removal of such individuals) by making recommendations to the board of directors;

- oversee searches and identify qualified individuals for membership on the board of directors and for the position of chief executive officer;
- recommend individuals for membership on the board of directors and board committees and for the position of chief executive officer;
- at least annually, prepare the board of directors' assessment of the performance of the board of directors and board committees and of our chief executive officer and review the recommendations of the other board committees based on their evaluation of their own performance;
- review the recommendations of the other board committees based on their self-evaluations and discuss its self-evaluation with the board of directors;
- monitor and assess developments and trends in corporate governance to the extent that these do not have an impact on the activities and tasks of the audit committee or the compensation committee;
- review proposals to be made to the board of directors for the amendment of our amended and restated articles of association, our organizational regulations, any other rules or regulations and the Code of Conduct;
- periodically review and reassess the adequacy of the Code of Conduct and recommend any proposed changes to the board of directors;
- periodically review and assess the adequacy of the charter of the nomination and corporate governance committee and recommend any proposed changes to the board of directors for approval;
- if it deems advisable, develop and recommend to the board of directors corporate governance guidelines for the Company, and, if such guidelines are adopted, periodically review and reassess the adequacy of such guidelines, consider any requests for waivers of such guidelines and make recommendations to the board of directors regarding amendments and requests for waivers; and
- oversee compliance with the Code of Conduct and report on such compliance to the board of directors.

Science and Technology Committee

The science and technology committee, which consists of Victor Sandor (chair), Peter B. Corr, Peter Hug and Tyrell J. Rivers, is responsible for reviewing and making recommendations to the board of directors regarding our research and development activities, strategies, programs and objectives. The members of the science and technology committee and its chair are appointed by our board of directors.

The science and technology committee has the responsibility to, among other things:

- review and make recommendations to the board of directors regarding our preclinical and clinical research and development activities, including related CMC activities;
- review and make recommendations to the board of directors regarding preclinical and clinical research and development strategies;
- review and make recommendations to the board of directors regarding our preclinical and clinical research guidelines;
- provide strategic advice to the board of directors regarding emerging science and technology issues and trends;
- examine periodically our measures to keep the research and development personnel motivated, productive and entrepreneurially oriented;
- ensure, through regular review and consultation with the Chief Executive Officer and his team, that appropriate research and development objectives are in place that are aligned with our overall research and development strategy, and that progress against these objectives is being appropriately assessed; and
- ensure that appropriate market potential assessments are being conducted.

Employees

As of December 31, 2021, we had 312 employees, 163 of whom have an advanced academic degree (Diploma/Master, D.Phil., Ph.D., M.D.). As of December 31, 2021, 230 of our employees were located in the United States, 51 in the United Kingdom and 31 in Switzerland. We are not subject to collective bargaining agreements or similar labor contracts and do not have a workers' council. We believe that our relationship with our employees is good. We provide competitive compensation and benefits to our employees, actively promote diversity and inclusion among our workforce, and strive to maintain a safe and healthy workplace for our employees. We describe these efforts, among other topics, in our Environmental, Social & Governance Report, which is available on our website. Neither the Environment, Social & Governance Report nor our website is incorporated by reference into this Annual Report.

Share Ownership

See "Major Shareholders and Related Party Transactions—Major shareholders."

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table presents information relating to the beneficial ownership of our common shares as of February 15, 2022:

- each person, or group of affiliated persons, known by us to own beneficially 5% or more of our outstanding common shares;
- each of our executive officers and directors; and
- all executive officers and directors as a group.

The number of common shares beneficially owned by each entity, person, executive officer or director is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any common shares over which the individual has sole or shared voting power or investment power as well as any common shares that the individual has the right to acquire within 60 days from February 15, 2022 through the exercise of any option or other right. Except as otherwise indicated, and subject to applicable community property laws, we believe that the persons named in the table have sole voting and investment power.

The percentage of outstanding common shares beneficially owned is computed based on 76,810,477 common shares outstanding as of February 15, 2022. Common shares that a person has the right to acquire within 60 days are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all executive officers and directors as a group. Unless otherwise indicated below, the business address for each beneficial owner is ADC Therapeutics SA, Biopôle, Route de la Corniche 3B, 1066 Epalinges, Switzerland.

Principal Shareholders	Number of Common Shares Beneficially Owned	Percentage of Common Shares Beneficially Owned
5% Shareholders		
Entities affiliated with Auven Therapeutics GP Ltd. [1]	21,415,605	27.9 %
AstraZeneca UK Limited [2]	4,011,215	5.2 %
FMR LLC [3]	7,672,673	10.0 %
Entities affiliated with Dr. Hans-Peter Wild [4]	9,023,688	11.7 %
Redmile Group LLC [5]	7,451,029	9.7 %
Executive Officers and Directors		
Joseph Camardo	37,664	*
Peter B. Corr [6]	21,422,842	27.9 %
Jennifer Creel	100,614	*
Stephen Evans-Freke [6]	21,426,342	27.9 %
Michael Forer [7]	922,296	1.2 %
Peter Greaney	51,729	*
Jennifer Herron	141,107	*
Peter Hug	77,273	*
Christopher Martin [8]	1,731,999	2.3 %
Viviane Monges	10,117	*
Richard Onyett	18,182	*
Thomas Pfisterer	521,544	*
Kimberly Pope	90,845	*
Thomas M. Rinderknecht	451,836	*
Tyrell J. Rivers [9]	—	*
Susan Romanus	33,917	*
Victor Sandor	14,908	*
Robert A. Schmidt	19,623	*
Lisa Skelton	20,143	*
Ron Squarer [10]	990,931	1.3 %
Jacques Theurillat	123,751	*
Patrick van Berkel [11]	379,114	*
All executive officers and directors as a group (22 persons)	27,163,935	35.4 %

* Less than 1% of our total outstanding common shares.

(1) A.T. Holdings II Sarl ("A.T. Holdings") holds a 73.77% interest in ADC Products Switzerland Sarl ("ADC Products") and is a wholly-owned subsidiary of C.T. Phinco Sarl (C.T. Phinco"), which is a wholly-owned subsidiary of Auven Therapeutics Holdings L.P. ("Auven Therapeutics"). Auven Therapeutics General L.P. (Auven Therapeutics General") is the general partner of Auven Therapeutics. Auven Therapeutics GP Ltd ("Auven Therapeutics GP") is the general partner of Auven Therapeutics General. Peter B. Corr and Stephen Evans-Freke are directors and principals of Auven Therapeutics. All common shares held by A.T. Holdings have been pledged pursuant to lending arrangements. The address of each of A.T. Holdings and ADC Products is Biopole, Route de la Corniche 3B, 1066 Epalinges, Switzerland. The address of C.T. Phinco is 6 Rue Eugene Ruppert, L-2453 Luxembourg, Luxembourg. The address of Auven Therapeutics, Auven Therapeutics General and Auven Therapeutics GP is Ritter House, P.O. Box 4041, Wickhams Cay II, Road Town, Tortola, BVI VG1110. The business address of Mr. Corr and Mr. Evans-Freke is 6501 Redhook Plaza, Suite 201, St. Thomas, U.S. Virgin Islands 00802.

(2) AstraZeneca UK Limited ("AstraZeneca") is a wholly-owned subsidiary of AstraZeneca PLC, a public limited company organized under the laws of the United Kingdom, which may be deemed to have sole voting and investment power over common shares held by AstraZeneca. The business address of each of AstraZeneca and AstraZeneca PLC is 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, United Kingdom, CB2 0AA.

(3) This information is based on a Schedule 13G/A filed with the SEC on February 9, 2022 by FMR LLC, which reported sole power to vote with respect to 1,313,379 common shares and sole power of disposition with respect to 7,672,673 common shares. All common shares are beneficially owned, or may be deemed to be benefically owned, by FMR LLC, certain of its subsidiaries and affiliates and other companies. Members of the Johnson family, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act advised by Fidelity Management & Research Company LLC, a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. The business address of FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.

(4) The principal business of HPWH TH AG ("HPWH") is holding investment rights in, directly or indirectly, ADC Therapeutics. HP WILD Holding AG ("HPW Holding") is an intermediary holding company. Dr. Hans-Peter Wild is the chairman of HPWH and HPW Holding. Thomas Pfisterer is a board member of HPWH and an investment manager. By reason of a stockholders' agreement by and among Mr. Pfisterer and HPW Holding and their joint indirect minority equity interest in HPWH via their joint

ownership of HPWH MH AG ("MH"), which owns a 12.5% interest in HPWH, Mr. Pfisterer may be deemed to have shared voting and investment power with respect to such shares held of record by HPWH. However, Mr. Pfisterer disclaims beneficial ownership of all common shares held of record by HPWH other than the shares indirectly represented by his 41.7% interest in MH. The business address of each of HPWH, HPW Holding, Dr. Wild and Mr. Pfisterer is HPWH is Neugasse 22, 6300 Zug, Switzerland.

(5) This information is based on a Schedule 13G filed with the SEC on February 14, 2022 by Redmile Group, LLC and Jeremy C. Green, which reported shared power to vote with respect to 7,451,029 common shares and shared power of disposition with respect to 7,451,029 common shares. The common shares are owned by certain private investment vehicles and/or separately managed accounts managed by Redmile Group, LLC, which common shares may be deemed beneficially owned by Redmile Group, LLC as investment manager of such private investment vehicles and/or separately managed accounts. The reported securities may also be deemed beneficially owned by Jeremy C. Green as the principal of Redmile Group, LLC. Redmile Group, LLC and Mr. Green each disclaim beneficial ownership of these shares, except to the extent of its or his pecuniary interest in such shares, if any. The business address of each of Redmile Group, LLC and Mr. Green is One Letterman Drive, Building D, Suite D3-300, The Presidio of San Francisco, San Francisco, California 94129.

(6) Includes 3,500 shares held by Mr. Evans-Freke. As described in footnote (1), the sole shareholders of Auven Therapeutics GP Ltd., Mr. Corr and Mr. Evans-Freke, may be deemed to have shared voting and investment power with respect to the common shares held by entities affiliated with Auven Therapeutics GP Ltd.

(7) Does not include common shares held by Dune Capital Inc., a company which is wholly-owned by a trust whose beneficiaries include Mr. Forer and his family. Mr. Forer does not exercise investment or voting control over the trust, and therefore such shares do not appear in the table above.

(8) Includes 1,020,545 shares held by Dr. Martin's spouse and 503,775 shares held by a family trust in which Dr. Martin, his spouse and certain of his other family members are beneficiaries and for which Dr. Martin and his spouse serve as protectors with the ability to appoint and remove the trustee.

(9) Mr. Rivers, an executive director within AstraZeneca's corporate development group, disclaims beneficial ownership with respect to the 4,011,215 common shares held of record by AstraZeneca. See footnote (2).

(10) Includes 468,977 shares held by a trust in which Mr. Squarer serves as a settlor and trustee.

(11) Consists of common shares held by Dr. van Berkel and by Betulamab B.V., a Dutch private limited liability company of which Dr. van Berkel is beneficial owner. The registered office address of Betulamab B.V. is Neerdyck 3, 3601 CZ Maarssen, The Netherlands.

Holders

As of February 15, 2022, we had 100 shareholders of record of our common shares. We estimate that as of February 15, 2022, approximately 55 % of our outstanding common shares are held by 80 U.S. record holders. The actual number of shareholders is greater than this number of record holders and includes shareholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include shareholders whose shares may be held in trust or by other entities.

Significant Changes in Ownership by Major Shareholders

We have experienced significant changes in the percentage ownership held by major shareholders as a result of our initial public offering. Prior to our initial public offering, our principal shareholders were entities affiliated with Auven Therapeutics GP Ltd., AstraZeneca UK Limited and HPWH TH AG, which held common shares representing 41.0%, 6.7% and 10.6% of our outstanding common shares prior to our initial public offering. As of February 15, 2022, to our knowledge, these shareholders held common shares representing 27.9%, 5.2% and 11.7% of our common shares outstanding.

Related Party Transactions

The following is a description of certain related party transactions we have entered into since January 1, 2021 with any of our executive officers, directors or their affiliates and holders of more than 10% of any class of our voting securities in the aggregate, which we refer to as related parties, other than compensation arrangements which are described under "Directors, Senior Management and Employees."

Indemnification Agreements

We have entered into indemnification agreements with our executive officers and directors. The indemnification agreements and our amended and restated articles of association require us to indemnify our executive officers and directors to the fullest extent permitted by law.

Related Person Transaction Policy

We have adopted a related person transaction policy, which states that any related person transaction must be approved or ratified by our audit committee or board of directors. In determining whether to approve or ratify a transaction with a related person, our audit committee or board of directors will consider all relevant facts and circumstances, including, without limitation, the commercial reasonableness of the terms of the transaction, the benefit and perceived benefit, or lack thereof, to us, the opportunity costs of an alternative transaction, the materiality and character of the related person's direct or indirect interest and the actual or apparent conflict of interest of the related person. Our audit committee or board of directors will not approve or ratify a related person transaction unless it has determined that, upon consideration of all relevant information, such transaction is in, or not inconsistent with, our best interests and the best interests of our shareholders.

Interests of Experts and Counsel

Not applicable.

FINANCIAL INFORMATION

Consolidated Statements and Other Financial Information

Financial Statements

See "Financial Statements," which contains our financial statements prepared in accordance with IFRS.

Legal Proceedings

From time to time, we may be subject to various legal proceedings and claims that arise in the ordinary course of our business activities. The results of litigation and claims cannot be predicted with certainty. As of the date of this Annual Report, we do not believe that we are party to any claim or litigation, the outcome of which would, individually or in the aggregate, be reasonably expected to have a material adverse effect on our business.

Dividends and Dividend Policy

We have never declared or paid cash dividends on our share capital. We intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. In addition, the Facility Agreement limits our ability to pay dividends. Any future determination related to dividend policy will be made at the discretion of our board of directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements, contractual restrictions, business prospects and other factors our board of directors may deem relevant.

Under Swiss law, any dividend must be approved by our shareholders. In addition, our auditors must confirm that the dividend proposal of our board of directors to the shareholders conforms to Swiss statutory law and our amended and restated articles of association. A Swiss corporation may pay dividends only if it has sufficient distributable profits from the previous business year (*bénéfice de l'exercice*) or brought forward from previous business years (*report des bénéfices*) or if it has distributable reserves (*réserves à libre disposition*), each as evidenced by its audited stand-alone statutory balance sheet prepared pursuant to Swiss law and after allocations to reserves required by Swiss law and its articles of association have been deducted. Distributable reserves are generally booked either as free reserves (*réserves libres*) or as reserves from capital contributions (*apports de capital*). Distributions out of share capital, which is the aggregate par value of a corporation's issued shares, may be made only by way of a share capital reduction. See "Additional Information— Memorandum and Articles of Association."

Significant Changes

A discussion of the significant changes in our business can be found under "Information on the Company—Business Overview."

ADDITIONAL INFORMATION

Memorandum and Articles of Association

Exhibit 2.1 to this Annual Report, which contains a description of our common shares and articles of association, is incorporated herein.

Documents on Display

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet site at *www.sec.gov* that contains reports, proxy and information statements and other information we have filed electronically with the SEC. As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

Additionally, pursuant to Swiss law, any shareholder of record has the right to receive a free copy of this Annual Report and to inspect this Annual Report at any time at our registered office in Lausanne, Canton of Vaud, Switzerland.

We also make available on our website, free of charge, our Annual Report and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is *www.adctherapeutics.com*. The reference to our website is an inactive textual reference only, and information contained therein or connected thereto is not incorporated into this Annual Report.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon this evaluation, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in by the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluations, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting on a timely basis, information required to be disclosed in the periodic filings that we file or submit under the Exchange Act, and that such information is accumulated and communicated to management, including our Chief Executive and Chief Financial Officers, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed by or under the supervision of the Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with IFRS.

As of December 31, 2021, our management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, our management has determined that the Company's internal control over financial reporting as of December 31, 2021 is effective.

Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; (2) provide reasonable assurances that our transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of management; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Attestation Report of the Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers SA, an independent registered public accounting firm. Their report is included on page F-2. PricewaterhouseCoopers is a member of the Chamber of Public Accountants, Lausanne, Switzerland.

Changes in Internal Control Over Financial Reporting

There were no changes to internal control over financial reporting during the year ended December 31, 2021 that would have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics (the "Code of Conduct") that is applicable to all of our employees, executive officers and directors. The Code of Conduct is available on our website *www.adctherapeutics.com.* Our board of directors is responsible for overseeing the Code of Conduct and is required to approve any waivers of the Code of Conduct. We expect that any amendments to the Code of Conduct, or any waivers of its requirements, will be disclosed in our annual report on Form 20-F. For the year ended December 31, 2021, we did not grant any waivers of the Code of Conduct.

Principal Accountant Fees and Services

in USD thousands	For the Years Ended December 31, 2021	2020
Audit fees	1,229	1,518
Tax fees	101	112
Audit-related fees	5	10
Total Fees	1,335	1,640

For the years ended December 31, 2021 and 2020, PricewaterhouseCoopers SA was the Company's auditor for the IFRS and statutory accounts.

Audit fees include the standard audit work performed each fiscal year necessary to allow the auditor to issue an opinion on our financial statements and to issue an opinion on the local statutory financial statements. Audit fees also include services that can be provided only by the external auditor such as reviews of quarterly financial results and review of our securities offering documents.

Tax fees are fees billed for professional services for tax compliance and tax advice.

Audit-related fees consisted of fees billed for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements or for services that were traditionally performed by the external auditor.

Report from the Auditor on the Consolidated IFRS Financial Statements

ADC Therapeutics SA

Epalinges

Report of the statutory auditor to the General Meeting

on the consolidated financial statements 2021

Report of the statutory auditor
to the General Meeting of ADC Therapeutics SA

Epalinges

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of ADC Therapeutics SA and its subsidiaries (the Group) contained in the sections labelled “Consolidated IFRS Financial Statements for the year ended December 31, 2021” on pages 119 to 176, which comprise the consolidated statement of operation and the consolidated statement of comprehensive (loss) for the year ended 31 December 2021, the consolidated balance sheet as at 31 December 2021, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview	Overall Group materiality: USD 6'287 thousands
	We conducted full scope audit procedures on the Swiss and US entities and specified procedures on the UK entity. Those audit procedures addressed 100% of the Group's total operating expenses and 97% of the Group's total assets.
	As key audit matters the following areas of focus have been identified: Royalty purchase agreement with HealthCare Royalty Partners - Deferred royalty obligation accretion of the liability Revenue - Gross-to-net sales adjustments (GTN) Convertible loans - Valuation of the embedded derivatives

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	USD 6'287 thousands
Benchmark applied	Loss before tax
Rationale for the materiality benchmark applied	We chose loss before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above USD 629 thousands identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is a late clinical-stage oncology-focused biotechnology group headquartered in Lausanne, Switzerland, which maintains research and development laboratories in London, clinical development operations in New Jersey and in Lausanne, commercial operations in New Jersey and CMC operations in the San Francisco Bay Area. The Group's financial statements are a consolidation of two reporting units in the US and in the UK and the two reporting units were audited by the Group engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Royalty purchase agreement with HealthCare Royalty Partners - Deferred royalty obligation accretion of the liability

Key audit matter	How our audit addressed the key audit matter
As described in Note 26 to the Consolidated financial statements, on August 25, 2021, the Group entered into a royalty purchase agreement with certain entities managed by HealthCare Royalty Management, LLC (HCR) for up to USD 325 million. The Group's aggregate royalty obligations are capped at 2.50 times the amount paid by HCR under the agreement (approximately USD 562.5 million as of December 31, 2021), or at 2.25 times the amount paid by HCR under the agreement (approximately USD 506.3 million as of December 31, 2021) if HCR receives royalty payments exceeding a mid-nine-digit amount on or prior to March 31, 2029 (the "Royalty Cap"). Once the Royalty Cap is reached, the royalty purchase agreement will terminate. During the year ended December 31, 2021, the Group received gross cash proceeds of USD 225 million before deducting transaction costs of USD 7.0 million. The Group has evaluated the terms of the royalty purchase agreement and concluded that the features of the investment amount are similar to those of a debt instrument. To determine the accretion of the liability related to the deferred royalty obligation, the Group is required to estimate the total amount of future royalty payments and estimate the timing of such payment to HCR based on the Group's revenue projections as well as the achievement of the additional milestones. The Group used an independent valuation firm to assist in determining the total amount of future royalty payments and estimated timing of such payment to HCR using an option pricing Monte Carlo simulation model. The amount ultimately received by the Group will be accreted to the total amount of the royalty payments necessary to extinguish the Group's obligation under the agreement, which will be recorded as interest expense over the life of the royalty purchase agreement. The estimate of this total interest expense resulted in an effective interest rate of 10%. The Group will periodically assess the expected payments to HCR based on its underlying revenue projections and to the extent the amount or timing of such payments is materially different than its initial estimates it will record a cumulative catch-up adjustment. The principal considerations for our determination that performing procedures relating to the deferred royalty obligation accretion of the liability is a critical matter are (i) the significant judgment by management when determining the Group's revenue projections; (ii) the significant judgment by management, including the use of specialists in determining the total amount of future royalty payments and estimated timing of such payment to HCR using an option pricing Monte Carlo simulation model; (iii) the high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to revenue projections; and (iv) the audit effort involved the use of professionals with specialized skills and knowledge.	Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's determination of the accretion of the liability. These procedures also include among others (i) reading the purchase and sale agreement; (ii) evaluating the reasonableness of the significant assumptions used by management in relation to revenue projections; and (iii) reviewing the appropriateness of the valuation model used to determine the total amount of future royalty payments and estimated timing of such payment being the basis to calculate the effective interest rate. Evaluating these significant assumptions used by management in relation to revenue projections involved evaluating whether the assumptions were reasonable considering their consistency with external market and industry data and involved the use of professionals with specialized skill and knowledge to assist in evaluating the reasonableness of management's estimate. Evaluating the appropriateness of the valuation model used to determine the total amount of future royalty payments and estimated timing of such payment involved the use of professionals with specialized skill and knowledge to assist in assessing the validity of the model used and the reasonableness of management's estimate and to validate the effective interest rate in developing an independent rate and comparing to management's rate.

Revenue - Gross-to-net sales adjustments (GTN)

Key audit matter	How our audit addressed the key audit matter
As described in Note 3.16 to the consolidated financial statements, upon the April 23, 2021 FDA approval of ZYNLONTA for the treatment of relapsed or refractory DLBCL, the Group began generating revenue from the sale of its product candidates. Revenue from the sale of products is recognized in a manner that depicts the transfer of those promised goods to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for these goods. Revenue is also reduced for gross-to-net ("GTN") sales adjustments, which may include government rebates, chargebacks, distributor service fees, other rebates and administrative fees, sales returns and allowances and sales discounts. GTN sales adjustments involve significant estimates and judgment by management after considering factors including legal interpretations of applicable laws and regulations, historical experience and drug product analogs in the absence of Group experience, payer channel mix, current contract prices under applicable programs, unbilled claims and processing time lags and inventory levels in the distribution channel. The Group also uses information from external sources to identify prescription trends, patient demand, average selling prices and sales return and allowance data for analog drug products. The principal considerations for our determination that performing procedures relating to the GTN sales adjustments is a critical audit matter are the significant judgment by management when developing the assumptions related to GTN amounts. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to the determination of GTN sales adjustments amounts.	Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's review of GTN sales adjustments. These procedures also included, among others, (i) testing management's process for developing the estimates; and (ii) testing the completeness and accuracy of underlying data used to estimate GTN sales adjustments. Evaluating management's assumptions related to the GTN sales adjustments involved evaluating whether the assumptions used by management were reasonable considering the regulations, the consistency with external market and industry data, and whether these assumptions were consistent with evidence obtained in other areas of the audit.

Convertible loans - Valuation of the embedded derivatives

Key audit matter	How our audit addressed the key audit matter
As described in Note 24 to the Consolidated financial statements, on April 24, 2020, the Group entered into a USD 115 million Facility Agreement with Deerfield Partners, L.P. and certain of its affiliates (Deerfield). Pursuant to such agreement, Deerfield agreed to extend senior secured convertible term loans to the Group in two separate disbursements: (i) an initial disbursement of convertible loans in the amount of USD 65 million upon the completion of the initial Public Offering of the Group and; (ii) a subsequent tranche of convertible loans in the amount of USD 50 million that the Group is obligated to draw down upon the receipt of regulatory approval for ZYNLONTA. The Group has accounted for the first tranche of convertible loans amounting to USD 65 million issued on May 19, 2020 as comprising two components: an embedded conversion option derivative and a loan. Upon regulatory approval for ZYNLONTA, the second tranche was drawn down on April 24, 2021. The Group subsequently accounted for the second tranche of convertible loans, issued on May 17, 2021, as comprising two separate components: an embedded conversion option and a loan. The embedded conversion options related to both first and second tranches are marked-to-market on a quarterly basis. The Group used an independent valuation firm to assist in calculating the fair value of the embedded conversion option derivatives at inception, and subsequently, derived from application of the Hull and Goldman Sachs convertible bond pricing models. The significant assumptions which include high degree of estimation uncertainty used in determining the fair value of the derivatives include the expected volatility, the recovery rate and the implied bond yield. The principal considerations for our determination that performing procedures relating to the valuation of the embedded derivatives is a critical matter are (i) the significant judgment by management, including the use of specialists, when determining the fair value of the embedded conversion options derivatives; (ii) the high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to the determination of the fair value of the embedded conversion option derivatives; and (iii) the audit effort involved the use of professionals with specialized skills and knowledge.	Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's valuation of the embedded conversion options derivatives. These procedures also include among others (i) reading the convertible loan agreement; (ii) Reviewing the appropriateness of the valuation model; and (iii) evaluating the reasonableness of the significant assumptions used by management in relation to the determination of the embedded conversion options derivatives. Evaluating the appropriateness of the model and related assumptions also involved the use of professionals with specialized skill and knowledge to assist in assessing the reasonableness of such assumptions.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the compensation report of ADC Therapeutics SA and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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.

PricewaterhouseCoopers SA

Michael Foley	Michael Abresch
Audit expert Auditor in charge	Audit expert

Lausanne, 17 March 2022

Consolidated IFRS Financial Statements for the Year Ended December 31, 2021

CONSOLIDATED STATEMENT OF OPERATION
(in KUSD)

	Note	For the Years Ended December 31, 2021	2020	2019
Product revenues, net	7	33,917	—	—
Contract revenue	8	—	—	2,340
Total revenue		**33,917**	**—**	**2,340**
Operating expense				
Cost of product sales	3	(1,393)	—	—
Research and development expenses	11	(158,002)	(142,032)	(107,537)
Selling and marketing expenses	11	(64,780)	(22,101)	—
General and administrative expenses	11	(71,462)	(55,130)	(14,202)
Total operating expense		(295,637)	(219,263)	(121,739)
Loss from operations		**(261,720)**	**(219,263)**	**(119,399)**
Other income (expense)				
Financial expense	17, 24, 26	(18,340)	(4,926)	(156)
Financial income		66	832	2,253
Non-operating income (expense)	9	28,489	(22,606)	1,400
Total other income (expense)		10,215	(26,700)	3,497
Loss before taxes		**(251,505)**	**(245,963)**	**(115,902)**
Income tax benefit (expense)	12	21,479	(327)	(582)
Net loss		**(230,026)**	**(246,290)**	**(116,484)**
Net loss attributable to:				
Owners of the parent		(230,026)	(246,290)	(116,484)
Net loss per share				
Basic and diluted net loss per share (in USD)	31	(3.00)	(3.77)	(2.36)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)
(in KUSD)

	Note	For the Years Ended December 31, 2021	2020	2019
Net loss		**(230,026)**	**(246,290)**	**(116,484)**
Other comprehensive loss:				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plan	23	(587)	(305)	(1,346)
Total items that will not be reclassified to profit or loss		(587)	(305)	(1,346)
Items that may be reclassified to profit or loss				
Currency translation differences		(62)	176	112
Total items that may be reclassified to profit or loss		(62)	176	112
Other comprehensive loss		**(649)**	**(129)**	**(1,234)**
Total comprehensive loss		**(230,675)**	**(246,419)**	**(117,718)**
Attributable to:				
Owners of the parent		(230,675)	(246,419)	(117,718)

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

CONSOLIDATED BALANCE SHEET
(in KUSD)

	Note	As of December 31, 2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	5.1/20b	466,544	439,195
Accounts receivable, net	3.4	30,218	—
Inventory	15	11,122	—
Other current assets	13	17,298	11,255
Total current assets		**525,182**	**450,450**
Non-current assets			
Property, plant and equipment	16	4,066	1,629
Right-of-use assets	17	7,164	3,129
Intangible assets	18	13,582	10,179
Interest in joint venture	19	41,236	47,908
Deferred tax asset	21	26,049	—
Other long-term assets		693	397
Total non-current assets		**92,790**	**63,242**
Total assets		**617,972**	**513,692**
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable		12,080	5,279
Other current liabilities	22	50,497	30,375
Lease liabilities, short-term	17	1,029	1,002
Current income tax payable		3,754	149
Convertible loans, short-term	24	6,575	3,631
Total current liabilities		**73,935**	**40,436**
Non-current liabilities			
Convertible loans, long-term	24	87,153	34,775
Convertible loans, derivatives	24	37,947	73,208
Deferred royalty obligation, long-term	26	218,664	—
Deferred gain of joint venture	19	23,539	23,539
Lease liabilities, long-term	17	6,994	2,465
Defined benefit pension liabilities	23	3,652	3,543
Other non-current liabilities		—	221
Total non-current liabilities		**377,949**	**137,751**
Total liabilities		**451,884**	**178,187**
Equity attributable to owners of the parent			
Share capital	27	6,445	6,314
Share premium	27	981,827	981,056
Treasury shares	27	(128)	(4)
Other reserves	23/25	102,646	42,753
Cumulative translation adjustments		183	245
Accumulated losses		(924,885)	(694,859)
Total equity attributable to owners of the parent		**166,088**	**335,505**
Total liabilities and equity		**617,972**	**513,692**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in KUSD)

	Note	Share capital	Share premium	Other reserves	Treasury shares	Cumulative translation adjustment	Accumulated losses	Total
January 1, 2019		**401**	**452,268**	**5,702**	**—**	**(43)**	**(332,085)**	**126,243**
Loss for the year		—	—	—	—	—	(116,484)	(116,484)
Translation adjustment		—	—	—	—	112	—	112
Remeasurements of defined benefit pension	23	—	—	(1,346)	—	—	—	(1,346)
Total other comprehensive loss		**—**	**—**	**(1,346)**	**—**	**112**	**—**	**(1,234)**
Total comprehensive loss for the year		**—**	**—**	**(1,346)**	**—**	**112**	**(116,484)**	**(117,718)**
Issue of share capital / capital contributions	27	171	103,221	—	—	—	—	103,392
Transaction costs	27	—	(1,778)	—	—	—	—	(1,778)
Transfer from share premium for par value increase	27	3,789	(3,789)	—	—	—	—	—
Purchase of treasury shares	27	—	—	—	(141)	—	—	(141)
Sale of treasury shares	27	—	—	—	41	—	—	41
Share-based compensation expense	25	—	—	1,117	—	—	—	1,117
Total transactions with owners		**3,960**	**97,654**	**1,117**	**(100)**	**—**	**—**	**102,631**
December 31, 2019		**4,361**	**549,922**	**5,473**	**(100)**	**69**	**(448,569)**	**111,156**
Loss for the period		—	—	—	—	—	(246,290)	(246,290)
Remeasurement of defined benefit pension	23	—	—	(305)	—	—	—	(305)
Translation adjustment		—	—	—	—	176	—	176
Total other comprehensive loss		**—**	**—**	**(305)**	**—**	**176**	**—**	**(129)**
Total comprehensive loss for the year		**—**	**—**	**(305)**	**—**	**176**	**(246,290)**	**(246,419)**
Shares surrendered to redeem share purchase plan promissory notes	25	—	11,208	—	(11,208)	—	—	—
Issuance of shares through capitalization of reserves	27	393	(393)	—	—	—	—	—
Issuance of shares to be held as treasury shares	27	34	—	—	(34)	—	—	—
Grant of shares to settle 2014 incentive plan awards	25, 27	—	(29)	—	29	—	—	—
Issuance of shares at initial public offering	27	1,007	231,661	—	—	—	—	232,668
Sale of shares under greenshoe option	27	—	23,591	—	11,309	—	—	34,900
Transaction costs, initial public offering and greenshoe option	27	—	(23,355)	—	—	—	—	(23,355)
Issuance of shares at follow-on offering	27	519	203,481	—	—	—	—	204,000
Transaction costs, follow-on offering	27	—	(15,084)	—	—	—	—	(15,084)
Exercise of options	27	—	54	—	—	—	—	54
Share-based compensation expense	25	—	—	37,585	—	—	—	37,585
Total transactions with owners		**1,953**	**431,134**	**37,585**	**96**	**—**	**—**	**470,768**
December 31, 2020		**6,314**	**981,056**	**42,753**	**(4)**	**245**	**(694,859)**	**335,505**
Loss for the period		—	—	—	—	—	(230,026)	(230,026)
Remeasurement of defined benefit pension	23	—	—	(587)	—	—	—	(587)
Translation adjustment		—	—	—	—	(62)	—	(62)
Total other comprehensive loss		—	—	(587)	—	(62)	—	(649)
Total comprehensive loss for the period		—	—	(587)	—	(62)	(230,026)	(230,675)
Issuance of shares to be held as treasury	27	131	—	—	(131)	—	—	—
Exercise of options and vestings of RSUs	27	—	771	—	7	—	—	778
Share-based compensation expense	25	—	—	60,480	—	—	—	60,480
Total transactions with owners		131	771	60,480	(124)	—	—	61,258
December 31, 2021		6,445	981,827	102,646	(128)	183	(924,885)	166,088

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

CONSOLIDATED STATEMENT OF CASH FLOWS
(in KUSD)

	Note	For the Years Ended December 31, 2021	2020	2019
Cash used in operating activities				
Loss for the year		(230,026)	(246,290)	(116,484)
Adjustments for non-monetary items:				
Share-based compensation expense	25	60,480	37,585	1,117
Depreciation of property, plant and equipment	16	920	774	552
Depreciation of right-of-use assets	17	1,581	1,151	1,064
Gain from reversal of inventory impairment charges	3	(8,100)	—	—
Amortization and impairment of intangible assets	18	129	263	30
Share of results in joint venture	19	6,672	(24,368)	—
Convertible loans, derivatives, (decrease) increase in fair value	24	(34,893)	45,411	—
Deferred income taxes	12	(26,049)	—	—
Change in defined benefit pension liabilities	23	(365)	276	(53)
Financial income		(66)	(832)	(1,696)
Financial expense		18,117	4,820	15
Exchange differences		(185)	476	128
Income taxes	12	4,570	327	582
Operating loss before working capital changes		(207,215)	(180,407)	(114,745)
(Increase) decrease in accounts receivable, net		(30,218)	—	192
Increase in inventory		(3,022)	—	—
Increase in other current assets		(6,356)	(4,505)	(3,841)
Decrease in contract liability (short and long term)		—	—	(2,340)
Increase (decrease) in trade accounts payable		6,798	1,921	(3,425)
Increase in other liabilities and other payables		12,518	14,946	1,720
Cash used in operating activities		(227,495)	(168,045)	(122,439)
Interest received		56	797	1,164
Interest paid		(5,280)	(1,557)	(157)
Interest expense on lease obligations	17	225	105	141
Payments made under royalty financing transaction	26	(213)	—	—
Tax paid		(671)	(29)	(290)
Net cash used in operating activities		**(233,378)**	**(168,729)**	**(121,581)**
Cash used in investing activities				
Payment for purchases of property, plant and equipment	16	(3,430)	(801)	(358)
Payment for purchases of intangible assets	18	(2,946)	(2,008)	(1,790)
Payment for deposits		(297)	(19)	(100)
Net cash used in investing activities		**(6,673)**	**(2,828)**	**(2,248)**
Cash from financing activities				
Proceeds from capital contributions, net of transaction costs	27	—	—	101,614
Proceeds from public offering of common shares, net of transaction costs	27	—	433,158	—
Proceeds from convertible loans, net of transaction costs	24	49,591	62,898	—
Proceeds from deferred royalty transaction, net of transaction costs	26	218,002	—	—
Acquisition of treasury shares	27	—	—	(141)
Sale of treasury shares	27	—	—	41
Proceeds from the exercise of stock options	27	778	54	—
Principal portion of lease obligations payments	17	(977)	(1,144)	(1,002)
Net cash from financing activities		**267,394**	**494,966**	**100,512**
Net increase (decrease) in cash and cash equivalents		**27,343**	**323,409**	**(23,317)**
Exchange gains / (losses) on cash and cash equivalents		6	235	61
Cash and cash equivalents at beginning of year		439,195	115,551	138,807
Cash and cash equivalents at end of year		**466,544**	**439,195**	**115,551**
Supplemental Non-Cash Investing Information				
Capital expenditures and intangible asset acquisitions recorded in Accounts payable and Other current liabilities		593	220	—

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

1. Corporate information

ADC Therapeutics SA (the "Company" or "ADCT") was incorporated on June 6, 2011 under the laws of Switzerland. The registered office of the Company is located at Route de la Corniche 3B, 1066 Epalinges, Switzerland. As of December 31, 2021, the Company controls two wholly-owned subsidiaries: ADC Therapeutics America, Inc. ("ADCT America"), which was incorporated in Delaware, USA on December 10, 2014, and ADC Therapeutics (UK) Ltd ("ADCT UK"), which was incorporated in England on December 12, 2014. The Company and its two subsidiaries form the ADCT Group (the "Group").

The Group is focused on the development of antibody drug conjugates ("ADCs"), including research, development, human clinical trials, regulatory approval and commercialization. On April 23, 2021, the U.S. Food and Drug Administration ("FDA") approved ZYNLONTA for the treatment of relapsed or refractory diffuse large B-cell lymphoma ("DLBCL") and the Company commenced recognizing revenue upon the sale of ZYNLONTA during the second quarter of 2021. ADCs are drug constructs which combine monoclonal antibodies specific to particular types of cells with cytotoxic molecules or warheads which seek to kill cancer cells to which the ADC attaches. ADCs have extensive potential therapeutic applications in cancer.

The Group's core technology platform is based on the development and commercial exploitation of chemistry acquired under license from Spirogen Ltd in 2011. The license agreement, as subsequently amended in 2013, gives the Company the right to develop up to eleven specific ADCs as well as ten non-ADCs using Spirogen Ltd's intellectual property and technology in warhead and linker chemistry.

These Group consolidated financial statements were authorized for issue by the Board of Directors on March 17, 2022.

2. Basis of preparation

(i) Compliance with International Financial Reporting Standards

The ADCT Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). As of December 31, 2021, the financial statements are presented in thousand dollars (KUSD).

Prior to December 31, 2021, individual components of Non-operating income (expense) were reported separately within the consolidated statement of operations. Prior periods have been recast to conform to the current period presentation. See note 9, "Non-operating income (expense) for further information.

(ii) Historical Cost Convention

The consolidated financial statements have been prepared under the historical cost convention, except for the defined benefit pension liabilities, where plan assets are measured at fair value. The embedded derivative conversion feature associated with the first tranche of convertible loans was measured at fair value for the year ended December 31, 2021 and 2020. In addition, the derivative associated with the second tranche of convertible loans was measured at fair value for the year ended December 31, 2020. During the second quarter of 2021, the derivative changed its identity to an embedded derivative upon draw down of the second tranche, which was measured at fair value for the year ended December 31, 2021. See note 24 "Convertible loans".

(iii) Going concern basis

ADCT is a commercial-stage company developing innovative therapeutics. The Group is exposed to all risks inherent in establishing and developing its business, including the substantial uncertainty that current projects will succeed. The Group's success may also depend on its ability to:

- establish and maintain a strong patent position and protection;
- develop, gain regulatory approval and commercialize drug products;
- enter into collaborations with partners in the pharmaceutical industry;
- acquire and retain key personnel; and
- acquire additional funding to support its operations.

Since its incorporation, the Group has primarily funded its growth through capital increases and additional funds provided by research collaborations, the issuance of the Company's common shares, the issuance of convertible loans, and proceeds from a royalty purchase

agreement. During the 2020 fiscal year, the Company issued common shares through an initial public and follow-on offering (see note 2(vi) and 2(vii)) and the issuance of convertible loans (see note 24, “Convertible loans”). During the 2021 fiscal year, the Group entered into a royalty purchase agreement (see note 26 “Deferred royalty obligation”). Subsequent to December 31, 2021, the Company entered an exclusive license agreement with MTPC for the development and commercialization of ZYNLONTA for all hematologic and solid tumor indications in Japan. Under the terms of the agreement, the Company received an upfront payment of USD 30 million. The Company will also receive milestone payments if certain development and commercial events are achieved and royalties based on net sales of the product in Japan. See note 33, "Events after the reporting date” for further information. The Group does not have recourse to bank loans. As a result, the Group is not exposed to liquidity risk through requests for early repayment of loans, other than, pursuant to the convertible loans, it must maintain a balance of at least USD 50 million in cash and cash equivalents at the end of each quarter.

As of December 31, 2021, the Group’s cash and cash equivalents amounted to USD 466.5 million (December 31, 2020: USD 439.2 million).

Management believes that the Group has sufficient financial resources to cover its operating costs for at least the next 12 months from the date of issuance of these consolidated financial statements and as a result, is presenting these consolidated financial statements of the Group on a going concern basis.

(iv) Share split

On September 19, 2019, the Company effected a one-to-15,625 share split of its outstanding shares (see note 27, “Share capital”). Accordingly, all share and per share amounts for all periods presented in these consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect this share split.

(v) Share consolidation

On April 24, 2020, the Company effected a five-to-four share consolidation of its outstanding shares (see note 27, “Share capital”). Accordingly, all share and per share amounts for all periods presented in these consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect this share consolidation.

(vi) Initial Public Offering (IPO)

On May 19, 2020, the Company completed an IPO on the New York Stock Exchange (“NYSE”) in which it issued and sold an aggregate of 14,082,475 common shares at USD 19.00 per share, which included 1,836,844 common shares issued and sold pursuant to the underwriters’ exercise in full of their option to purchase additional common shares. The gross proceeds from the IPO were USD 267.6 million, and net proceeds were USD 244.2 million after deducting underwriting discounts and commissions as well as fees and expenses payable by the Company. The IPO resulted in a gross increase of USD 255.3 million in the Company’s share premium account prior to transaction costs associated with the IPO share issuance of USD 4.7 million and underwriting discounts and commissions of USD 18.7 million, both of which were charged directly against the Company’s share premium account. Further details are contained in note 27, “Share capital”.

(vii) Follow-On Public Offering

On September 28, 2020, the Company completed a public offering on the NYSE in which it issued and sold 6,000,000 common shares at USD 34.00 per share. The gross proceeds of the public offering were USD 204.0 million, and net proceeds of USD 188.9 million after deducting underwriting discounts and commissions as well as fees and expenses payable by the Company. The public offering resulted in a gross increase of USD 203.5 million in the Company’s share premium account prior to transaction costs associated with the public offering share issuance of USD 2.9 million and underwriting discounts and commissions of USD 12.2 million, both of which were charged directly against the Company’s share premium account. Further details are contained in note 27, “Share capital”.

(viii) Share Subscription Agreement

During the second quarter of 2021, ADCT issued 1,500,000 common shares to ADCT America pursuant to a share subscription agreement and immediately repurchased these shares to hold as treasury shares for purposes of administering the Company's long-term incentive program. As of December 31, 2021, the Company held 1,459,522 treasury shares.

(ix) Open Market Sales Agreement

On June 4, 2021, the Company entered into an open market sale agreement with Jefferies LLC (“Jefferies”), to sell its common shares from time to time through an “at the market” offering program (the “ATM Facility”). The ATM Facility provides the Company the opportunity

to sell its common shares with an aggregate offering price of up to USD 200.0 million. For the year ended December 31, 2021, there have been no shares sold under the ATM Facility. The Company capitalizes transaction costs within Other current assets in the Company's audited consolidated balance sheet when costs are incurred associated with the ATM Facility at inception and if and when shares are sold under the ATM Facility in the future. If and when the Company sells shares under the ATM, capitalized transaction costs will be offset against the sale proceeds and will be recorded as a reduction of share premium within the Company's audited consolidated balance sheet. If the Company determines that it is not probable that shares will be sold under the ATM Facility by the end of a quarter, the Company will write-off capitalized transaction costs incurred during that respective quarter in the audited consolidated statement of operations. The Company capitalized KUSD 147 of transaction costs within Other current assets in connection with the establishment of the ATM Facility as of December 31, 2021, which will be offset against the sales proceeds from the initial sale of shares under the ATM Facility, when such sale is to occur.

(x) COVID – 19

The COVID-19 pandemic has negatively impacted the economies of most countries around the world. The Group's operations, similar to those of other life sciences companies, have been impacted by the COVID-19 pandemic. The Group is in close contact with its principal investigators and clinical sites, which are located in jurisdictions affected by the COVID-19 pandemic, and is assessing the impact of the COVID-19 pandemic on its clinical trials, expected timelines and costs on an ongoing basis. The Group is commercializing ZYNLONTA using hybrid launch plans formulated to mitigate the impact of the COVID-19 pandemic, including by engaging physicians virtually as well as face-to-face. In response to the spread of COVID-19, the Group has also modified its business practices, including restricting employee travel, developing social distancing plans for its employees and cancelling physical participation in meetings, events and conferences. At this time, Group employees have started meeting with investigators and site staff in person as allowed by institutions. All recent conferences and advisory boards have been virtual, but the Group plans to participate in person when such meetings can occur. The Group continues to closely monitor the potential effects of the COVID-19 pandemic on its clinical trials, commercialization efforts and supply chain, and will work closely with its clinical trial sites and principal investigators, contract research organizations, customers and distributors and contract manufacturing partners to mitigate such impact. The Company has also developed protocols to allow its employees to begin to return to certain office locations. As the COVID-19 pandemic continues to evolve, the Group believes the extent of the impact to its operations, operating results, cash flows, liquidity and financial condition will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies, the availability and acceptance of vaccines, the effectiveness of vaccines, particularly against emerging variants of the novel coronavirus, and the timing, scope and effectiveness of national and local governmental responses to the pandemic. Those primary drivers are beyond the Group's knowledge and control, and as a result, at this time, the ultimate impact on the Group's results of operations, cash flows and financial position beyond 2021 and thereafter cannot be reasonably predicted. However, on the basis of the risk mitigation measures undertaken, the Group has concluded that there is no material uncertainty that may cast a significant doubt upon the Group's ability to continue as a going concern.

3. Significant accounting policies

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

3.1. Consolidation

The annual closing date of the individual financial statements is December 31. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. All intercompany transactions have been eliminated.

3.2. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars ("USD" or "Dollars"), which is the Company's functional and Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in consolidated statement of operation.

All foreign exchange gains and losses are presented in the consolidated statement of operation within "Exchange differences".

Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated statement of operation are translated at monthly average exchange rates; and

(iii) all resulting exchange differences are recognized in other comprehensive loss, under "Cumulative translation adjustments".

3.3. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with external financial institutions and other short-term highly liquid investments with original maturities to the Company of three months or less. They are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Any bank overdrafts are not netted against cash and cash equivalents but are shown as part of current liabilities on the consolidated balance sheet.

3.4. Accounts receivable

Accounts receivable arise from product sales and consists of amounts due from customers, net of customer allowances for chargebacks, product returns and estimated credit losses. Upon the launch of ZYNLONTA, the Company's contracts with customers had initial payment terms that ranged from 30 to 150 days. Subsequent to December 31, 2021, the Company's inventory is no longer held on consignment by the Company's third-party logistics and distribution provider. As such, payment terms for new sales commencing in 2022 will range from 30 to 120 days. When determining customer allowances for estimated credit losses, the Company analyzes accounts that are past due, the creditworthiness of its customers, current economic conditions and, when sufficient historical data becomes available, actual credit losses incurred by the Company. As of December 31, 2021, the Company determined an allowance for expected credit losses was not required based upon the assessment performed.

3.5. Inventory

Prior to receiving FDA approval of ZYNLONTA, the Company had written down inventory costs relating to the manufacture of ZYNLONTA to a net realizable value of zero. The Company believed that capitalization of inventory costs associated with certain products prior to regulatory approval of such products, or for inventory produced in new production facilities, was only appropriate when

management considered it highly probable that pre-approval inventory costs would be recoverable through future sales of the drug product. The determination to capitalize was based on the particular facts and circumstances related to the expected regulatory approval of the product or production facility being considered and, accordingly, the time frame within which the determination was made varied from product to product. The impairment charges were recorded as Research and development ("R&D") expenses in the Company's consolidated statement of operation. Upon the receipt of FDA approval for ZYNLONTA during the year ended December 31, 2021, the Company reversed KUSD 8,100 of previously recorded impairment charges. The reversal of previously recorded impairment charges was based on a number of factors existing at that time, including the existence of inventory on hand and estimated demand, as well as expiration dating. The reversal of impairment charges was recorded as a gain to R&D expenses in the Company's consolidated statement of operation. The amount of the impairment reversal may increase in future periods based on future enhancements that may extend the shelf life of the components used to manufacture ZYNLONTA and/or of the ultimate drug product.

Inventory of ZYNLONTA is stated at the lower of cost or net realizable value with costs determined on a first-in, first-out basis. The Company assesses the recoverability of capitalized inventory during each reporting period and will write down excess or obsolete inventory to its net realizable value in the period in which the impairment is identified within Cost of product sales in the consolidated statement of operation. The Company has not recorded any material inventory impairments since the FDA approved ZYNLONTA. Included in inventory of ZYNLONTA are materials used in the production of preclinical and clinical products, which are charged to R&D expenses when consumed.

The Company will continue to assess the likelihood that inventory costs associated with its other drug product candidates are recoverable through future sales of such product candidates to determine if and when such costs should be capitalized as inventory or be expensed to R&D expenses. The assessment of whether or not the product is considered highly probable to be saleable will be made on a quarterly basis and includes, but is not limited to, how far a particular product or facility has progressed along the approval process, any known safety or efficacy concerns, potential labeling restrictions and other impediments. If it is determined that inventory costs associated with a product candidate are not highly probable to be recovered through future sales, the Company would record such costs to R&D expenses.

See note 15, "Inventory" for further information.

3.6. Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to reduce the cost of each asset to its residual value over its estimated useful life, as follows:

Leasehold improvements	3 to 10 years
Laboratory equipment	5 years
Office equipment	5 years
Hardware	3 years

See note 16, "Property, plant and equipment" for further information.

3.7. Intangible assets

Licenses

Licenses acquired are capitalized as intangible assets at historical cost. Licenses with definite-useful lives are amortized over their useful lives, which are determined on a basis of the expected pattern of consumption of the expected future economic benefits embodied in the licenses and which therefore commence only once the necessary regulatory and marketing approval has been received. Prior to regulatory and marketing approval, licenses are treated as indefinite-lived assets and not amortized. These licenses are tested annually for impairment in the last quarter of each fiscal year and more frequently if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Amortization and impairment of licenses

Prior to regulatory and marketing approval, impairment of indefinite-lived licenses is charged to R&D expenses. Subsequent to regulatory and marketing approval, amortization of licenses will be charged to Cost of product sales over the licenses' estimated useful lives. The useful life of definite-lived intangible assets will depend upon the legal term of the individual patent in the country in which the patent is obtained. In determining the useful life, the Company utilizes the last-to-expire period of exclusivity (primary patent or regulatory approval) related to the primary marketed drug product. The Company may be able to obtain a patent term extension. However, the

Company will only consider the inclusion of an extension period to the extent the Company believes it is highly probable of being granted. See note 18, “Intangible assets” for further information.

Internally generated intangible assets

Internal R&D costs are fully charged to R&D expenses in the period in which they are incurred. The Group considers that regulatory and other uncertainties inherent in the development of new products preclude the capitalization of internal development expenses as an intangible asset until marketing approval from a regulatory authority is obtained in a major market such as the United States, the European Union or China.

Payments made to third parties, such as contract R&D organizations in compensation for subcontracted R&D, that are deemed not to transfer intellectual property to ADCT are expensed as internal R&D expenses in the period in which they are incurred. Such payments are only capitalized if they meet the criteria for recognition of an internally generated intangible asset, usually when marketing approval has been achieved from a regulatory authority in a major market. These internally generated intangible assets are recorded as an indefinite-lived intangible asset until regulatory approval is achieved and/or commercial launch. At that point, the asset will become a definite-lived intangible asset and the Company will commence amortization of the asset based on a systematic and rational approach. See note 18, “Intangible assets” for further information.

3.8. Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. Under the equity method, an investment in a joint venture is recognized initially in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company’s share of the profit or loss, other comprehensive income or loss of the joint venture, distributions from the joint venture and other adjustments to the Company’s proportionate interest in the joint venture. The Company’s initial investment is recorded as an Interest in joint venture in the consolidated balance sheet. The Company’s proportionate share of net income or losses of equity investments is included within Share of results with joint venture in the consolidated statement of operation. The Company’s carrying value of its investment in a joint venture increases or decreases in relation to the Company’s proportionate share of comprehensive income or loss of the joint venture. When the Company’s share of losses of a joint venture exceeds the Company’s interest in that joint venture less the carrying value of the deferred gain described below, the Company ceases to recognize its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. In connection with the Company’s initial investment, the gain resulting from the transaction was only recognized to the extent of the unrelated investors’ equity interest in the joint venture, which resulted in a deferred gain for a portion of the Company’s initial investment. The Company will begin to recognize the deferred gain upon the commercialization of any or all the licensed intellectual property by the joint venture. The deferred gain will be recognized over the estimated commercialization period in which a licensed product is developed and approved using a systematic approach that approximates the pattern of consumption of the licensed intellectual property by the joint venture. Investments accounted for under the equity method are assessed for potential impairment on a regular basis based on qualitative factors. See note 19, “Interest in joint venture” for further information.

3.9. Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows, adjusted for the risks specific to each asset, are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the general risks affecting the pharmaceutical industry. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets (“cash-generating units”). Impairment losses are recognized in the consolidated statement of operation. Prior impairments of non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

3.10. Employee benefits

Employee Benefit Programs

Group companies operate defined benefit and defined contribution pension schemes in accordance with the local conditions and practices in the countries in which they operate. The defined benefit schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligations to pay further contributions if the

fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. However, as is the case with many Swiss pension plans, although the amount of ultimate pension benefit is not defined, certain legal obligations of the plan nevertheless create constructive obligations on the employer to pay further contributions to fund an eventual deficit. This results in the plan being accounted for as a defined benefit plan.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity that approximate the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognized in the consolidated statement of operation in employee benefit expenses, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year.

Past service costs, resulting from a plan amendment or curtailment, are recognized immediately in the consolidated statement of operation.

The net interest cost is calculated by applying the discount rate to the net balance of the present value of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expenses in the consolidated statement of operation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity within the consolidated statement of other comprehensive loss in the period in which they arise.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the company has no further payment obligations. The contributions are recognized as employee benefit expenses in the consolidated statement of operation. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

See note 23, “Pension obligations” for further information.

Share-based compensation expense

The fair value of shares or options granted, respectively, under share purchase or share option plans is recognized as an employee share-based compensation expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares or options granted:

- including any market and other performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimate of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimate, if any, within the consolidated statement of operation, with a corresponding adjustment to equity.

The proceeds received upon the exercise of options are net of any directly attributable transaction costs and are credited directly to equity.

See note 25, “Share-based compensation expense” for further information.

3.11. Share capital and share premium

Share capital

The Company has issued one class of common shares, which is classified as equity (see note 27, “Share Capital”).

Share premium

Amounts of contribution in excess of par value are accounted for as share premium. Share premium also arises from additional capital contributions from shareholders. Incremental costs directly attributable to equity transactions such as the issue of new capital shares are shown in equity as a deduction, net of tax, from the proceeds within share premium. Transaction costs that relate to equity and non-equity transactions are allocated to those transactions using a basis of allocation that is rational and a consistent methodology with previous transactions.

3.12. Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition, until they are cancelled. Where such shares are subsequently sold, any consideration received is included in shareholders' equity.

3.13. Leases

This policy concerns instances where a Group company is the lessee.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the consolidated statement of operation over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

The lease term is considered to be the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

Assumptions as to whether the Company is reasonably likely to exercise any extension or termination options have been individually assessed based on the Company's plans.

The policy of recognizing right-of-use assets and lease liabilities is not applied to short-term (under 12 months) or low value leases.

For deferred tax purposes, the Group considers the net effect of temporary differences arising from the right-of-use asset and the lease liabilities.

3.14. Deferred royalty obligation

On August 25, 2021, the Company entered into a royalty purchase agreement with certain entities managed by HCR. The Company has accounted for the initial cash received as debt, less transaction costs and will subsequently account for the value of the debt at amortized cost. The amount received by the Company will be accreted to the total estimated royalty payments over the life of the agreement which will be recorded as interest expense. The carrying value of the debt will decrease for royalty payments made to HCR based on actual net sales and licensing revenue. The Company will periodically assess the expected payments to HCR based on its underlying revenue projections and to the extent the amount or timing of such payments is materially different than its initial estimates will record a cumulative catch-up adjustment to the deferred royalty obligation. The adjustment to the carrying amount is recognized in earnings as an adjustment to Financial income (expense) in the period in which the change in estimate occurred. See note 26, "Deferred royalty obligation" for further information.

3.15. Convertible loans

The Company entered into a USD 115.0 million Facility Agreement (the "Facility Agreement") (see note 24, "Convertible loans") on April 24, 2020, pursuant to which the counterparty agreed to extend senior secured convertible term loans to the Company in two separate disbursements:

(i) an initial disbursement of convertible loans in the amount of USD 65.0 million upon the completion of the IPO, and satisfaction of certain other conditions (the "first tranche") and

(ii) a subsequent disbursement of convertible loans in the amount of USD 50.0 million upon the receipt of regulatory approval for ZYNLONTA, and satisfaction of certain other conditions (the "second tranche").

Accounting for the first and second tranches

On May 19, 2020, the Company received the first tranche of convertible loans in the amount of USD 65.0 million upon completion of the IPO. As of December 31, 2021, these convertible loans have been recognized as a hybrid financial instrument and accounted for as two separate components: (i) a loan and (ii) an embedded conversion option derivative.

(i) The embedded conversion option derivative was initially measured at fair value and is subsequently remeasured to fair value at each reporting date. Under IAS 32, this derivative could have been classified as a component of equity only if in all cases the contract would be settled by the Company delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or debt redemption. However, the agreement foresees, in the event of a major transaction, the payment of "make-whole" amounts that would have to be computed in the light of the circumstances and are therefore not fixed. As a result, the derivative is presented in the balance sheet as a liability and classified as non-equity in accordance with IFRS 9 and IAS 32. Changes in the fair value (gains or losses) of the derivative at the end of each period are recorded in the consolidated statement of operation.

(ii) The convertible loan's initial fair value is the residual amount of the consideration received, net of attributable costs, after separating out the fair value of the embedded conversion option derivative. The loan is subsequently measured at its amortized cost in accordance with IFRS 9. It is presented as a financial liability in the consolidated balance sheet.

On May 17, 2021, the Company drew down the second tranche of convertible loans in the amount of USD 50.0 million upon the receipt of FDA approval of ZYNLONTA. As of December 31, 2021, these convertible loans have been recognized as a hybrid financial instrument and accounted for as two separate components: (i) a loan and (ii) an embedded conversion option derivative.

(i) The embedded conversion option derivative was initially measured at fair value and is subsequently remeasured to fair value at each reporting date. Under IAS 32, this derivative could have been classified as a component of equity only if in all cases the contract would be settled by the Company delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or debt redemption. However, the agreement foresees, in the event of a major transaction, the payment of "make-whole" amounts that would have to be computed in the light of the circumstances and are therefore not fixed. As a result, the derivative is presented in the balance sheet as a liability and classified as non-equity in accordance with IFRS 9 and IAS 32. Changes in the fair value (gains or losses) of the derivative at the end of each period are recorded in the consolidated statement of operation.

(ii) Upon draw down, the Company used an independent valuation firm to assist in calculating the initial fair value of the entire instrument, including both components. The Company recorded the initial carrying amount of the convertible loan based on its fair value as of April 23, 2021. The convertible loan is subsequently measured at its amortized cost in accordance with IFRS 9. The amount at which the convertible loan is presented as a liability in the consolidated balance sheet represents the net present value of all future cash outflows associated with the loan discounted at the implied effective interest rate. The net present value of those cash outflows occurring within 12 months of the balance sheet date discounted at the same rate is presented as a short-term liability. The remainder of the amount is presented as a long-term liability.

Expenses and fees payable upon the issuance of the first and second tranches of convertible loans were allocated pro rata to the above two components. The share of expenses allocated to the embedded conversion option derivative was charged directly to the consolidated statement of operation, while the share of expenses allocated to the residual convertible loan was deducted from the loan. Prior to the draw down of the second tranche, the Company accounted for the second tranche as a derivative. See note 24, "Convertible loans" for further information.

3.16. Revenue recognition

Upon the April 23, 2021 FDA approval of ZYNLONTA for the treatment of relapsed or refractory DLBCL, the Company began generating revenue from the sale of its product candidates. In previous years, the Company had generated only service revenues from a license and collaboration arrangement.

Revenue from the sale of products is recognized in a manner that depicts the transfer of those promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for these goods or services. To achieve this core principle, the Company follows a five-step model: (i) identify the customer contract; (ii) identify the contract's performance obligation; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when, or as, a performance obligation is satisfied.

Revenue is also reduced for gross-to-net ("GTN") sales adjustments, which may include government rebates, chargebacks, distributor service fees, other rebates and administrative fees, sales returns and allowances and sales discounts. GTN sales adjustments involve significant estimates and judgment after considering factors including legal interpretations of applicable laws and regulations, historical experience and drug product analogs in the absence of Company experience, payer channel mix, current contract prices under applicable programs, unbilled claims and processing time lags and inventory levels in the distribution channel. The Company also uses information from external sources to identify prescription trends, patient demand, average selling prices and sales return and allowance data for analog drug products. The Company's estimates are subject to inherent limitations of estimates that rely on third-party information, as certain third-party information was itself in the form of estimates, and reflect other limitations including lags between the date as of which third-party information is generated and the date on which the Company receives third-party information. Estimates will be assessed each period and adjusted as required to revise information or actual experience.

3.17. Cost of product sales

Cost of product sales primarily includes direct and indirect costs relating to the manufacture of ZYNLONTA from third-party providers of manufacturing, distribution and logistics, intangible asset amortization expense, and royalties to a collaboration partner based on net product sales of ZYNLONTA. Inventory amounts written down as a result of excess or obsolescence are charged to Cost of product sales.

3.18. R&D expenses

Research expenditure is recognized in expense in the year in which it is incurred. Internal development expenses are capitalized only if it meets the recognition criteria of IAS 38 "Intangible Assets". Where regulatory and other uncertainties are such that the criteria are not met, which is almost invariably the case prior to approval of the drug by the relevant regulatory authority, the expenditure is recognized in the consolidated statement of operation. When certain criteria are met, the Company capitalizes the internal development expenses as internally generated intangible assets and amortizes the asset over its estimated useful life based on a systematic and rational approach.

3.19. Selling and marketing ("S&M") expenses

S&M expense is expensed when incurred and include employee expenses (including share-based compensation expense) for commercial employees, external costs related to commercialization (including professional fees, communication costs and IT costs, travel expenses and depreciation of property, plant and equipment). To date, facility expense and depreciation of right-of-use assets have not been material.

3.20. General and administrative ("G&A") expenses

G&A expense is expensed when incurred and include employee expenses (including share-based compensation expense) for G&A employees, external costs (including in particular professional fees, communications costs and IT costs, facility expenses and travel expenses), G&A costs charged by related parties (including telecommunications costs), depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets.

3.21. Current, deferred income tax and tax credit

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of operation, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity; in this case the related tax is recognized in other comprehensive loss or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Taxes on income are accrued in the same periods as the revenues and expenses to which they relate. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or

loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences or the unused tax losses can be utilized.

Deferred income tax assets from tax credit carryforwards are recognized to the extent that the national tax authority confirms the eligibility of such a claim and that the realization of the related tax benefit through future taxable profits is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

See note 12, “Income tax expense” and note 21, “Deferred income taxes and tax credits” for additional information.

3.22. Segment reporting

The Company is managed and operated as one business. A single management team that reports to the chief executive officer comprehensively manages the entire business. Accordingly, the Company views its business and manages its operations as one operating segment. Product revenues, net and Contract revenue are attributable to United States and the Company’s country of domicile, Switzerland, respectively.

The Company has locations in three regions: Switzerland, the United Kingdom and the United States. An analysis of non-current assets by geographic region is presented in note 14, “Non-current assets by geographic area”.

3.23. Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of common shares in issue during the year, excluding common shares owned by the Company and held as treasury shares. See note 31, “Loss per share.”

Diluted loss per share adjusts the shares used in the determination of basic loss per share to take into account the after-tax effect of interest and other financing costs associated with potentially dilutive common shares, if applicable, and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares (share option plans and convertible loans). See note 25, “Share-based compensation expense” and note 24, “Convertible loans”, respectively.

4. New and amended IFRS standards

(i) New and amended IFRS standards

There are no new IFRS standards, amendments to standards or interpretations that are mandatory for the financial year beginning on January 1, 2021, that are relevant to the Group and that have had any impact in the interim periods. New standards, amendments to standards and interpretations that are not yet effective, which have been deemed by the Group as currently not relevant, and hence are not listed here.

(ii) Recently adopted IFRS standards

IFRS 16 “Leases” has been adopted by the Group from January 1, 2019. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize an asset, being the right to use the leased item, and a financial liability, reflecting future lease payments, for virtually all lease contracts, though there was an optional exemption for certain short-term leases and leases of low-value assets.

The Group has applied the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying IFRS 16 as of January 1, 2019 to accumulated losses without restating prior years. Since the Group recognized the right-of-use assets at an amount equal to the lease liabilities there was no impact on accumulated losses. The new accounting policy for leases is set out in note 3.13, “Leases”.

The Group has elected to apply the following practical expedients in adopting IFRS 16: (i) not to recognize right-of-use assets and lease liabilities for leases of low value, (ii) to apply hindsight in determining the lease term for contracts which contain certain options to extend or terminate the lease, (iii) to account for each lease component and any non-lease components as a single lease component, (iv) to rely on its assessment of whether leases were onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of application, and (v) to exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application. The Group’s weighted average incremental borrowing rate calculated as of January 1, 2019 was 2.66%.

The following table reconciles the Group's operating lease obligations at December 31, 2018, as computed under the Group's previous accounting policy with the lease obligations recognized on initial application of IFRS 16 at January 1, 2019.

(in KUSD)

Operating lease commitments at December 31, 2018	4,378
Discounted at the incremental borrowing rate as at January 1, 2019	3,976
Short-term leases recognized on a straight-line basis as expenses	(15)
Low-value leases recognized on a straight-line basis as expenses	—
Extension options reasonably certain to be exercised	1,462
Lease obligations recognized at January 1, 2019	**5,423**
Of which are:	
Lease liabilities (short-term)	924
Lease liabilities (long-term)	4,499

In accordance with the adoption of IFRS 16 “Leases” as of January 1, 2019, the Group recorded at initial recognition a non-cash KUSD 5,423 right-of-use asset and corresponding lease liability. The Group’s Consolidated Statement of Operation for the year ended December 31, 2019 was impacted by an increase in depreciation of right-of-use leased assets of KUSD 1,064 and a reduction in operating lease expenses of KUSD 1,002. The increase in interest expense was KUSD 141. During the same periods, the Group’s cash flow statement was impacted by a shift of KUSD 1,143 from cash generated from operations to net cash used in financing activities. Overall, IFRS 16 was cash neutral for the Group.

5. Financial risk management

5.1 Financial risk factors

Management and the Board of Directors regularly reviews the Group cash forecast and related foreign exchange risk. It also performs the risk assessment, defines any necessary measures and ensures the monitoring of the internal control system. The Group does not use derivative financial instruments to hedge these exposures.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to British pounds, Euros and Swiss francs. Transaction exposure arises because the amount of local currency paid or received in transactions denominated in foreign currencies may vary due to changes in exchange rates. Foreign exchange risk arises from:

- forecast costs denominated in a currency other than the entity’s functional currency;
- recognized assets and liabilities denominated in a currency other than the entity's functional currency; and
- net investments in foreign operations.

Management believes that foreign exchange risk is minimal, as the Company pays invoices mainly in USD and holds cash principally in USD.

The Group's cash and cash equivalents are denominated in the following currencies:

December 31	2021 in KL/C[(1)]	2021 in KUSD	2020 in KL/C[(1)]	2020 in KUSD
In USD	462,306	462,306	435,750	435,750
In CHF	580	635	376	426
In GBP	2,162	2,921	2,096	2,861
In EUR	601	682	129	158
		466,544		**439,195**

(1) Thousands Local Currencies

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from these net assets of the Group's foreign operations is managed primarily through purchasing goods and services denominated in the relevant foreign currencies.

At December 31, 2021, if the USD had weakened / strengthened by 10% against the CHF with all other variables held constant, the pre-tax loss for the year would have been KUSD 1,034 higher / lower, mainly as a result of foreign exchange losses / gains on translation of CHF-denominated net monetary liabilities (2020: KUSD 1,013 higher / lower on net monetary assets).

At December 31, 2021, if the USD had weakened / strengthened by 10% against the EUR with all other variables held constant, the pre-tax loss for the year would have been KUSD 191 higher / lower, mainly as a result of foreign exchange losses / gains on translation of EUR-denominated net monetary liabilities (2020: KUSD 214 higher / lower on net monetary assets).

At December 31, 2021, if the USD had weakened / strengthened by 10% against the GBP with all other variables held constant, the pre-tax loss for the year would have been KUSD 424 higher / lower, mainly as a result of foreign exchange losses / gains on translation of GBP-denominated net monetary liabilities (2020: KUSD 323 higher / lower), and the gain on currency translation differences credited directly to equity and arising on the translation of the net assets of ADCT UK would have been KUSD 544 higher / lower (2020: KUSD 439 higher / lower on net monetary assets).

Interest rate risk

Interest rate risk arises from movements in interest rates which could have adverse effects on the Group's net income or financial position. Changes in interest rates cause variations in interest income and expenses on interest-bearing assets and liabilities, and on the value of the net defined benefit pension obligation. See note 5.3, "Fair value estimation" for a further discussion on the risk free rate and implied bond yield sensitivity analysis used in determining the fair value of the embedded derivative and derivative associated with the Company's convertible loans. In relation to the royalty purchase agreement with HCR, the Company is obligated to pay interest in the form of royalties in connection with certain net sales and licensing revenue. As the effective interest rate on the deferred royalty obligation does not depend on market performance, the exposure to interest rate and market risk is deemed low. See note 26, "Deferred royalty obligations" for further information.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its financing activities including deposits with banks and other financial institutions (see note 20b, "Credit quality of financial assets"). The Group's cash and cash equivalents accounts are maintained with well established, highly rated financial institutions. The Company's wholly-owned subsidiaries are solvent, are managed on a cost-plus service provider basis, and are supported by the Company as the parent.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can do so only on terms that are materially disadvantageous. Prudent liquidity risk management implies maintaining sufficient cash to cover working capital requirements. Cash is monitored by the Group management.

Funding and liquidity risks are reviewed regularly by management and the Board of Directors. The Board of Directors reviews the Group's ongoing liquidity risks quarterly as part of the financial review process and on an ad hoc basis as necessary. To date, the Company has funded its capital requirements through capital raises, including the issuance of the Company's common shares and the issuance of convertible loans (see note 24, "Convertible loans"), partnering of its programs and royalty financings (see note 26, "Deferred royalty obligation").

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

(in KUSD)	Note	Less than 1 year	1-3 years	3-5 years	More than 5 years
Trade accounts payable		12,080	—	—	—
Lease liabilities, contractual rent		1,235	2,122	1,962	3,706
Convertible loan, interest and exit fee		6,938	13,894	6,672	—
Convertible loan, principal	24	—	—	115,000	—
At December 31, 2021 [1]		**20,253**	**16,016**	**123,634**	**3,706**
Trade accounts payable		5,279	—	—	—
Lease liabilities, contractual rent		1,050	1,047	642	903
Convertible loan, interest and exit fee		3,921	7,842	7,703	—
Convertible loan, principal [2]	24	—	—	65,000	—
At December 31, 2020		**10,250**	**8,889**	**73,345**	**903**

[1] The deferred royalty obligation in which the Company received an initial USD 225.0 million of gross proceeds has been excluded from the tabular disclosure as there is no contractual maturity date. The Company's aggregate royalty obligations are capped at a maximum of 2.50 times the amount received (see note 26, "Deferred royalty obligation").

[2] Amount represents the principal amount of the convertible loan due May 2025 associated with the first tranche of the Facility Agreement as the second tranche of the Facility Agreement of USD 50.0 million had not been drawn down as of December 31, 2020. See note 24, "Convertible loans".

5.2 Capital management

The Group considers equity as equivalent to the IFRS equity on the balance sheet (including share capital, share premium and all other equity reserves attributable to the owners of the Company). Other than its lease liabilities, the Group's only interest-bearing debt relates to the issuance of convertible loans (see note 24, "Convertible loans"). While the royalty purchase agreement does not have an explicit interest rate, the Company is obligated to pay interest in the form of royalties in connection with certain net sales and licensing revenue (see note 26, "Deferred royalty obligation").

The primary objective of the Group's capital management is to maximize shareholder value. Management and the Board of Directors regularly reviews its shareholder return strategy. For the foreseeable future, management and the Board of Directors will maintain a capital structure that supports the Group's strategic objectives through managing funding and liquidity risks and optimizing shareholder return.

The Company is a commercial-stage biotechnology company with product candidates still at pre-clinical and clinical stages of development. It intends to continue to explore financing opportunities either through the equity or debt markets as well as through cooperation and collaboration with pharmaceutical and biotechnology partners – potentially along the value chain from research alliances through co-development to commercialization. As explained in note 2 (iii), "Going concern basis", management believes that the Company has sufficient financial resources available to meet all of its obligations for at least the twelve months from the issuance of these consolidated financial statements without additional capital becoming available.

5.3 Fair value estimation

At December 31, 2021, the carrying amount is a reasonable approximation of fair value for the following financial assets and liabilities:

- Cash and cash equivalents
- Trade accounts receivable
- Trade accounts payable

In 2021, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. In 2020, the Company received convertible loans in the amount of USD 65.0 million under the first tranche of the Facility Agreement. In addition, on May 17, 2021, the Company drew down the second tranche of the Facility Agreement upon FDA approval of ZYNLONTA. See note 24, "Convertible loans". The Company received convertible loans in the amount of USD 50.0 million. These convertible loans have been recognized as a hybrid financial instrument and accounted for as two separate components: (i) a loan

and (ii) an embedded conversion option derivative. Each quarter, the Company marks-to-market the embedded conversion option derivative with changes in the fair value (gains or losses) of the derivatives recorded in the consolidated statement of operation.

Fair values must be estimated on an ongoing basis with regard to awards under the ADC Therapeutics SA 2019 Equity Incentive Plan (the "2019 Equity Incentive Plan"), with regard to the convertible loan conversion option derivatives related to the first and second tranches of the convertible loans. The approach to valuation follows the grant date fair value principle and the key input factors are described for the share-based compensation awards in note 25, "Share-based compensation" and for the convertible loan derivatives in note 24, "Convertible loans".

Commonly accepted pricing models (Hull and Goldman Sachs) have been used to calculate the fair value of the convertible loan derivatives. The valuation of the embedded derivatives in the first and second tranches are classified as pertaining to level 3 of the valuation hierarchy set out below.

The different levels of the valuation hierarchy have been defined as follows:

a. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices);

c. Level 3: inputs for the asset or liability that are not based on observable market data.

There were no transfers between the respective levels during the period.

The embedded derivative conversion features with the first and second tranches of the Company's convertible loans (see note 24, "Convertible loans") are re-measured to fair value at each reporting date. The Company utilizes a risk free rate, an implied bond yield and a selected volatility in determining the fair value of its embedded derivatives. A hypothetical 10% increase (decrease) in the risk free rate as of December 31, 2021 would have increased (decreased) the embedded derivative values associated with the first and second tranche of our convertible loans by KUSD 22 (KUSD 22) and KUSD 15 (KUSD 15), respectively. A hypothetical 10% increase (decrease) in the implied bond yield as of December 31, 2021 would have increased (decreased) the embedded derivative value associated with the first and second tranche of our convertible loans by KUSD 192 (KUSD 222) and KUSD 122 (KUSD 143), respectively. A hypothetical 10% increase (decrease) in the selected volatility as of December 31, 2021 would have increased (decreased) the embedded derivative value associated with the first and second tranche of our convertible loans by KUSD 1,349 (KUSD 1,746) and KUSD 1,089 and (KUSD 1,389), respectively.

6. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgements that have significantly affected reported results or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue

Upon the April 23, 2021 FDA approval of ZYNLONTA for the treatment of relapsed or refractory DLBCL, the Company began generating revenue from the sale of its product candidates. In previous years, the Company had generated only service revenues from a license and collaboration arrangement. Significant judgements were required in implementing the Company's revenue recognition accounting policy as set out in note 3, "Significant accounting policies". In particular, significant judgement was required in determining the Company's GTN sales adjustments.

Reversal of previously recorded inventory impairment charges

Upon the receipt of FDA approval for ZYNLONTA during the year ended December 31, 2021, the Company reversed previously recorded impairment charges. The reversal of previously recorded impairment charges was based on a number of factors existing at that time that involved significant judgement including estimated demand for ZYNLONTA. See note 3, "Significant accounting policies".

Licenses

The Company enters into collaboration, license and sublicense agreements with third parties, which grant the Company the right to use their antibodies with the Company's licensed warhead and linker technology to develop new ADCs for anti-cancer treatments. The license fees (upfront fees, signature fees, milestone payments) paid by the Company under the agreements are capitalized as intangible assets. The Company considers that those licenses have an indefinite life until regulatory and marketing approval is obtained. Once obtained, the asset

will be treated as a definite-lived intangible asset and amortization will commence. The license costs capitalized were KUSD 2,893 and KUSD 1,923 for the years 2021 and 2020, respectively. The intangible assets are tested annually for impairment and more frequently if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount (higher of an asset's fair value less costs of disposal and value in use). Impairment losses are recognized in the consolidated statement of operation. Testing for impairment inevitably involves the application of judgement. In 2020, in relation to the termination of one of the Company's programs, an impairment charge of KUSD 216 (corresponding to the entire carrying amount of the capitalized license) was recognized and charged to R&D expenses in the consolidated statement of operation. The Company performed its review for 2021 and 2019 and concluded no impairment was required. See note 18, “Intangible assets”.

Convertible loans

During 2020, the Company entered into the Facility Agreement, pursuant to which the counterparty agreed to extend senior secured convertible term loans to the Company in two separate tranches. The Company received the first tranche upon the completion of the IPO. The first tranche has been recognized as a hybrid financial instrument and accounted for as two separate components: (i) a loan and (ii) an embedded conversion option derivative. During 2021, the Company drew down on the second tranche upon receipt of FDA approval of ZYNLONTA and was accounted for as two separate components: (i) a loan and (ii) an embedded conversion option derivative. Prior to receiving FDA approval of ZYNLONTA, the second tranche was accounted for as a derivative. In determining the value of the loan and embedded derivative associated with the first and second tranches as well as the derivative associated with the second tranche prior to the approval of ZYNLONTA, the Company utilized significant estimates and judgements. In particular, significant judgement was required in selecting the appropriate models to value the derivatives arising from the first and second tranches of the convertible notes and in identifying the appropriate key assumptions as inputs to the selected models. Details of the models and assumptions are set out in note 24, “Convertible loans”.

Deferred royalty obligation

On August 25, 2021, the Company entered into a royalty purchase agreement with certain entities managed by HCR. The Company has accounted for the initial cash received as debt, less transaction costs and will subsequently account for the value of the debt at amortized cost. Significant judgements were used in the initial model and will continue to be used in subsequent models to estimate the total amount of future payments and the timing of such associated with the royalty purchase agreement with HCR. In particular, significant judgements were made by the Company based on revenue projections as well as the achievement of certain milestones associated with the royalty purchase agreement with HCR. Further information with respect to the model, judgements and assumptions are set out in note 26, “Deferred royalty obligation”.

Deferred tax assets

Deferred income tax assets from tax loss carryforwards, R&D tax credits, and temporary differences between tax and financial statement income are initially recognized to the extent of suitable deferred income tax liabilities, then to the extent that the realization of the related tax benefit through future taxable profits is probable.

In determining taxable income for financial statement purposes, the Company makes certain estimates and judgments. These estimates and judgments affect the calculation of certain tax liabilities and the determination of the recoverability of certain of the deferred tax assets. In evaluating the Company’s ability to recover its deferred tax assets it considers all available positive and negative evidence including its past operating results, the existence of cumulative losses, as well as R&D tax credits, and its forecast of future taxable income. In estimating future taxable income, the Company develops assumptions including the amount of future net revenue and pre-tax operating income and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage the underlying business.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. The Company records the effect of a tax rate or law change on the Company's deferred tax assets and liabilities in the period the law change is enacted or substantively enacted. Future tax rate or law changes could have a material effect on the Company's financial condition, results of operations or cash flows. See note 12, “Income tax expense” and note 21, “Deferred income tax and tax credits” for further information.

Share-based compensation expense

The details of the ADC Therapeutics Incentive Plan 2014 (as amended and restated as of October 1, 2015, the “Incentive Plan 2014”), the Share Purchase Plan 2016 and the 2019 Equity Incentive Plan are explained in note 25, “Share-based compensation expense”.

Prior to the Company’s IPO, the determination of the fair value of awards involved the application of an adjusted form of the Black-Scholes option pricing model that took into account the strike price, term of the award, impact of dilution (where material), share price at

grant date and expected price volatility of the underlying share, expected dividend yield, risk free interest rate for the term of the award and correlations and volatilities of the shares of peer group companies. In addition, for awards granted on and subsequent to July 1, 2019 through the IPO date, the fair value of grants was based on a probability-weighted expected returns method that took into account both the value derived by using an adjusted form of the Black-Scholes option pricing model and a discounted estimate of the price that may have been achieved in a future transaction. This method entailed further significant judgement, both in estimating a transaction price and in estimating the probabilities of different outcomes. The adjusted form of the Black-Scholes option pricing model used to derive a value for the common share price at grant date derived the implied equity value for one type of equity security from a contemporaneous transaction involving another type of security and considered the timing, amount, liquidation preferences and dividend rights of issues of preference shares.

After the Company's IPO, the determination of the fair value of awards involves the application of the Black-Scholes option pricing model for the Company's option equity awards, which utilizes certain assumptions including expected volatility, expected life and risk-free interest rate. In addition, the exercise price per share option is set by the Company at the fair market value of the underlying common shares on the date of grant, as determined by the Company, which is generally the closing share price of the Company's common shares traded on the NYSE.

7. Product revenues, net

On April 23, 2021, the Company received FDA accelerated regulatory and marketing approval for ZYNLONTA and launched in the U.S. shortly thereafter. To date, the Company's only source of product revenue, which commenced during May 2021, has been sales of ZYNLONTA only in the U.S. Product revenues, net were KUSD 33,917 in the year ended December 31, 2021. The Company records its best estimate of GTN sales adjustments to which customers are likely to be entitled. See note 3, "Significant accounting policies" for further information.

The table below provides a rollforward of the Company's accruals related to the GTN sales adjustments for the year ended December 31, 2021.

(in KUSD)	Year Ended December 31, 2021
Beginning balance	—
GTN sales adjustments in the current period	5,493
Credits, payments and reclassifications to Accounts payable	(2,903)
Ending balance as of December 31, 2021	2,590

The table below provides the classification of the accruals related to the GTN sales adjustment included in the Company's consolidated balance sheet as of December 31, 2021.

(in KUSD)	As of December 31, 2021
Accounts receivable, net	1,204
Other current liabilities	1,386
	2,590

8. Contract revenue and contract liability

Contract revenue represents the amortization of upfront payments received under license and collaboration contracts in order to finance the R&D that is the subject of those contracts as well as associated milestone payments. In 2013, the Company entered into a license and joint collaboration agreement which was subsequently discontinued in June 2019. As a result of the discontinuance of this joint development program, the remaining balance of the non-refundable upfront payment (consisting of deferred revenue and presented as a contract liability) received under the related license and collaboration agreement was recognized in the first half of 2019 as contract revenue, and no additional contracts giving rise to current contract revenue have been entered into by the Company. As such, the Company recognized revenue of KUSD 2,340 associated with the remaining balance of the non-refundable upfront payment for the year ended December 31, 2019. There was no deferred revenue as of December 31, 2021 and December 31, 2020.

9. Non-operating income (expense)

(in KUSD)	Note	Year Ended December 31, 2021	2020	2019
Convertible loans, derivatives, change in fair value income (expense)	24	34,893	(45,411)	—
Convertible loans, derivatives, transaction costs	24	(148)	(1,571)	—
Share of results with joint venture	19	(6,672)	24,368	—
Exchange differences		50	(576)	(255)
R&D tax credit		366	584	1,655
Non-operating income (expense)		28,489	(22,606)	1,400

Convertible loans, derivatives, change in fair value income (expense)

Changes in derivative fair values are explained in note 24, "Convertible loans". Pursuant to the Facility Agreement with Deerfield, the Company drew down the first tranche of the convertible loans amounting to USD 65 million on May 19, 2020. Additionally, in connection with the FDA approval of ZYNLONTA, the Company drew down the second tranche of convertible loans amounting to USD 50 million.

As explained in note 24, "Convertible loans", transaction costs incurred on the issuance of the first and second tranches have been allocated pro rata to the embedded conversion option derivative and to the convertible loan. The costs allocated to the loans have been deducted from the initial book value of the loans and will therefore be recognized over the life of the loans as part of the effective interest costs. The costs allocated to the embedded derivative feature of the first and second tranches have been recognized directly in the consolidated statement of operation.

Share of results with joint venture

In connection with the formation of Overland ADCT BioPharma in December 2020, the Company recognized a gain of USD 24.5 million associated with its contribution of intellectual property. In addition, the Company recorded its proportionate share of Overland ADCT BioPharma's net loss of USD 6.7 million and KUSD 132 for the years ended December 31, 2021 and 2020, respectively. See note 19, "Interest in joint venture".

Exchange differences

Also included in Other income (expense) are favorable or unfavorable Exchange differences. The Company's is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to British pounds, Euros and Swiss francs. Exchange differences represent income or (loss) based on changes in foreign currencies. Favorable or unfavorable changes in foreign currencies resulted in a gain of KUSD 50, and losses of KUSD 576 and KUSD 255 for the years ended December 31, 2021, 2020 and 2019, respectively.

R&D tax credit

The Company recognizes as Other income (expense) amounts received and receivable by its subsidiary, ADCT UK, under the United Kingdom's R&D Expenditure Credit scheme ("UK R&D Credit Scheme"). During 2021, 2020 and 2019, the Group recognized income of KUSD 366, KUSD 584 and KUSD 1,655, respectively. During 2019, the Company recognized amounts received and receivable by ADCT UK for the first time under the UK R&D Expenditure Credit Scheme. The grants represent 12% of eligible expenditure. Because of the strictness of the eligibility criteria for these credits, the Company did not recognize any income under this scheme until it had positive confirmation that initial claims had been approved for payment, which occurred in 2019.

The claims are payable through the tax system, as a refund of corporation tax or of other taxes, including income tax and social security payments deducted at source from qualifying (research) employees' payroll and VAT. The relevant amounts have been therefore presented net in the balance sheet. As the credit is independent of ADCT UK's taxable profit, is clearly designed to incentivize companies to invest in R&D activities and is itself taxable income, the Group has recognized the income as government grants within Other income (expense) and not as a credit to income tax expense.

10. Employee expenses

(in KUSD)	Note	Year Ended December 31, 2021	2020	2019
Wages, salaries and other costs		78,748	44,058	24,061
Social security costs		10,433	7,292	3,871
Share-based compensation expense	25	60,555	42,928	1,117
Defined benefit plan costs	23	436	966	462
Defined contribution plan costs		1,894	727	540
Employee expenses		**152,066**	**95,971**	**30,051**

Employee expenses increased from USD 96.0 million in 2020 to USD 152.1 million in 2021. This increase of USD 56.1 million is primarily due to higher headcount as the Company continues to advance clinical trials to expand the potential market opportunities for ZYNLONTA in earlier lines of therapies and new histologies, advance Cami to support BLA submission, and build its pipeline. Employee expenses also increased due to the recruitment of commercial employees for the commercial launch of ZYNLONTA in 2021. The increase in headcount also resulted in higher share-based compensation expense. Share-based compensation also increased as a result of the Company's first annual equity award that was granted in 2021.

Employee expenses increased from USD 30.1 million in 2019 to USD 96.0 million in 2020. This increase of USD 65.9 million was primarily due to higher headcount as the Company continued to advance clinical trials associated with its lead product candidates, preparing for the commercial launch of ZYNLONTA and, to a lesser extent, becoming a public company. The increase in headcount resulted in higher share-based compensation expense as well as the acceleration of expense associated with the immediate vesting of awards as a result of the Company's IPO.

11. Operating expense

The following table provides the consolidated statement of operation classification of our total operating expense:

(in KUSD)	Note	Year Ended December 31, 2021	2020	2019
COGS		**1,393**	**—**	**—**
R&D				
External costs [1]		91,875	97,768	82,621
Employee expenses [2]	10	66,127	44,264	24,916
R&D expense		**158,002**	**142,032**	**107,537**
S&M				
External costs [3]		28,817	11,887	—
Employee expenses [2]	10	35,963	10,214	—
S&M expense		**64,780**	**22,101**	**—**
G&A				
External costs [1]		21,486	13,637	9,067
Employee expenses [2]	10	49,976	41,493	5,135
G&A expense		**71,462**	**55,130**	**14,202**
Total operating expense		**295,637**	**219,263**	**121,739**

[1] Includes depreciation expense

[2] Includes share-based compensation expense

[3] Includes depreciation expense for PP&E for the year ended December 31, 2021. All other depreciation expense was not material for the year ended December 31, 2021. Depreciation expense was not material for year ended December 31, 2020.

R&D expenses increased in the year ended December 31, 2021 as the Company invested in medical programs to expand the potential market opportunities for ZYNLONTA in earlier lines of therapies and new histologies, advance Cami to support BLA submission, and build its pipeline. As a result of these initiatives, employee expense increased due to increased headcount and higher share-based compensation expense. External costs increased primarily due to the advancement of our clinical trials associated with ZYNLONTA. CMC expenses increased in advance of the launch of ZYNLONTA and advancement of ADCT-601 clinical activities. As a result of FDA approval of ZYNLONTA, the Company reversed USD 8.1 million of previously recorded impairment charges during the year ended December 31, 2021 relating to inventory costs associated with the manufacture of ZYNLONTA that were historically recorded as R&D expenses. The amount of the impairment reversal may increase in future periods based on future enhancements that may extend the shelf life of the components used to manufacture ZYNLONTA and/or of the ultimate drug product. See note 3, “Significant accounting policies” for further information.

R&D expenses increased in the year ended December 31, 2020 due to higher employee expenses related to an increased number of employees as the Company continued to advance clinical trials associated with the Company’s lead product candidates, which also contributed to an increase in share-based compensation expense. External costs increased primarily due to the advancement of the Company’s clinical trials associated with its lead product candidates. In addition, the Company recorded a charge for a milestone payment of USD 5.0 million associated with a collaboration agreement that was achieved during December 2020.

S&M expenses for the year ended December 31, 2021 primarily related to the recruitment of commercial employees for the commercial launch of ZYNLONTA. External costs increased as a result of higher professional fees for the launch of ZYNLONTA. S&M expenses in the year ended December 31, 2020 related to the build-out of the commercial organization as the Company prepared for the launch of ZYNLONTA in 2021. During the year ended December 31, 2019, the Company incurred KUSD 158 of S&M expense that was classified within G&A expense. This amount was not reclassified as the amount was not material.

G&A expenses increased in the year ended December 31, 2021 due to higher employee expense as a result of increased share-based compensation expense. External costs also increased primarily as a result of higher professional fees associated with being a public company. The increase in G&A expense in the year ended December 31, 2020 was primarily due to increased share-based compensation expense and to a lesser extent, increased costs associated with being a public company.

12. Income tax (benefit) expense

	Year Ended December 31,		
(in KUSD)	**2021**	**2020**	**2019**
Current:			
Current income taxes for the year	3,644	417	572
Current income taxes related to prior years	926	(90)	10
Total current income tax expense	**4,570**	**327**	**582**
Deferred:			
Recognition of previously unrecognized tax credits	(22,745)	—	—
Origination and reversal of tax credits	(2,311)	—	—
Other	(993)	—	—
Total deferred income tax (benefit)	**(26,049)**	**—**	**—**
Income tax (benefit) expense	**(21,479)**	**327**	**582**

The Group's expected tax expense for each year is based on the applicable tax rate in each individual jurisdiction, which in 2021 ranged between 13.7% and 21.0% (2020: between 13.68% and 21.0%; 2019: between 11% and 27%) in the tax jurisdictions in which the Group operates. The weighted average tax rate applicable to the profits of the consolidated entities was 13.4% (2020: 13.8%; 2019: 11.5%). This decrease is due to changes in the mix of the taxable results and the changes in tax rates of the individual group companies.

The tax on the Group's net loss before tax differs from the theoretical amount that would arise using the weighted average applicable tax rate as follows:

	Year Ended December 31,		
(in KUSD)	**2021**	**2020**	**2019**
Loss before taxes	251,505	245,963	115,902
Pre-tax book income at the applicable statutory rate	34,060	33,319	12,332
Tax effects of:			
Tax losses for which no deferred income tax asset is recognized	(31,138)	(26,112)	(13,187)
State income taxes - U.S.	2,704	—	—
Recognition of previously unrecognized R&D tax credits and deductible temporary differences	22,270	—	—
R&D tax credit - U.S.	7,232	546	436
Non-deductible expenses	(13,665)	(8,166)	(156)
Other	16	86	(7)
Income tax benefit (expense)	**21,479**	**(327)**	**(582)**

During 2021, the Group recorded a charge of approximately KUSD 926 in connection with its prior year tax liability. Additionally, the Group reduced its deferred tax assets by KUSD 2,783 to reflect the impact on tax credit carryforwards if the treatment associated with the timing of intercompany expenses on its prior year tax return is not sustained. These adjustments have been recognized in the consolidated financial statements because the Group believes it is not probable that the tax treatment will be sustained upon examination. The total impact is reflected in Non-deductible expenses in the effective tax rate reconciliation above. Apart from this specific item, the Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax law.

Following the approval of ZYNLONTA and the commencement of commercial sales in the U.S., the Group revised its projections of future taxable income. On this basis, the Group realized a deferred income tax benefit associated with the recognition of deferred tax assets related to federal and state R&D tax credits and temporary differences pertaining to its U.S. subsidiary for the year ended December 31, 2021. Approximately USD 25.7 million of the total income tax benefit relates to recording deferred tax assets not recognized as of December 31, 2020. See note 21, “Deferred income taxes and tax credit” for further information.

13. Other current assets

(in KUSD)	**December 31, 2021**	**December 31, 2020**
VAT receivable, net	364	453
Withholding tax receivable	23	991
Prepaid insurance	3,416	2,852
Prepaid compensation	1,489	1,488
Prepaid expenses	2,457	1,791
Prepaid and other CMC, research and clinical expenses	7,988	2,024
UK R&D expenditure credit receivable	455	1,246
Other	1,106	410
	17,298	**11,255**

The increase of USD 6.0 million in other current assets is primarily due to an increase in prepaid and other expenses associated with CMC, research and clinical trial activities. For further information regarding the UK R&D Credit Scheme, please refer to note 9, “Non-operating income (expense)”.

The maturity of other current assets is less than one year. The Company considers the counterparty risk as low. The Company believes the carrying amount of the aforementioned receivables is considered to approximate their fair value.

14. Non-current assets by geographic area

(in KUSD)

Country	December 31, 2021	December 31, 2020
Switzerland	56,680	60,231
United Kingdom	8,165	1,132
United States	1,203	1,482
	66,048	**62,845**

Non-current assets consist of property, plant and equipment, right-of-use assets, intangible assets and interest in joint venture. All intangible assets and the interest in joint venture are located in Switzerland.

15. Inventory

Inventory as of December 31, 2021 consisted of the following:

(in KUSD)	As of December 31, 2021
Work in process	10,562
Finished goods [(1)]	560
Total inventory	11,122

[(1)] Finished goods includes KUSD 3 relating to ZYNLONTA held on consignment by the Company's third-party logistics and distribution provider. Subsequent to December 31, 2021, the Company's inventory is no longer held on consignment by the third-party logistics and distribution provider.

The Company did not capitalize inventory costs as of December 31, 2020. See note 3, "Significant accounting policies" for further information.

16. Property, plant and equipment

(in KUSD)	Leasehold improvements	Laboratory equipment	Office equipment	Hardware	Construction in progress	Total
Cost						
January 1, 2020	**533**	**1,111**	**698**	**618**	**—**	**2,960**
Additions	224	30	84	616	67	1,021
Disposals and scrapping	(13)	(178)	(117)	(367)	—	(675)
Exchange difference	2	39	6	3	—	50
December 31, 2020	**746**	**1,002**	**671**	**870**	**67**	**3,356**
Additions	1,761	1,250	308	111	—	3,430
Transfers	67	—	—	—	(67)	—
Disposals and scrapping	(272)	—	(24)	—	—	(296)
Exchange difference	(53)	(24)	(10)	—	—	(87)
December 31, 2021	**2,249**	**2,228**	**945**	**981**	**—**	**6,403**
Accumulated depreciation						
January 1, 2020	**(209)**	**(533)**	**(397)**	**(445)**	**—**	**(1,584)**
Depreciation charge	(162)	(207)	(173)	(232)	—	(774)
Disposals and scrapping	13	178	117	367	—	675
Exchange difference	(4)	(32)	(4)	(4)	—	(44)
December 31, 2020	**(362)**	**(594)**	**(457)**	**(314)**	**—**	**(1,727)**
Depreciation charge	(312)	(251)	(99)	(258)	—	(920)
Disposals and scrapping	272	—	24	—	—	296
Exchange difference	3	9	2	—	—	14
December 31, 2021	**(399)**	**(836)**	**(530)**	**(572)**	**—**	**(2,337)**
Net book amount						
December 31, 2020	**384**	**408**	**214**	**556**	**67**	**1,629**
December 31, 2021	**1,850**	**1,392**	**415**	**409**	**—**	**4,066**

In 2021, the investments in tangible fixed assets related to leasehold improvements and laboratory equipment related to the UK facility. During 2021 and 2020, the Company wrote-off fully depreciated PP&E no longer in use. In 2020, the investments in tangible fixed assets relate mainly to investments in the UK laboratory and in hardware.

Depreciation of property, plant and equipment has been charged to the following categories in the consolidated statement of operation:

	Year Ended December 31,		
(in KUSD)	**2021**	**2020**	**2019**
R&D expense	751	589	407
S&M expense [(1)]	67	—	—
G&A expense	102	185	145
	920	**774**	**552**

[(1)] Depreciation expense for S&M was not material for year ended December 31, 2020.

17. Leases

The following tables provide balance sheet classification related to leases:

(in KUSD)	December 31, 2021	December 31, 2020
Properties (offices)	7,080	3,071
Vehicles	84	58
Total right-of-use assets	**7,164**	**3,129**

(in KUSD)	December 31, 2021	December 31, 2020
Lease liabilities (short-term)	1,029	1,002
Lease liabilities (long-term)	6,994	2,465
Total lease liabilities	**8,023**	**3,467**

As the Company continues to grow its operations and further develops its pipeline, it is looking to expand its facilities. During the first quarter of 2021, the Company entered into a new lease agreement with a ten-year term commencing in January 2021 for space in the iHub building on the Imperial University college campus in White City, West London. The primary function of the new facility, which consists of approximately 1,100 square meters, is R&D. Pursuant to the terms of the agreement, the aggregate minimum lease payments for the first five years are fixed at which point the parties agree to perform an open market review, subject to a minimum and maximum rent escalation of 2% and 4%, respectively. Alternatively, the Company has the contractual right to exit the lease upon the fifth anniversary of lease commencement. In accounting for its Right-of-use asset and Lease liability, the Company concluded it was reasonably certain that it would occupy the space for the full ten-year term. During the second quarter of 2021, the Company entered into a new 18-month lease for its existing U.S. corporate offices in New Jersey, which commenced in June 2021. During the third quarter of 2020, the Company concluded it was reasonably certain that it would modify the terms of various existing lease agreements in accordance with the underlying terms of the agreements, which would reduce the Company’s future minimum lease obligations. As a result, the Company reduced its Right of use assets and Leased liability, non-current by KUSD 583. As a result of these new leases, the Company terminated certain of its existing lease agreements.

(in KUSD)

Right-of-Use Assets	Properties (Offices)	Vehicles	Total
Cost			
January 1, 2020	**5,887**	**78**	**5,965**
Modification of lease terms	(583)	—	(583)
Exchange difference	20	—	20
December 31, 2020	**5,324**	**78**	**5,402**
Additions	5,662	56	5,718
Lease termination	(1,873)	—	(1,873)
Exchange difference	(108)	—	(108)
December 31, 2021	**9,005**	**134**	**9,139**
Accumulated depreciation			
January 1, 2020	**(1,067)**	**—**	**(1,067)**
Depreciation charge	(1,131)	(20)	(1,151)
Exchange difference	(55)	—	(55)
December 31, 2020	**(2,253)**	**(20)**	**(2,273)**
Depreciation charge	(1,551)	(30)	(1,581)
Lease termination	1,873	—	1,873
Exchange difference	6	—	6
December 31, 2021	**(1,925)**	**(50)**	**(1,975)**
Net book amount			
December 31, 2020	**3,071**	**58**	**3,129**
December 31, 2021	**7,080**	**84**	**7,164**

Depreciation of right-of-use assets have been charged to the following categories in the consolidated statement of operation:

	For the Years Ended		
(in KUSD)	**2021**	**2020**	**2019**
R&D expenses	1,342	915	837
G&A expenses	239	236	227
	1,581	**1,151**	**1,064**

Depreciation expense for S&M was deemed to be not material.

(in KUSD)

Lease liabilities	Properties (Offices)	Vehicles	Total
January 1, 2020	**4,953**	**78**	**5,031**
Modification of lease terms	(583)	—	(583)
Cash outflow (including interest)	(1,227)	(22)	(1,249)
Interest	102	3	105
Exchange difference	157	6	163
December 31, 2020	**3,402**	**65**	**3,467**
Additions	5,662	56	5,718
Cash outflow (including interest)	(1,169)	(33)	(1,202)
Interest	222	3	225
Exchange difference	(219)	34	(185)
December 31, 2021	**7,898**	**125**	**8,023**
December 31, 2020			
Lease liabilities (short-term)	981	21	1,002
Lease liabilities (long-term)	2,421	44	2,465
Total lease liabilities	**3,402**	**65**	**3,467**
December 31, 2021			
Lease liabilities (short-term)	994	35	1,029
Lease liabilities (long-term)	6,904	90	6,994
Total lease liabilities	**7,898**	**125**	**8,023**

The Company does not recognize right-of-use assets for short-term and low value leases. The Company has no low value leases. Expense relating to short-term leases incurred during 2021 and 2020 is recorded in the consolidated statement of operation in an amount of KUSD 164 and KUSD 277, respectively.

The amount payable in 2022 under short-term leases (with an original term of under 12 months) is KUSD 13.

18. Intangible assets

(in KUSD)	Indefinite lived		Definite lived		
	Licenses	Internal development costs	Licenses	Software	Total
Cost					
January 1, 2020	**9,221**	**—**	**—**	**147**	**9,368**
Additions	1,923	—	—	85	2,008
Disposals	—	—	—	(65)	(65)
Exchange difference	—	—	—	1	1
December 31, 2020	**11,144**	**—**	**—**	**168**	**11,312**
Additions	2,293	631	600	14	3,538
Transfers	(452)	—	452	(6)	(6)
December 31, 2021	**12,985**	**631**	**1,052**	**176**	**14,844**
Accumulated amortization					
January 1, 2020	**(853)**	**—**	**—**	**(81)**	**(934)**
Amortization charge	—	—	—	(47)	(47)
Impairment charge	(216)	—	—	—	(216)
Disposals	—	—	—	65	65
Exchange difference	—	—	—	(1)	(1)
December 31, 2020	**(1,069)**	**—**	**—**	**(64)**	**(1,133)**
Amortization charge	—	—	(50)	(79)	(129)
December 31, 2021	**(1,069)**	**—**	**(50)**	**(143)**	**(1,262)**
Net book amount					
December 31, 2020	**10,075**	**—**	**—**	**104**	**10,179**
December 31, 2021	**11,916**	**631**	**1,002**	**33**	**13,582**

Amortization and impairment of intangible assets have been charged to the following categories in the consolidated statement of operation:

(in KUSD)	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Cost of product sales	50	—	—
R&D expenses	12	230	14
G&A expenses	67	33	16
	129	263	30

Licenses

Licenses classified as definite-lived intangible assets are amortized over their useful lives, which are determined on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the licenses and which therefore commence only once the necessary regulatory and marketing approval has been received for the product candidates to which they relate. The Company classifies its licenses relating to product candidates for which regulatory approval has not been received as indefinite-lived intangible assets and did not recognize amortization expense relating to these licenses.

On April 23, 2021, the Company received FDA approval for ZYNLONTA. Upon FDA approval, the Company assigned an estimated useful life of 14 years to the intangible assets related to ZYNLONTA based on the expected patent life, which includes an extension period that the Company believes is highly probable of being granted. This estimated useful life does not include additional patent protection that may be granted under applications filed but not yet approved other than the extension period discussed above. Amortization expense

relating to the ZYNLONTA intangible assets for the year ended December 31, 2021 was KUSD 50, which was recorded in Cost of product sales in the consolidated statement of operations.
In 2021, the Company capitalized the following license fees paid or accrued to third parties as intangible assets:

Milestone Payments

- An amount of KUSD 1,050 paid upon the successful completion of a pre-clinical toxicology study and IND submission related to an antibody the Company acquired from a third party to be used in research, development, manufacturing and commercialization. The amount was capitalized as an indefinite-lived intangible asset;

- An amount of KUSD 600 paid upon final regulatory approval of ZYNLONTA related to a license agreement with a third party to use their technology to research, develop, manufacture and commercialize products. The amount was capitalized as a definite-lived intangible asset and is being amortized over its estimated useful life of 14 years as described above; and

- An amount of KUSD 293 paid upon the commencement of a Phase 1 clinical trial related to a license agreement with a third party to use their technology to research, develop, manufacture and commercialize products. The amount was capitalized as an indefinite-lived intangible asset.

License Payments

- An amount of KUSD 400 paid relating to a license agreement with a third party to use their proprietary conjugation technology to research, develop, manufacture and commercialize products. The amount was capitalized as an indefinite-lived intangible asset;

- An amount of KUSD 300 paid relating to a license agreement with a third party to acquire an antibody to be used in research, development, manufacturing and commercialization. The amount was capitalized as an indefinite-lived intangible asset; and

- An amount of KUSD 250 paid relating to a license agreement with a third party to acquire an antibody to be used in research, development, manufacturing and commercialization. The amount was capitalized as an indefinite-lived intangible asset.

Internal Development Costs

Internal development costs are classified as indefinite-lived intangible assets and are expected to be capitalized if they meet the criteria for recognition of an internally generated intangible asset, usually when marketing approval has been achieved from a regulatory authority in a major market. The Company began to capitalize internal development costs for ZYNLONTA as an internally generated intangible asset upon the FDA approval in the U.S. and if certain recognition criteria were met.

In 2020, the Company capitalized the following license fees paid or accrued to third parties as intangible assets:

Milestone Payments

- An amount of KUSD 250 paid upon the successful completion of a toxicology study related to an antibody the Company acquired from a third party to be used in research, development, manufacturing and commercialization. The amount was capitalized as an indefinite-lived intangible asset.

License Payments

- An amount of KUSD 1,000 relating to a license agreement with a third party to use their novel and proprietary conjugation technology with a variety of payload technologies in research, development, manufacturing and commercialization of antibody drug conjugates;

- An amount of KUSD 548 relating to a worldwide exclusive license with a third party to use their specific binding proteins in the development, manufacturing and commercialization of products; and

- An amount of KUSD 125 paid relating to license agreements with a third party to use their technology to generate antibody-drug conjugates for up to five antibodies.

Impairment testing

The Group performed an assessment of its licenses in the context of its annual impairment test. Given the stage of the Group's development activities, the Group performed the impairment test on the basis of a fair value model for the entire group using the Company’s market capitalization.

The group therefore performs their annual impairment tests on their entire portfolio of intangible assets, by deriving their fair value from the market capitalization for the entire group based on the Company's closing share price of its common stock traded on the NYSE as of the Company's annual impairment testing date. The fair value of the intangible asset portfolio was derived by deducting the carrying value of its tangible assets, which consist primarily of cash and cash equivalents, from the Group valuation. This resulted in a derived fair value of its portfolio of intangibles that was multiple times the carrying value of its intangibles.

Management's estimate of the fair value is consistent with the approach taken in prior years with the exception of deriving the value of the entire group in 2021 and 2020 based on the market capitalization of the Company's common stock traded on the NYSE and with external sources of information during 2019 (level 3 assessment).

Each of the product candidates related to the indefinite-lived and definite-lived intangible assets were additionally tested for impairment. Assessments included reviews of the following indicators:

- Future contractual commitments and internal budgets approved by the Board of Directors for ongoing and future trials;
- Consideration of the progress of clinical trials, including obtaining primary endpoint readout data, discussions with regulatory authorities for new trials and enrollment status for ongoing clinical trials; and
- Consideration of market potential, supported where available by external market studies, and assessments of competitor products and product candidates.

If a candidate fails any of those indicators, the entire balance is written off. During 2020, the Company terminated a program. Consequently, impairment charges of KUSD 216 (corresponding to the entire carrying amount of the capitalized licenses) were recognized and charged to R&D expenses in the consolidated statement of operation. No impairment losses were recognized in 2021 and 2019.

19. Interest in joint venture

On December 14, 2020, the Company announced the formation of a new joint venture company, Overland ADCT BioPharma, with Overland Pharmaceuticals ("Overland"), a fully integrated biopharmaceutical company backed by Hillhouse Capital. Overland ADCT BioPharma will develop and commercialize one of the Company's ADC products, ZYNLONTA, and three of the Company's ADC product candidates, ADCT-601, ADCT-602 and ADCT-901 (collectively, the "Licensed Products"), in greater China and Singapore (the "Territory"). The Company agreed to supply product to Overland ADCT BioPharma for its drug development and commercialization under a supply agreement entered into between the parties.

Under the terms of the license agreement between the Company and Overland ADCT BioPharma, the Company licensed exclusive development and commercialization rights to the Licensed Products (the "Licensed IP") in the Territory to Overland ADCT BioPharma. Overland invested USD 50.0 million in Overland ADCT BioPharma, and is obligated to pay the Company potential development milestone payments related to ADCT-601, ADCT-602 and ADCT-901, for a 51% equity interest. The Company received a 49% equity interest in exchange for contribution of the Licensed IP. The Company and Overland have appointed an equal number of nominees to the board of directors of Overland ADCT BioPharma which includes the Chief Executive Officer of Overland ADCT BioPharma. Pursuant to the license agreement, the Company may also earn low to mid-single digit royalties on net sales of the Licensed Products. In addition, Overland ADCT BioPharma elected to participate in the Company's global clinical trials. The Company also received an option, which it may exercise at its sole discretion, to exchange any or all of its equity interest in Overland ADCT BioPharma into an equity interest in Overland upon an initial public offering of Overland. Given the uncertainty of an initial public offering of Overland, the Company did not assign any value to the option.

In connection with the formation of Overland ADCT BioPharma, the Company determined the fair value of its equity interest by implying a total equity value of Overland ADCT BioPharma using Overland's investment of USD 50.0 million and the fair value of the contingent milestone consideration for Overland's 51% equity interest. The fair value of the contingent consideration was determined to be nominal due to the high uncertainty related to achieving certain conditions associated with the contingent consideration as of the closing date. The fair value of the Company's equity interest as of December 31, 2020 was determined to be KUSD 48,040, which resulted in the Company recognizing a gain of KUSD 24,501 and a deferred gain of KUSD 23,539. The gain was recognized within Share of results with joint venture in the Company's Consolidated Statement of Operation for the year ended December 31, 2020. The table below provides a rollforward of the Company's interest in Overland ADCT BioPharma as of December 31, 2021 and 2020.

(in KUSD)	
Interest in joint venture	
January 1, 2020	—
Initial investment	48,040
Share of results with joint venture	(132)
December 31, 2020	**47,908**
Share of results in joint venture	(6,672)
December 31, 2021	**41,236**

As of December 31, 2021, the deferred gain of USD 23.5 million arising from the Company's contribution for its equity investment in the joint venture remained unchanged from December 31, 2020. The Company's carrying value of its investment in a joint venture increases or decreases in relation to the Company's proportionate share of comprehensive income or loss of the joint venture. When the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture less the carrying value of the deferred gain, the Company ceases to recognize its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The tables below provide summarized financial information for Overland ADCT BioPharma that is material to the Company. The following information reflects the amounts presented in the financial statements of Overland ADCT BioPharma and not the Company's share of those amounts.

(in KUSD)	As of	
Summarized Balance Sheet	**December 31, 2021**	**December 31, 2020**
Cash and cash equivalents	39,318	50,000
Prepaid and other current assets	15	—
Intangible assets	48,040	48,040
Total liabilities	2,828	269
Net assets	84,545	97,771

(in KUSD)	For the Years Ended	
Summarized Statement of Comprehensive Loss	**December 31, 2021**	**December 31, 2020**
Operating expenses	13,876	269
Other income	(259)	—
Net loss	13,617	269

20a Financial instruments by class and by category

The accounting policies for financial instruments have been applied as indicated below:

(in KUSD)	Note	December 31, 2021	December 31, 2020
Financial assets - financial assets			
Cash and cash equivalents	5.1 / 20b	466,544	439,195
Accounts receivable, net	3.4	30,218	—
Other current assets (excluding prepaid expenses)	13	1,948	3,100
Other long-term assets		693	397
Total financial assets [(1)]		**499,403**	**442,692**

(in KUSD)	Note	December 31, 2021	December 31, 2020
Financial liabilities - financial liabilities			
Accounts payable		12,080	5,279
Other current liabilities	22	50,497	30,375
Lease liabilities, short-term and long-term	17	8,023	3,467
Convertible loans, short-term and long-term	24	93,728	38,406
Convertible loans, derivatives	24	37,947	73,208
Deferred royalty obligation	26	225,477	—
Income taxes payable		3,754	149
Other long-term liabilities		—	221
Total financial liabilities [1]		**431,506**	**151,105**
Net financial position		**67,897**	**291,587**

[1] Financial assets and Financial liabilities are recorded at historical or amortized cost with the exception of Convertible loans, derivatives which are recorded at fair value.

The following is the net debt rollforward for the Company for 2020 and 2021.

	Notes	Cash and cash equivalents	Convertible loan [1]	Embedded derivative [1]	Deferred royalty obligation [2]	Lease liabilities [3]	Total
January 1, 2020		115,551	—	—	—	(5,031)	110,520
Issuance of convertible loan	24	65,000	(37,203)	(27,797)	—	—	—
Convertible loan transaction costs	24	(3,673)	2,102	—	—	—	(1,571)
Fair value adjustments	24	—	—	(23,432)	—	—	(23,432)
Convertible loan accretion	24	—	(4,756)	—	—	—	(4,756)
Interest payments		(1,557)	1,452		—	105	—
Lease principal	17	(1,144)	—	—	—	1,144	—
Other lease activity including foreign exchange	17	—	—	—	—	315	315
Net cash inflow		264,783	—	—	—	—	264,783
Foreign exchange on cash		235	—	—	—	—	235
December 31, 2020 [4]		**439,195**	**(38,406)**	**(51,229)**	**—**	**(3,467)**	**346,093**

	Notes	Cash and cash equivalents	Convertible loan [1]	Embedded derivatives [1]	Derivatives [1]	Deferred royalty obligation [2]	Lease liabilities [3]	Total
January 1, 2021		**439,195**	**(38,406)**	**(51,229)**	**(21,979)**	**—**	**(3,467)**	**324,114**
Issuance of convertible loan	24	50,000	(50,368)	(18,158)	20,341	—	—	1,815
Fair value adjustments	24	—	—	31,440	1,638	—	—	33,078
Convertible loan transaction costs	24	(557)	409	—		—	—	(148)
Convertible loan accretion	24	—	(10,418)	—	—	—	—	(10,418)
Interest payments	17, 24	(5,280)	5,055	—	—	—	225	—
Issuance of deferred royalty obligation	26	225,000	—	—	—	(225,000)	—	—
Deferred royalty transaction costs	26	(6,998)	—	—	—	6,998	—	—
Deferred royalty obligation accretion and cumulative catch-up	26	—	—	—	—	(7,688)(	—	(7,688)
Deferred royalty obligation payments	26	(213)	—	—	—	213	—	—
Lease additions	17	—	—	—	—	—	(5,718)	(5,718)
Lease principal	17	(977)	—	—	—	—	977	—
Other lease activity including foreign exchange	17	—	—	—	—	—	(40)	(40)
Net cash outflow		(233,632)	—	—	—	—	—	(233,632)
Foreign exchange on cash		6	—	—	—	—	—	6
December 31, 2021		**466,544**	**(93,728)**	**(37,947)**	**—**	**(225,477)**	**(8,023)**	**101,369**

[1] See note 24, “Convertible loans for further information.

[2] See note 26, “Deferred royalty obligation” for further information.

[3] See note 17, “Leases” for further information.

[4] Totals may not foot due to rounding.

20b Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired is assessed below by reference to S&P’s credit ratings (where available) or to historical information about counterparty default rates:

(in KUSD)	December 31, 2021	December 31, 2020
Cash and cash equivalents		
UBS	154,961	144,989
Credit Suisse	157,098	145,238
JP Morgan Chase	1,295	3,768
Bank of America	153,190	145,200
	466,544	**439,195**

Accounts receivable, net, Other current assets (excluding prepaid expenses) and other long-term assets are fully performing, not past due and not impaired (see note 13, “Other current assets” and note 20a, “Financial instruments by class and by category”).

21. Deferred income taxes and tax credit

Recognized unused tax credits and temporary differences

Following the approval of ZYNLONTA and the commencement of commercial sales in the U.S., the Group revised its projections of future taxable profits. On this basis, during 2021, the Group recognized deferred tax assets related to ADCT America's tax credits and temporary differences. The Group notes that its projections of future taxable profits rely on currently enacted law and are subject to revision if the U.S. legislates new tax law. Deferred income tax assets from ADCT America's federal and state R&D tax credit carryforwards, as well as temporary differences, are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The components of Deferred income tax as of December 31, 2021 are as follows:

(in KUSD)	As of December 31, 2021
U.S. Federal R&D credits	21,213
U.S. State R&D credits	3,843
Other items	993
Total	26,049

Prior to 2021, the Company did not recognize any deferred income tax assets as the realization of the related tax benefit through future taxable profits was not probable.

U.S. federal and state R&D credits associated with recognized deferred tax assets are scheduled to expire in future years through 2041 as follows:

(in KUSD)	December 31, 2021	December 31, 2020
2036	61	1,059
2037	—	2,569
2038	—	7,117
2039	5,552	7,026
2040	8,429	8,484
2041	7,232	—
Total	21,274	26,255

An amount of KUSD 6,010 was utilized in 2021 (KUSD 546 in 2020). The U.S. R&D tax credits in the above table may be carried forward for up to 20 years. In addition, U.S. State R&D credits of KUSD 3,782 have no expiration date. These U.S. R&D tax credits relate entirely to ADCT America.

Unused tax losses, unrecognized temporary differences and unused tax credits

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

(in KUSD)	December 31, 2021	December 31, 2020
Tax losses	818,946	613,206
Unused U.S. State R&D tax credits	907	26,255
Deductible (taxable) temporary differences	(40,380)	(50,465)
Total	**779,473**	**588,996**

Tax loss carryforwards

Potential deferred income tax assets from tax loss carryforwards exceed deferred tax liabilities. Deferred income tax assets from tax loss carryforwards are initially recognized to the extent of suitable deferred income tax liabilities, then to the extent that the realization of the related tax benefit through future taxable profits is probable. On this basis, the Company has decided not to recognize any deferred income tax assets other than those described above. The amounts of deferred income tax assets that arise from sources other than tax loss carryforwards and the amounts of deferred income tax liabilities are insignificant in comparison to the unrecognized tax loss carryforwards.

Tax losses not recognized and to be carried forward (in KUSD):

Years of expiry	December 31, 2021	December 31, 2020
2021	—	19,889
2022	31,128	31,128
2023	38,441	38,441
2024	92,012	92,012
2025	121,866	121,866
2026	118,943	118,943
Beyond 2027	416,556	190,927
	818,946	**613,206**

All of these carryforwards relate to the Company. In 2021, unused tax losses of KUSD 19,889 expired (2020: KUSD 14,735).

U.S. R&D tax credits carryforwards

As described above, Deferred income tax assets from U.S. R&D tax credit carryforwards are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. On this basis, the Group has not recognized deferred tax assets related to the following state tax credits carryforwards:

(In KUSD) Years of expiry	December 31, 2021
2038	352
2039	275
2040	280
	907

These U.S. R&D tax credits, which may be carried forward for up to 20 years, relate entirely to ADCT America.

22. Other current liabilities

(in KUSD)	December 31, 2021	December 31, 2020
Payroll and social charges	16,063	12,063
R&D costs	20,320	15,333
GTN sales adjustments [(1)]	1,386	—
Other [(2)]	12,728	2,979
	50,497	**30,375**

[(1)] See note 7, “Product revenues, net”.

[(2)] Other includes the short term component of the Deferred royalty obligation as of December 31, 2021. See note 26, “Deferred royalty obligation”.

The increase in Other current liabilities is primarily related to the increase in R&D costs due to advancement of the Company’s clinical trials associated with ZYNLONTA in earlier lines of therapies and new histologies and its other product candidates. In addition, Payroll and social charges increased due to higher employee headcount in 2021.

23. Pension obligations

The Swiss pension plan is classified as a defined benefit plan under IFRS. Certain employees of the UK subsidiary are covered by local defined contribution plans. Pension costs for these plans are charged to the consolidated statement of operation when incurred.

Swiss pension plan

The Company contracted with the Swiss Life Collective BVG Foundation based in Zurich for the provision of occupational benefits. All benefits in accordance with the regulations are reinsured in their entirety with Swiss Life SA within the framework of the corresponding contract. This pension solution fully reinsures the risks of disability, death and longevity with Swiss Life. Swiss Life invests the vested pension capital and provides a 100% capital and interest guarantee. The pension plan is entitled to an annual bonus from Swiss Life comprising the effective savings, risk and cost results.

Although, as is the case with many Swiss pension plans, the amount of ultimate pension benefit is not defined, certain legal obligations of the plan create constructive obligations on the employer to pay further contributions to fund an eventual deficit; this results in the plan nevertheless being accounted for as a defined benefit plan.

In 2021, the guaranteed interest to be credited to employees' savings was 1% for mandatory retirement savings and 0.13% for supplementary retirement savings. The rate for converting mandatory savings to an annuity at age 65 for male employees and age 64 for female employees will decrease from 6.8% in 2021 to 6.5% in 2022 and 6.2% in 2023. The rate for converting supplementary savings to an annuity decreases from 4.95% in 2021 to 4.712% in 2022 and 4.4855% starting in 2023 for male and decreases from 4.9954% in 2021 to 4.7626% in 2022 and to 4.5411% starting 2023 for female employees.

The Swiss defined benefit plan scheme is valued by independent actuaries every year using the projected unit credit method. The latest actuarial valuation was carried out as at December 31, 2021.

The net amount recognized on the balance sheet comprises:

(in KUSD)	**December 31, 2021**	**December 31, 2020**
Present value of defined benefit obligation for funded plan	14,919	11,809
Fair value of plan assets	(11,267)	(8,266)
Deficit of funded plan: liability on the balance sheet	**3,652**	**3,543**

The movement in the net defined benefit obligation over the year is as follows:

(in KUSD)	**Present value of obligation**	**Fair value of plan assets**	**Total**
Defined benefit plan - pension costs:			
January 1, 2020	7,880	(5,196)	2,684
Current service cost	960	—	960
Interest cost / (income)	17	(11)	6
Defined benefit plan - pension costs	977	(11)	966
Employee contributions	348	(348)	—
Employer contributions	—	(690)	(690)
Transfers from joiners' previous plans	1,451	(1,451)	—
	1,799	(2,489)	(690)
Exchange differences	838	(560)	278
Remeasurements:			
Other actuarial losses	775	—	775
Plan asset gains	—	(10)	(10)
Change in demographic assumptions	(460)	—	(460)
Remeasurements	315	(10)	305
December 31, 2020	11,809	(8,266)	3,543

(in KUSD)	Present value of obligation	Fair value of plan assets	Total
Defined benefit plan - pension costs:			
January 1, 2021	**11,809**	**(8,266)**	**3,543**
Current service cost	1,080	—	1,080
Impact of plan changes	(651)	—	(651)
Interest cost / (income)	23	(16)	7
Defined benefit plan - pension costs	**452**	**(16)**	**436**
Employee contributions	404	(404)	—
Employer contributions	—	(801)	(801)
Transfers from joiners' previous plans	1,968	(1,968)	—
	2,372	**(3,173)**	**(801)**
Exchange differences	(382)	269	(113)
Remeasurements:			
Change in financial assumptions	(310)	—	(310)
Other actuarial losses	978	—	978
Plan asset gains	—	(81)	(81)
Remeasurements	668	(81)	587
December 31, 2021	**14,919**	**(11,267)**	**3,652**

The changes in demographic assumptions utilized in the valuation had a positive impact in the present value of pension obligations in 2020. More specifically, the benefit arose from using an updated mortality table as described below. The other actuarial losses in 2020 were due to a variety of experience factors, including in particular the increase in 2020, after the service cost for 2020 had been determined, in the number of active employees covered by the pension plan.

The positive impact of plan changes for 2021 was due to the further decrease of conversion rates for the supplementary retirement savings. Other actuarial losses in 2021 of KUSD 978 were due to increases in the plan participants' vested benefits. Changes in the financial assumptions in the following tables resulted in a decrease to the defined benefit obligations.

The present value of the defined benefit obligation related to 31 active employees based in Switzerland (2020: 28 active employees).

The principal actuarial assumptions used for accounting purposes are as follows for all periods presented:

	2021	2020
Discount rate	0.35 %	0.20 %
Interest credited on savings accounts	0.35 %	0.20 %
Future salary increases	1.50 %	1.50 %
Future pension increases	0.00 %	0.00 %

Assumptions regarding future mortality experience are set based on actuarial advice provided in accordance with published statistics and experience in each territory.

Mortality assumptions for Switzerland are based on the LPP 2020 mortality generational tables for 2021 and 2020. The average life expectancy in years after retirement of a pensioner retiring at age 65 (male) and 64 (female) on the balance sheet date is as follows:

	2021	2020
Male	22.57	22.45
Female	25.37	25.26

The sensitivity of the defined benefit obligation and of the service cost to changes in the weighted principal assumption is:

2021	Increase in assumption	Impact on defined benefit obligation and service cost	Decrease in assumption	Impact on defined benefit obligation and service cost
Discount rate	0.25 %	(4.90)%	(0.25)%	5.30 %
Future salary increases	0.50 %	0.60 %	(0.50)%	(0.60)%
Interest credited on savings accounts	0.50 %	2.70 %	(0.50)%	(2.60)%
Future pension increases	0.50 %	6.70 %	(0.50)%	(6.10)%

2020	Increase in assumption	Impact on defined benefit obligation and service cost	Decrease in assumption	Impact on defined benefit obligation and service cost
Discount rate	0.25 %	(5.00)%	(0.25)%	5.40 %
Future salary increases	0.50 %	0.70 %	(0.50)%	(0.70)%
Interest credited on savings accounts	0.50 %	2.80 %	(0.50)%	(2.70)%
Future pension increases	0.50 %	6.70 %	(0.50)%	(6.00)%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Expected employer contributions to the defined benefit plan for the year ending December 31, 2022 amount to KUSD 928.

The weighted average duration of the defined benefit obligation is 20.5 years (2020: 20.9 years).

Asset-liability strategy

The Swiss Life Collective BVG Foundation, to which the pension plan is affiliated, manages its funds in the interests of all members, with due attention to the priorities of liquidity, security and return. The Company's pension plan benefits from the economies of scale and diversification of risk available through this affiliation.

Investments by asset class

Investments by asset class are as follows:

(in KUSD)	December 31, 2021	December 31, 2020
Cash	85	126
Bonds	6,320	4,658
Shares	531	564
Real estates and mortgages	3,457	2,353
Alternative investments	875	565
	11,268	**8,266**

Defined benefit plan reserves

The movement in the defined benefit plan reserves (included in "Other reserves") is as follows:

(in KUSD)	2021	2020
January 1	(2,694)	(2,389)
Remeasurements of defined benefit pension plan	(587)	(305)
December 31	**(3,281)**	**(2,694)**

24. Convertible loans

Facility agreement

On April 24, 2020, the Company entered into a USD 115.0 million Facility Agreement with Deerfield Partners, L.P. and certain of its affiliates ("Deerfield"). Pursuant to such agreement, Deerfield agreed to extend senior secured convertible term loans to the Company in two separate disbursements:

(i) an initial disbursement of convertible loans in the amount of USD 65.0 million upon the completion of the IPO, and satisfaction of certain other conditions (the "first tranche") and

(ii) a subsequent disbursement of convertible loans in the amount of USD 50.0 million upon the receipt of regulatory approval for ZYNLONTA, and satisfaction of certain other conditions (the "second tranche").

The outstanding principal amount of the convertible loans is due to be repaid in full on May 19, 2025. However, any conversion of the convertible loans into common shares shall be deemed a repayment of the principal amount of the convertible loans so converted.

The convertible loans bear interest at a rate of 5.95% per annum, based on a 360-day year, with interest payable quarterly in arrears commencing July 1, 2020 and July 1, 2021 for the first tranche and second tranche, respectively.

Upon any payment of the convertible loans or conversion of the convertible notes, whether upon redemption or at maturity or at any other time, the Company will be required to pay an exit charge equal to 2.0% of the amount of the loans so paid or converted.

The Company's obligations under the Facility Agreement are guaranteed by the Company's wholly-owned subsidiaries and secured by a perfected, first-priority security interest in substantially all of the Company's and its wholly-owned subsidiaries' personal property, including its intellectual property and the equity ownership interests directly and indirectly held by the Company in its wholly-owned subsidiaries and joint venture.

Each convertible loan extended under the Facility Agreement is evidenced by a convertible note. The holder of each of the first tranche of convertible notes is entitled to convert the principal amount of convertible loans evidenced thereby, at its option, into the Company's common shares at any time at a conversion price per share equal to 130% of the IPO share price, which was USD 19.00.

The conversion price for the second tranche of convertible notes is the lesser of (i) 150% of the IPO price and (ii) 120% of the average of the volume-weighted average prices of the Company's common shares on each of the 15 trading days immediately prior to the disbursement date of the second tranche, but in no event less than a floor equal to 81% of the IPO price. If the conversion price of the second tranche of convertible notes is less than the floor price but for the application of the floor, Deerfield will not be obligated to extend the second tranche.

Upon the occurrence of a major transaction, as defined below, the holders of the convertible notes may elect to require the Company to redeem all or any portion of the notes for an amount equal to the principal amount thereof (in addition to accrued and unpaid interest, the make-whole amount and the exit charge) or alternatively the holder may elect to require the Company to convert the unredeemed portion and, in addition, receive a number of additional common shares determined as set forth in the convertible notes (in addition to accrued and unpaid interest and the exit charge). In the case of a successor major transaction, as defined below, the Company may elect to require redemption of any portion of the convertible notes that the holder does not elect to convert in connection with such transaction.

Major transactions include (i) mergers and similar transactions as a result of which the holders of common shares before the transaction no longer hold a majority of the common shares after the transaction or the common shares are changed into the securities of another entity, (ii) sales of assets exceeding 50% of the Company's enterprise value, (iii) any person or group acquiring beneficial ownership of more than 50% of the Company's common shares or (iv) the delisting of the Company's common shares, subject in each case to the more detailed provisions contained in the convertible notes. Successor major transactions include any major transaction in which the Company's common shares are converted into the right to receive cash, securities of another entity and/or other assets, and any asset sale major transaction in which the Company distributes assets to its shareholders.

The Company will have the right to force conversions of the convertible notes on and after the one-year anniversary of the date on which it received regulatory approval of ZYNLONTA if each of the following is greater than 275% of the conversion price (among other conditions specified in the convertible notes): (1) the volume weighted average price of the common shares on at least 20 trading days during any period of 30 consecutive trading days, (2) the volume weighted average price of the common shares on the last trading day of such period and (3) the closing price of the common shares on the last trading day of such period. The Company will have the right to force conversions of the convertible notes on and after the three-year anniversary of the date on which it has received regulatory approval of ZYNLONTA if the same conditions above are satisfied, except that the applicable price described in the preceding sentence need only be greater than 175% of the conversion price.

The Facility Agreement contains various covenants, including a requirement to retain USD 50 million in cash and cash equivalents as of the end of each fiscal quarter.

First tranche - Initial disbursement of convertible loans

The Company has accounted for the first tranche of convertible loans amounting to USD 65 million issued on May 19, 2020 as comprising two components: an embedded conversion option derivative and a loan.

Valuation of derivative embedded in first tranche

Since issuance, the embedded conversion option derivative is marked-to-market on a quarterly basis. During the year ended December 31, 2021, the Company recognized income of KUSD 28,003 as a result of changes in the fair value of the embedded derivative. During the year ended December 31, 2020, the Company recognized a loss of KUSD 23,432, as a result of changes in the fair value of the embedded derivative. The fair value of the embedded derivative associated with the first tranche was KUSD 23,226 and KUSD 51,229 as of December 31, 2021 and December 31, 2020, respectively. The decrease in fair value of the embedded derivative during the year ended December 31, 2021 is primarily due to the decrease in the fair value of the underlying shares from December 31, 2020 to December 31, 2021, which was charged directly to the consolidated statement of operations. The increase in fair value of the embedded derivative during the year ended December 31, 2020 is primarily due to the increase in the fair value of the underlying shares from April 24, 2020 to December 31, 2020.

The Company used an independent valuation firm to assist in calculating the fair value of the embedded conversion option derivative, which is based on the mean of values derived from application of the Hull and Goldman Sachs convertible bond pricing models. Key inputs for the valuations as of December 31, 2021 and December 31, 2020 were as follows:

	As of	
	December 31, 2021	**December 31, 2020**
Exercise price at 130% of the IPO price of 19.00, in USD	24.70	24.70
Forced conversion price, in USD [(1)]	67.93	67.93
Share price in USD	20.20	32.01
Risk-free interest rate	1.0 %	0.3 %
Expected volatility [(2)]	77 %	90 %
Expected term	40 months	52 months
Dividend yield	—	—
Recovery rate	5 %	5 %
Implied bond yield	8.8 %	13.3 %

[(1)] In accordance with the terms of the convertible loans, under certain circumstances the Company has the right to force conversions of the convertible notes on and after the one- and three-year anniversaries of the date on which it has received regulatory approval of ZYNLONTA as discussed above.

[(2)] The expected volatility utilized for the December 31, 2021 valuation decreased from that used in the December 31, 2020 valuation due to a change in the peer group. Prior to the FDA approval of ZYNLONTA, the Company utilized a peer group primarily comprised of clinical-stage companies. Upon receipt of FDA approval of ZYNLONTA, the Company updated the peer group to primarily comprise of commercial-stage companies, which lowered the expected volatility assumption utilized in the December 31, 2021 valuation.

Residual convertible loan

The loan bears interest at a rate of 5.95% per annum, based on a 360-day year, with interest payable quarterly in arrears commencing on July 1, 2020. For the years ended December 31, 2021 and December 31, 2020, the Company recorded interest expense related to the interest payable on the residual convertible loan (net of the value of the embedded conversion option derivative) in the amount of KUSD

8,389 and KUSD 4,756, respectively. The Company's interest expense is based on the implied effective interest rate, which was computed at inception at 23%.

The convertible loan's initial fair value was determined as the residual amount of the consideration received, net of attributable costs, after separating out the fair value of the embedded conversion option derivative. Transaction costs associated with the convertible loan were allocated to the embedded conversion option derivative and residual loan as follows:

in KUSD	Embedded derivative	Residual loan	Total
Gross proceeds	27,797	37,203	65,000
Less: transaction costs	(1,571)	(2,102)	(3,673)
Net	26,226	35,101	61,327

The transaction costs of the embedded derivative were charged directly to the consolidated statement of operations. The convertible loan is subsequently measured at its amortized cost in accordance with IFRS 9. The amount at which the convertible loan is presented as a liability in the consolidated balance sheet represents the net present value of all future cash outflows associated with the loan discounted at the implied effective interest rate. The net present value of those cash outflows occurring within 12 months of the balance sheet date discounted at the same rate is presented as a short-term liability. The remainder of the amount is presented as a long-term liability. The carrying value of the convertible loan was KUSD 42,874 as of December 31, 2021, of which KUSD 3,631 was the current portion of the liability. The carrying value of the convertible loan was KUSD 38,406 as of December 31, 2020, of which KUSD 3,631 was the current portion of the liability.

Second tranche - Accounting for subsequent disbursement of convertible loans prior to FDA approval

Draw-down of the second tranche of the convertible loans was mandatory upon receipt of regulatory approval for ZYNLONTA. Prior to drawing down the second tranche, the Company accounted for the second tranche as a derivative. The Company performed a valuation of the derivative immediately prior to the April 23, 2021 approval of ZYNLONTA, which resulted in a mark-to-market adjustment and recognition of KUSD 1,638 of income for the year ended December 31, 2021. The decrease in fair value of the derivative during the year ended December 31, 2021 is primarily due to the decrease in the fair value of the underlying shares from December 31, 2020 to immediately prior to the April 23, 2021 FDA approval, which was recorded directly to the consolidated statement of operations. The fair value of the derivative associated with the second tranche as of December 31, 2021 was nil as the derivative is now accounted for as an embedded conversion option derivative upon the draw-down of the subsequent disbursement. See "Second tranche - Accounting for subsequent disbursement of convertible loans after FDA approval" below for further details. During the year ended December 31, 2020, the Company recognized a loss of KUSD 21,979 as a result of changes in the fair value of the derivative. The increase in fair value of the derivative during the year ended December 31, 2020 was primarily due to the increase in the fair value of the Company's shares from April 24, 2020 to December 31, 2020 and has been charged directly to the consolidated statement of operations. The fair value of the derivative associated with the second tranche was KUSD 21,979 as of December 31, 2020.

The Company used an independent valuation firm to assist in performing a fair value assessment of the derivative liability, which is based on the mean of values derived from application of the Hull and Goldman Sachs convertible bond pricing models. Key inputs for the valuation as of April 23, 2021 (prior to FDA approval of ZYNLONTA) and December 31, 2020 were as follows:

	As of	
	April 23, 2021	December 31, 2020
Exercise price at 150% of the IPO of 19.00, in USD [(1)]	28.50	28.50
Forced conversion price, in USD [(2)]	78.38	78.38
Share price in USD [(3)]	24.85	32.01
Risk-free interest rate	0.6 %	0.3 %
Expected volatility	90 %	90 %
Expected term	1 month	5 months
Dividend yield	—	—
Recovery rate	5 %	5 %
Implied bond yield	7.7 %	7.4 %

[(1)] The conversion price for the second tranche of convertible notes is the lesser of (i) 150% of the IPO price and (ii) 120% of the average of the volume-weighted average prices of the Company's common shares on each of the 15 trading days immediately prior to the disbursement date of the second tranche, but in no event less than a floor equal to 81% of the IPO price.

(2) In accordance with the terms of the convertible loans, under certain circumstances the Company has the right to force conversions of the convertible notes on and after the one- and three-year anniversaries of the date on which it received regulatory approval of ZYNLONTA, as discussed above.

(3) The Company utilized the opening share price on April 23, 2021 for the valuation of the derivative immediately prior to FDA approval of ZYNLONTA.

Second tranche - Accounting for subsequent disbursement of convertible loans after FDA approval

Upon receipt of FDA approval of ZYNLONTA, the Company accounted for the second tranche of convertible loans amounting to USD 50 million issued on May 17, 2021 as comprising two separate components: an embedded conversion option derivative and a loan.

Valuation of derivative embedded in second tranche

The Company used an independent valuation firm to assist in calculating the initial fair value of the entire instrument, including the embedded conversion option derivative, as of April 23, 2021. The fair value of the embedded conversion option derivative component was based on the mean of values derived from application of the Hull and Goldman Sachs convertible bond pricing models. Key inputs for the subsequent valuation of the embedded conversion option derivative as of December 31, 2021 and the initial valuation of the entire instrument, including both components described above, after FDA approval of ZYNLONTA was obtained on April 23, 2021 were as follows:

	As of	
	December 31, 2021	**April 23, 2021**
Exercise price in USD (1)	28.07	28.50
Forced conversion price, in USD (2)	77.19	78.38
Share price in USD (3)	20.20	23.25
Risk-free interest rate	1.0 %	0.6 %
Expected volatility	77 %	75 %
Expected term	40 months	48 months
Dividend yield	—	—
Recovery rate	5 %	5 %
Implied bond yield	8.8 %	6.3 %

(1) The conversion price for the second tranche of convertible notes is the lesser of (i) 150% of the IPO price and (ii) 120% of the average of the volume-weighted average prices of the Company's common shares on each of the 15 trading days immediately prior to the disbursement date of the second tranche, but in no event less than a floor equal to 81% of the IPO price. The conversion price for the second tranche of the convertible notes as of December 31, 2021 was based on 120% of the average of the volume-weighted average process of the Company's shares on each of the 15 trading days prior to the disbursement date, while the conversion price as of April 23, 2021 was based on 150% of the IPO price.

(2) In accordance with the terms of the convertible loans, under certain circumstances the Company has the right to force conversions of the convertible notes on and after the one- and three-year anniversaries of the date on which it received regulatory approval of ZYNLONTA, as discussed above.

(3) The Company utilized the closing share price on April 23, 2021 for the valuation of the embedded conversion option derivative after FDA approval of ZYNLONTA.

The expected volatility utilized for the post-FDA approval valuations decreased from those used in the pre-FDA approval valuations due to a change in the peer group. Prior to the FDA approval of ZYNLONTA, the Company utilized a peer group primarily comprised of clinical-stage companies. Upon receipt of FDA approval of ZYNLONTA, the Company updated the peer group to primarily comprise of commercial-stage companies, which lowered the expected volatility assumption utilized in the post-FDA approval valuations.

The following table presents the initial fair value of the entire instrument as of April 23, 2021, including both components, relating to the USD 50.0 million subsequent disbursement. The Company received net cash proceeds of USD 49.4 million after deducting aggregate transaction costs associated with the subsequent disbursement. Transaction costs associated with the subsequent disbursement were allocated to the embedded conversion option derivative and convertible loan as follows:

in KUSD	Embedded derivative	Convertible loan	Total
Fair value as of April 23, 2021	18,158	50,368	68,526
Allocation of transaction costs	(148)	(409)	(557)
Net carrying value of convertible loan as of April 23, 2021		49,959	

The transaction costs of the embedded derivative were charged directly to the consolidated statement of operations.

During the year ended December 31, 2021, the Company recognized income of KUSD 3,436 as a result of changes in the fair value of the embedded derivative after the April 23, 2021 approval date. The fair value of the embedded derivative associated with the second tranche was KUSD 14,721 and KUSD 18,158 as of December 31, 2021 and after the April 23, 2021 approval date, respectively. The decrease in fair value of the embedded derivative is primarily due to the decrease in the fair value of the underlying shares from April 23, 2021 to December 31, 2021.

Convertible loan

The loan bears interest at a rate of 5.95% per annum, based on a 360-day year, with interest payable quarterly in arrears commencing on July 1, 2021. For the year ended December 31, 2021, the Company recorded interest expense related to the interest payable on the convertible loan (net of the value of the embedded conversion option derivative) in the amount of KUSD 2,029 based on the implied effective interest rate, which was computed at inception at 6.7%.

As described above, the Company used an independent valuation firm to assist in calculating the initial fair value of the entire instrument, including both components. The Company recorded the initial carrying amount of the convertible loan based on its fair value as of April 23, 2021. Refer to the tabular disclosure above for the key inputs used for the initial valuation after FDA approval of ZYNLONTA was obtained on April 23, 2021. The convertible loan is subsequently measured at its amortized cost in accordance with IFRS 9. The amount at which the convertible loan is presented as a liability in the consolidated balance sheet represents the net present value of all future cash outflows associated with the loan discounted at the implied effective interest rate. The net present value of those cash outflows occurring within 12 months of the balance sheet date discounted at the same rate is presented as a short-term liability. The remainder of the amount is presented as a long-term liability. The carrying value of the convertible loan was KUSD 50,854 as of December 31, 2021, of which KUSD 2,944 was the current portion of the liability.

Other

In connection with the receipt of the USD 50.0 million subsequent disbursement, the establishment of the embedded derivative and residual loan associated with the subsequent disbursement and elimination of the aforementioned derivative immediately prior to FDA approval of ZYNLONTA, the Company recorded a gain of KUSD 1,816 during the year ended December 31, 2021, which was recorded in Convertible loans, derivatives, change in fair value income (expense) in the consolidated statement of operations.

On June 4, 2021, in accordance with the Facility Agreement, the Company filed a registration statement to register 5,558,318 common shares, being the maximum number of shares that could potentially be issuable upon conversion of the full amount of the convertible notes issued under the Facility Agreement to the extent that the holders of the convertible notes elect to convert into the Company's common shares or if the Company forces conversion.

25. Share-based compensation expense

Share data have been revised to give effect to the share split and share consolidation explained in note 2 (iv) "Share split" and in note 2 (v) "Share consolidation".

Share Purchase Plan 2013 and Share Purchase Plan 2016

Under the terms of the 2013 and 2016 promissory notes issued in connection with the Share Purchase Plan 2013 and Share Purchase Plan 2016, in the case of an IPO the relevant plan participants were required to repay the outstanding amounts under the promissory notes prior to the IPO by delivering a number of shares of equivalent value to cover the amount to be repaid. In anticipation of the IPO, each of the plan participants holding promissory notes entered into loan settlement agreements with the Company dated as of April 15, 2020 pursuant to which they repaid all amounts outstanding under the promissory notes, including accrued interest, by delivering a number of shares of equivalent value to cover the amounts outstanding under the promissory notes.

After consideration of all relevant factors, the Board of Directors determined the value of such shares delivered pursuant to the loan settlement agreements as of the settlement date to be USD 18.75 per share, resulting in the delivery of an aggregate of 597,774 common shares by all plan participants for the settlement of the promissory notes. These shares were held by the Company as treasury shares.

These transactions resulted in the termination of both plans on May 15, 2020. All compensation expense relating to the ADC Therapeutics SA 2013 Share Purchase Plan (the "Share Purchase Plan 2013") was recognized in prior periods. During the year ended December 31, 2020, unrecognized expense relating to the Share Purchase Plan 2016 amounting to KUSD 6,425 was charged to the consolidated statement of operation with a corresponding increase to Other reserves within equity on the consolidated balance sheet on completion of these transactions. The amounts of expense for all awards recognized for services received during the year ended December 31, 2021, 2020 and 2019 was nil, KUSD 7,417 (including the KUSD 6,425 discussed above) and KUSD 332, respectively. There was no expense recognized for the Share Purchase Plan 2013 for the years ended December 31, 2021, 2020 and 2019.

Incentive Plan 2014

All existing awards under the Incentive Plan 2014 vested and were settled in shares upon the completion of the IPO. The Company calculated for each participant the gain arising from the difference between the exercise price and the USD 19.00 IPO price, undertook to settle in cash on behalf of the participant any associated tax and social charges liability, and transferred to the participant the remaining balance from treasury shares, valued at USD 19.00 per share. A total of 356,144 common shares were transferred to participants and an amount of KUSD 5,343 was withheld for tax and social charges during fiscal year 2020.

For participants whose awards had an exercise price greater than USD 19.00 — i.e., were "out-of-the-money" — the Company made an equal number of new awards under the Equity Incentive Plan 2019 (see below) with an exercise price of USD 19.00 and with a vesting period of only three years instead of the usual four years. These new awards have been accounted for as a modification of the previous awards under the Incentive Plan 2014. Accordingly, the original compensation expense calculated for the old awards that were "out-of-the-money" will continue to be recognized over their remaining vesting period while the expense to be recognized for the new awards under the 2019 Equity Incentive Plan will be limited to the incremental fair value of the new awards over the fair value, as of May 15, 2020, of the old awards.

The amounts of expense for all awards recognized for services received during the periods ended December 31, 2021, 2020 and 2019 were nil, KUSD 361 and KUSD 437, respectively.

2019 Equity Incentive Plan

In November 2019, the Company adopted the 2019 Equity Incentive Plan. Under the 2019 Equity Incentive Plan, the Company may at its discretion grant to plan participants, such as directors, certain employees and service providers, awards in the form of restricted shares and restricted share units ("RSUs"), share options, share appreciation rights, performance awards and other share-based awards. The Company has reserved 13,820,000 common shares for future issuance under the 2019 Equity Incentive Plan (including share-based equity awards granted to date less awards forfeited), which includes an additional 6,000,000 common shares approved by the Company's board of directors on March 29, 2021. As of December 31, 2021, the Company has 6,424,871 common shares available for the future issuance of share-based equity awards. On March 22, 2021, the Company issued its first annual equity award, which was approved by the Compensation Committee of the Board of Directors and consisted of 1,592,651 share options and 377,255 RSUs.

As of December 31, 2021 and 2020, the cumulative amount recorded as a net increase to Other Reserves within equity on the consolidated balance sheet in respect of the 2019 Equity Incentive Plan was KUSD 95,978 and KUSD 35,498. An amount of KUSD 75 was withheld for tax charges during fiscal year 2021. The amounts of expense for all awards recognized for services received during the years ended December 31, 2021, 2020 and 2019 were KUSD 60,555, KUSD 35,150 and KUSD 348, respectively.

Share Options

Pursuant to the 2019 Equity Incentive Plan, the Company may grant share options to its directors, certain employees and service providers working for the benefit of the Company at the time. The exercise price per share option is set by the Company at the fair market value of the underlying common shares on the date of grant, as determined by the Company, which is generally the closing share price of the Company's common shares traded on the NYSE. The awards generally vest 25% on the first anniversary of the date of grant, and thereafter evenly on a monthly basis over the subsequent three years. The contractual term of each share option award granted is ten years. Under the grant, the options may be settled only in common shares of the Company. Therefore, the grants of share options under the 2019 Equity Incentive Plan have been accounted for as equity-settled under IFRS 2. As such, the Company records a charge for the vested portion of award grants and for partially earned but non-vested portions of award grants. This results in a front-loaded charge to the Company's consolidated statement of operation and a corresponding increase to Other Reserves within equity on the consolidated balance sheet.

The expense recognized for services received during the years ended December 31, 2021, 2020 and 2019 is KUSD 50,647, KUSD 33,355 and KUSD 348, respectively.

Movements in the number of awards outstanding and their related weighted average strike prices are as follows:

	2021		2020		2019	
	Average strike price in USD per share	Number of awards	Average strike price in USD per share	Number of awards	Average strike price in USD per share	Number of awards
At the beginning of the year	26.45	4,276,973	18.75	1,020,434	—	—
Granted	28.22	2,572,008	28.62	3,347,766	18.75	1,020,434
Forfeited	24.82	(165,724)	19.83	(88,332)	—	—
Expired	18.75	(1,675)	—	—	—	—
Exercised	18.81	(41,382)	18.75	(2,895)	—	—
At the end of the year	**27.23**	**6,640,200**	**26.45**	**4,276,973**	**18.75**	**1,020,434**
Weighted average remaining contractual life of awards outstanding at end of period	8.7			9.29		9.96

The option awards granted during the year ended December 31, 2020 include 388,333 awards that were made to compensate holders of "out-of-the-money" awards under the Incentive Plan 2014 that expired on May 15, 2020. As of December 31, 2021, 1,972,964 awards are vested and exercisable out of the total outstanding awards of 6,640,200 common shares. As of December 31, 2021, the weighted average strike price and weighted average remaining life for vested and exercisable awards is USD 24.87 and 8.30 years, respectively. Awards outstanding as of December 31, 2021 have expiration dates between 2029 and 2031. The average grant date fair value of awards granted during the year ended December 31, 2021 was USD 19.76 per award (2020: USD 21.27 and 2019: USD 15.71).

The fair values of the options granted after the IPO were determined on the date of the grant using the Black-Scholes option-pricing model. Prior to the IPO, the fair value of the options granted were determined using an adjusted form of the Black-Scholes option pricing model. The Company has used an independent valuation firm to assist in calculating the fair value of the award grants per participant. See note 6, "Critical accounting estimates and judgements".

The fair values of the options granted during the years ended December 31, 2021, 2020 and 2019 were determined on the date of grant using the following assumptions:

		Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
a) weighted average share price	in USD	19.94-32.22	15.95-48.77	16.31
b) strike price	in USD	19.94-32.22	18.75-48.77	18.75
c) expected volatility	in %	70-85	80-206	176.6
d) award life	in # of years	5.5-6.08	5.02-6.08	5.65
e) expected dividends	in %	—	—	—
f) risk-free interest rate	in %	0.51-1.33	0.29-0.70	1.67

The expected volatility was based on the Company's historical volatility and selected volatility determined by median values observed among other comparable public companies. The expected volatility utilized after FDA approval of ZYNLONTA decreased from those used prior to FDA approval due to a change in the peer group. Prior to FDA approval, the Company utilized a peer group primarily comprised of clinical-stage companies. Upon receipt of FDA approval, the Company updated the peer group to primarily comprise of commercial-stage companies, which lowered the expected volatility assumption.

The award life for options granted was based on the time interval between the date of grant and the date during the ten-year life after which, when making the grant, the Company expected on average that participants would exercise their options.

RSUs

Pursuant to the 2019 Equity Incentive Plan, the Company may grant RSUs to its directors, certain employees and service providers working for the benefit of the Company at the time. The awards generally vest annually over a period of three years commencing on the first anniversary of the date of grant. Under the grant, the RSUs may be settled only in common shares of the Company. Therefore, the grant of RSUs under the 2019 Equity Incentive Plan have been accounted for as equity-settled under IFRS 2. As such, the Company records a charge for the vested portion of award grants and for partially earned but non-vested portions of award grants. This results in a front-loaded charge to the Company's consolidated statement of operation and a corresponding increase to Other Reserves within equity on

the consolidated balance sheet. The expense recognized for services received during the years ended December 31, 2021 and 2020 is KUSD 9,908 and KUSD 1,795, respectively. Prior to fiscal 2020, the Company did not grant any RSUs.

	Number of awards	Weighted average grant date fair value
December 31, 2020	—	—
Granted	149,984	46.50
December 31, 2020	149,984	46.50
Granted	574,143	28.17
Vested	(51,828)	45.56
Forfeited	(9,244)	28.70
December 31, 2021	663,055	30.95

Share-based Compensation Reserves

The movement in the Share-based Compensation Reserves (included in Other reserves within equity) is as follows:

(in KUSD)	2021	2020	2019
Incentive Plan 2014	—	361	437
Share Purchase Plan 2016	—	7,417	332
2019 Equity Incentive Plan - Options	50,647	33,355	348
2019 Equity Incentive Plan - RSUs	9,908	1,795	—
Tax and social charge deductions - Incentive Plan 2019	(75)	—	—
Tax and social charge deductions - Incentive Plan 2014	—	(5,343)	—
December 31, 2021	**60,480**	**37,585**	**1,117**

26. Deferred royalty obligation

Royalty purchase agreement

On August 25, 2021, the Company entered into a royalty purchase agreement with certain entities managed by HCR for up to USD 325.0 million. Under the terms of the agreement, the Company received gross proceeds of USD 225.0 million upon closing (the "First Investment Amount") and is eligible to receive an additional USD 75.0 million upon the first commercial sale of ZYNLONTA in the United Kingdom or any European Union country (the "Second Investment Amount") and an additional USD 25.0 million based on a low nine-digit worldwide (excluding China, Hong Kong, Macau, Taiwan, Singapore and South Korea) net sales milestone for ZYNLONTA in 2022 (the "Third Investment Amount," and together with the First Investment Amount and Second Investment Amount, the "Investment Amount"). Under the agreement, the Company is obligated to pay to HCR (i) a 7% royalty on the worldwide (excluding China, Hong Kong, Macau, Taiwan, Singapore and South Korea) net sales of ZYNLONTA and any product that contains ZYNLONTA and on any upfront or milestone payments the Company receives from licenses that it grants to commercialize ZYNLONTA or any product that contains ZYNLONTA in any region other than China, Hong Kong, Macau, Taiwan, Singapore and South Korea, (ii) a 7% royalty on the worldwide net sales of Cami and any product that contains Cami and on any upfront or milestone payments the Company receives from licenses that it grants to commercialize Cami or any product that contains Cami in the United States and Europe, and (iii) outside the United States and Europe, a 7% share of any upfront or milestone payments derived from licenses that the Company grants to commercialize Cami or any product that contains Cami and, in lieu of the royalty on net sales under such licenses, a mid-teen percentage share of the net royalty the Company receives from such licenses. These royalty rates are subject to potential upward adjustment, up to a maximum of 10%, based on performance tests in 2026 and 2027. The 7% royalty rates described above are subject to adjustment to a potential high-single-digit percentage royalty rate after September 30, 2026 and/or a 10% royalty rate after September 30, 2027, if the aggregate net sales and license revenue subject to royalty obligations in the preceding twelve months do not exceed certain mid-nine-digit milestones by such dates. The Company's aggregate royalty obligations are capped at 2.50 times the amount paid by HCR under the agreement (approximately USD 562.5 million as of December 31, 2021), or at 2.25 times the amount paid by HCR under the agreement (approximately USD 506.3 million as of December 31, 2021) if HCR receives royalty payments exceeding a mid-nine-digit amount on or prior to March 31, 2029 (the "Royalty Cap"). Once the Royalty Cap is reached, the royalty purchase agreement will terminate.

Upon the occurrence of a change in control event, the Company is obligated to pay HCR an amount equal to the Royalty Cap, less any amounts the Company previously paid to HCR. If the change in control event occurs prior to the 36-month anniversary of the closing of the royalty purchase agreement, the Company is obligated to pay HCR an amount equal to 2.0 times the amount paid by HCR, less any

amounts the Company previously paid to HCR pursuant to the agreement (approximately USD 450.0 million as of December 31, 2021). In addition, the Company retains the right, at any time after the 27-month anniversary of the closing of the royalty purchase agreement, to terminate the remaining royalty obligations under the agreement by paying HCR an amount equal to the Royalty Cap, less any amounts the Company previously paid to HCR pursuant to the agreement (such amount, the "Buyout Amount"), provided that HCR may instead elect to receive 50% of the Buyout Amount and continue to receive 50% of the royalty payments under the agreement but with the Royalty Cap reduced to reflect the Company's payment of 50% of the Buyout Amount. During the year ended December 31, 2021, the Company received gross proceeds of USD 225.0 million before deducting transaction costs of USD 7.0 million, all of which were paid during 2021, which resulted in net proceeds of USD 218.0 million.

Accounting for royalty purchase agreement

The Company has evaluated the terms of the royalty purchase agreement and concluded that the features of the Investment Amount are similar to those of a debt instrument. Accordingly, the Company has accounted for the transaction as a short-term and long-term debt obligation which are recorded within Other current liabilities and Deferred royalty obligation, long-term, respectively, within the Company's consolidated balance sheet. Interest expense is recorded in Financial expense within the Company's consolidated statement of operation. The table below provides a rollforward of the Company's debt obligation relating to the royalty purchase agreement.

(in KUSD)	**As of December 31, 2021**
Beginning liability balance	—
Proceeds from the sale of future royalties	225,000
Less: transaction costs	6,998
Less: royalty payments	213
Plus: interest expense	6,752
Plus: financial expense cumulative catch-up adjustment	936
Ending liability balance	225,477

As of December 31, 2021, the Company recorded a liability relating to the First Investment Amount. The Company will record liabilities associated with the Second and Third Investment Amounts when such contingent events occur. To determine the accretion of the liability related to the deferred royalty obligation, the Company is required to estimate the total amount of future royalty payments and estimated timing of such payment to HCR based on the Company's revenue projections as well as the achievement of the milestones associated with the Second and Third Investment Amounts. The Company used an independent valuation firm to assist in determining the total amount of future royalty payments and estimated timing of such payment to HCR using an option pricing Monte Carlo simulation model. The amount ultimately received by the Company will be accreted to the total amount of the royalty payments necessary to extinguish the Company's obligation under the agreement, which will be recorded as interest expense over the life of the royalty purchase agreement. The estimate of this total interest expense resulted in an effective interest rate of 10%. As royalty payments are made to HCR, the balance of the debt obligation will be effectively repaid over the life of the royalty purchase agreement. During the year ended December 31, 2021, the Company made royalty payments of KUSD 213 to HCR.

Based on the Company's periodic review, the exact amount and timing of repayment is likely to be different each reporting period as compared to those estimated based on the Company's initial revenue projections. A significant increase or decrease in actual net sales of ZYNLONTA compared to the Company's revenue projections, and regulatory approval and commercialization of Cami, as well as ZYNLONTA in other indications as well as licensing revenue could change the royalty rate and royalty cap due to HCR, which could materially impact the debt obligation as well as interest expense associated with the royalty purchase agreement. Also, the Company's total obligation to HCR can vary depending on the achievement of the sales milestones described above as well as the timing of a change in control event. The Company will periodically assess the expected payments to HCR based on its underlying revenue projections and to the extent the amount or timing of such payments is materially different than its initial estimates it will record a cumulative catch-up adjustment. Under the cumulative catch-up method, the effective interest rate is not revised when actual or estimated net sales differ from those estimated as of the inception of the debt obligation. Instead, the carrying amount of the debt obligation is adjusted to an amount equal to the present value of the estimated remaining future payments, discounted by using the original effective interest rate as of the date on which the estimate changes. The adjustment to the carrying amount is recognized in earnings as an adjustment to Financial income (expense) in the period in which the change in estimate occurred. As of December 31, 2021, the Company determined there were changes to the initial revenue projections used in the valuation of the Deferred royalty obligation performed during the quarter ended September 30, 2021 and determined that an adjustment of KUSD 936 to Financial expense was warranted. The Company will continue to assess the expected payments to HCR based on its underlying revenue projections and to the extent the amount or timing of such payments is materially different than its initial estimates it will record a cumulative catch-up adjustment.

27. Share capital

Share data have been revised to give effect to the share split and share consolidation as explained in note 2 (iv) and 2 (v), respectively.

The movements in the Company's share capital, share premium and treasury shares accounts for the years ended December 31, 2021, 2020 and 2019 are set out in the following table:

		Issued share capital	Share premium	Treasury shares	Increase / (Decrease) in net assets	Price per share	Issued share capital	Treasury shares	Outstanding share capital
		In KUSD					Number of shares issued	Number of shares (held or received) / delivered	Number of shares outstanding
Balance at December 31, 2018		**401**	**452,268**	**—**	**452,669**		**47,825,000**	**—**	**47,825,000**
February 6, 2019	Increase share capital	1	—	—	1	CHF 0.008	75,000	—	75,000
February 6, 2019	Transaction costs, increase in share capital	—	(19)	—	(19)		—	—	—
June 7, 2019	Increase in share capital	22	75,578	—	75,600	CHF 0.008	2,700,000	—	2,700,000
June 7, 2019	Transaction costs, increase in share capital	—	(1,432)	—	(1,432)		—	—	—
June 14, 2019	Increase in share capital	—	700	—	700	CHF 0.008	25,000	—	25,000
June 14, 2019	Transaction costs, increase in share capital	—	(13)	—	(13)		—	—	—
July 5, 2019	Increase in share capital	7	26,943	—	26,950	CHF 0.008	962,500	—	962,500
July 5, 2019	Transaction costs, increase in share capital	—	(306)	—	(306)		—	—	—
August 22, 2019	Transfer from share premium for par value increase	3,789	(3,789)	—	—		—	—	—
September 2, 2019	Purchase of treasury shares	141	—	(141)	—	CHF 0.08	1,750,000	(1,750,000)	—
September 2, 2019	Transaction costs, increase in share capital	—	(8)	—	(8)		—	—	—
December 16, 2019	Sale of treasury shares	—	—	41	41	CHF 0.08	—	509,460	509,460
Movements during the year ended December 31, 2019		**3,960**	**97,654**	**(100)**	**101,514**		**5,512,500**	**(1,240,540)**	**4,271,960**
Balances as of January 1, 2019, revised for share consolidation and share split		401	452,268	—	452,669		47,825,000	—	47,825,000
Balance at December 31, 2019		**4,361**	**549,922**	**(100)**	**554,183**		**53,337,500**	**(1,240,540)**	**52,096,960**
April 15, 2020	Shares surrendered by Share Purchase Plan 2013 and Share Purchase Plan 2016 participants to settle share purchase plan promissory notes	—	11,208	(11,208)	—	USD 18.75	0	(597,774)	(597,774)
April 16, 2020	Issuance of shares per shareholder's agreement addendum through capitalization of reserves	393	(393)	—	—	CHF 0.08	4,777,996	—	4,777,996
April 24, 2020	Elimination of fractional holdings	—	—	—	—	CHF 0.08	—	51	51
May 19, 2020	Issuance of shares to be held as treasury	34	—	(34)	—	CHF 0.08	408,873	(408,873)	—
May 19, 2020	Grant of shares to settle Incentive Plan 2014 awards, net	—	(29)	29	—	CHF 0.08	—	356,144	356,144
May 19, 2020	Issuance of shares at IPO	1,007	231,661	—	232,668	USD 19.00	12,245,631	—	12,245,631
May 19, 2020	Sale of shares under greenshoe option	—	23,591	11,309	34,900	USD 19.00	—	1,836,844	1,836,844
May 19, 2020	Transaction costs, IPO and greenshoe option	—	(23,355)	—	(23,355)		—	—	—

September 28, 2020	Issuance of shares at follow-on offering	519	203,481	—	204,000	USD 34.00	6,000,000	—	6,000,000
September 28, 2020	Transaction costs, follow-on offering	—	(15,084)	—	(15,084)		—	—	—
September 30, 2020	Other	—	—	—	—	CHF 0.08	—	2,796	2,796
December 31, 2020	Shares issued for exercise of option awards	—	54	—	54	CHF 0.08	—	2,895	2,895
Movements during the year ended December 31,2020		**1,953**	**431,134**	**96**	**433,183**		**23,432,500**	**1,192,083**	**24,624,583**
Balances reported at December 31, 2019, revised for share consolidation and share split		4,361	549,922	(100)			53,337,500	(1,240,540)	52,096,960
Balance at December 31, 2020		**6,314**	**981,056**	**(4)**			**76,770,000**	**(48,457)**	**76,721,543**
April 1, 2021	Issuance of shares to be held as treasury	131	—	(131)	—	CHF 0.08	1,500,000	(1,500,000)	—
January 1, 2021 - December 31, 2021	Exercise of options and vestings of RSUs	—	771	7	778		—	88,935	88,935
Movements during the year ended December 31,2021		131	771	(124)	778		1,500,000	(1,411,065)	88,935
Balances reported at December 31, 2020		6,314	981,056	(4)			76,770,000	(48,457)	76,721,543
Balance at December 31, 2021		6,445	981,827	(128)	778		78,270,000	(1,459,522)	76,810,478

Authorized Capital

The Board of Directors is authorized to increase the share capital at any time until June 9, 2023, by a maximum amount of CHF 3,130,800, by issuing a maximum of 39,135,000 common shares, fully paid up, with a par value of CHF 0.08 each. An increase of the share capital in partial amounts is permissible.

Conditional Share Capital

Conditional Share Capital for Financing Acquisitions and Other Purposes

The Company's nominal share capital may be increased, including to prevent takeovers and changes in control, by a maximum aggregate amount of CHF 1,624,000 through the issuance of not more than 20,300,000 common shares, which would have to be fully paid-in, each with a par value of CHF 0.08 per share, by the exercise of option and conversion rights granted in connection with warrants, convertible bonds or similar instruments of the Company or one of its subsidiaries. Shareholders will not have pre-emptive subscription rights in such circumstances, but may have advance subscription rights to subscribe for such warrants, convertible bonds or similar instruments. The holders of warrants, convertible bonds or similar instruments are entitled to the new shares upon the occurrence of the applicable conversion feature.

Conditional Share Capital for Equity Incentive Plans

The Company's nominal share capital may, to the exclusion of the pre-emptive subscription rights and advance subscription rights of shareholders, be increased by a maximum aggregate amount of CHF 936,000 through the issuance of not more than 11,700,000 common shares, which would have to be fully paid-in, each with a par value of CHF 0.08 per share, by the exercise of options, other rights to receive shares or conversion rights that have been granted to employees, members of the board of directors, contractors or consultants of the Company or of one of its subsidiaries or other persons providing services to the Company or to a subsidiary through one or more equity incentive plans created by the board of directors.

Dividend

The Company did not declare a dividend during fiscal years 2021, 2020 or 2019.

28. Commitments

The Company has contractual obligations as follows:

Collaborations and co-operations with development partners

The Company has entered into various collaborations with development partners, including in-licensing and manufacturing agreements. These agreements provide for the Company to make potential future milestone and royalty payments that are conditional on success, and that are spread over various stages of development and commercialization, including achieving preclinical proof of concept, filing an investigational new drug ("IND") application, commencing or completing multiple clinical development stages, obtaining regulatory approval in multiple countries, and achieving various levels of commercial sales. Due to the nature of these arrangements, the future potential payments related to the attainment of the specified milestones are inherently uncertain, and accordingly, no amounts have been recorded for these future potential payments in the Company's consolidated balance sheet as of December 31, 2021 and 2020. As of December 31, 2021, the aggregate amount of such potential milestone payments, under all such collaboration agreements, was KUSD 446,575 (2020: KUSD 350,422). These milestone payments relate to product candidates in the following phases:

(in KUSD):

R&D Phase	**Development**	**Regulatory**	**Sales-based**	**Total**
Pre-clinical	55,111	25,000	192,055	272,166
Phase I	41,225	19,150	103,900	164,275
Phase II	10,134	—	—	10,134
December 31, 2021	**106,470**	**44,150**	**295,955**	**446,575**

R&D Phase	**Development**	**Regulatory**	**Sales-based**	**Total**
Pre-clinical	53,497	11,650	158,259	223,406
Phase I	23,719	19,000	73,500	116,219
Phase II	10,797	—	—	10,797
December 31, 2020	**88,013**	**30,650**	**231,759**	**350,422**

The net increase in the aggregate milestone payments from December 31, 2020 primarily relates to the license agreements entered into, partially offset by the pre-clinical milestones achieved in fiscal year 2021. See note 18, "Intangible assets" for further details.

As of December 31, 2021, the Company had one candidate in phase II clinical trials: Cami. Cami is the subject of a collaboration and license agreement with Genmab A/S ("Genmab"), under which there are no upfront or future milestone payments payable and no revenue receivable. On October 30, 2020, the Company announced that it amended its existing collaboration and license agreement with Genmab for the continued development and commercialization of Cami. Under the terms of the amended and restated license agreement, the parties have agreed to eliminate the defined divestment process which was agreed in 2013 and that envisaged, among other things, offering the opportunity for third parties to continue the development and commercialization of Cami. The parties have also agreed, among other things, that Genmab will convert its economic interest in Cami into a mid-to-high single-digit tiered royalty on net sales. Cami is subject to manufacturing agreements under which payment of the amounts indicated under Phase II above could become payable upon the achievement of certain milestones. A milestone associated with a collaboration agreement was achieved during December 2020, which the Company recorded as an R&D expense of USD 5.0 million within the consolidated statement of operation for the year ended December 31, 2020, is recorded as an accrued expense on the consolidated balance sheet as of December 31, 2021 and December 31, 2020.

29. Contingent liabilities

The Group has no contingent liabilities in respect of legal claims arising in the ordinary course of business. There are no material legal proceedings to which the Company is a party.

30. Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

A.T. Holdings II Sàrl ("AT Holdings II") is a shareholder in the Company. AT Holdings II is in turn ultimately entirely owned by Auven Therapeutics Holdings, L.P. ("ATH"), a limited partnership registered in the British Virgin Islands. ATH's General Partner is Auven Therapeutics General L.P., which itself is a limited partnership whose General Partner is Auven Therapeutics GP Ltd. The manager of ATH is Auven Therapeutics Management L.L.L.P. ("ATM").

Based on the Company's contribution and equity interest in Overland ADCT BioPharma, certain of the Company's employees serve on its board of directors.

Services provided by the Company

The Company provides registered office and simple administrative services to three subsidiaries of ATH. The amounts invoiced in 2021, and recovered through G&A expenses, amounted to KUSD 3 (2020: KUSD 4 and 2019: KUSD 4).

As contemplated by the license agreement with Overland ADCT BioPharma, Overland ADCT BioPharma has elected to participate in certain of the Company's global clinical trials, in exchange for which it reimburses the Company for a portion of the cost of those trials. Overland ADCT BioPharma also reimburses the Company for certain expenses in connection with technology transfer and assistance of clinical personnel. During the year ended December 31, 2021, the Company incurred KUSD 2,268 of clinical trial and service costs to be reimbursed by Overland ADCT BioPharma, which is recorded as a reduction of R&D expenses in the Company's consolidated statement of operation (2020: KUSD nil and 2019: KUSD nil).

In addition, the Company entered into a supply agreement with Overland ADCT BioPharma whereby the Company provides Overland ADCT BioPharma clinical supply for use in trials. For the year ended December 31, 2021, KUSD 123 of clinical supply was provided to Overland ADCT BioPharma which is recorded as a reduction of R&D expenses in the Company's consolidated statement of operation. There were no such sales to Overland ADCT BioPharma during 2020 or 2019.

Services provided to the Company

There were no services provided to the Company during 2021 or 2020 by related parties. Auven affiliated companies incurred expenses on behalf of the Company, relating to a telecommunication contract with a third-party vendor, and recharged these at cost. The costs incurred are recognized as G&A expenses and amounted to KUSD 11 in 2019.

Other transactions with related parties

Of the 597,774 shares surrendered by Share Purchase Plan 2013 and Share Purchase Plan 2016 participants to settle share purchase plan promissory notes on April 15, 2020 (see note 27, "Share capital"), 556,799 were surrendered by related parties.

Of the 4,777,996 shares issued by way of capitalization of reserves on April 16, 2020 (see note 27, "Share capital"), 1,222,966 shares were issued to related parties.

Out of the 3,687,500 class E shares issued in 2019, 809,107 shares were purchased by related parties.

Shares were issued to and repurchased at the same price from a related party in September 2019 in order to have available treasury shares to meet the demand for shares when share options are exercised.

In connection with the Company's IPO, HPWH TH AG purchased 950,000 shares on the same terms as other investors.

In connection with the Company's follow-on offering Auven Therapeutics GP Ltd., through A.T. Holdings II Sàrl and ADC Products Switzerland Sàrl ("the Selling Shareholders") granted to the underwriters an option to purchase up to 900,000 additional common shares at the public offering price of USD 34.00 per share, less underwriting discounts and commissions. On October 9, 2020, the underwriters exercised in full their option to purchase an additional 900,000 common shares from the Selling Shareholders at a price of USD 34.00, less underwriting discounts and commissions. The Company did not receive any proceeds or incur any costs related to the sale of these shares by the Selling Shareholders. The Selling Shareholders incurred all costs in addition to underwriting fees and commissions.

Chairman's equity awards

The Company granted the Chairman, Mr. Squarer, options to acquire 1,125,545 common shares at USD 18.75 per share in connection with his election to the Board of Directors, representing approximately 2% of our then-outstanding share capital. These options are scheduled to vest upon Mr. Squarer's continued service through designated dates over a three-year period, or immediately upon a change in control. In accordance with its agreement with Mr. Squarer, the Company provided Mr. Squarer with an additional grant of 341,403 options on June 4, 2020 with an exercise price equal to the fair market value of the Company's shares on that date, to bring Mr. Squarer's total rights to acquire the Company's shares to 2% of the then-outstanding share capital (measured without consideration of the shares underlying these grants).

Related party balances at year-end

The Company had a related party receivable balance with Overland ADCT BioPharma of KUSD 789 as of December 31, 2021. There was no related party receivable balance as of December 31, 2020. There were no trade accounts payable with related parties as of December 31, 2021 and 2020.

Key management compensation

Key management compensation was:

(in KUSD)	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Salaries and other short-term employee benefits	8,872	7,690	5,364
Pension costs	442	455	407
Share-based compensation expenses	24,649	16,752	396
Other compensation	142	196	73
	34,105	**25,093**	**6,240**

31. Loss per share

The basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of shares in issue during the period, excluding common shares owned by the Company and held as treasury shares, as follows:

	For the Years Ended December 31,		
(in KUSD, except per share amounts)	**2021**	**2020**	**2019**
Net loss attributable to shareholders	(230,026)	(246,290)	(116,484)
Weighted average number of shares in issue [(1)]	76,748,204	65,410,292	49,279,961
Basic and diluted loss per share (in USD)	(3.00)	(3.77)	(2.36)

[(1)] Share data have been revised to give effect to the share split and share consolidation as explained in note 2 (iv) and note 2 (v), respectively as all Class B, C, D and E preferred shares were converted into common shares upon the completion of the IPO, loss per share data are presented on that basis for all periods.

For the years ended December 31, 2021, 2020 and 2019, basic and diluted loss per share are calculated on the weighted average number of shares issued and outstanding and exclude shares to be issued under the 2019 Equity Incentive Plan and the conversion of the principal amount of the convertible loans into the Company's common shares (see note 25, "Share-based compensation expense" and note 24, "Convertible loans"), as the effect of including those shares would be anti-dilutive.

Potentially dilutive securities that were not included in the diluted per share calculations because the effect of including them would be anti-dilutive were as follows:

	For the Years Ended December 31,		
	2021	**2020**	**2019**
Incentive Plan 2014	—	—	2,074,996
Share Purchase Plan 2016	—	—	2,784,918
2019 Equity Incentive Plan - Share Options	5,951,115	2,904,673	61,506
2019 Equity Incentive Plan - RSUs	495,879	63,281	—
Conversion of the principal amount of convertible loans into the Company's common shares	3,866,261	1,665,465	—
	10,313,255	4,633,419	4,921,420

32. Foreign currency exchange rate

The following exchange rates have been used for the translation of the financial statements of ADCT UK, the functional currency of which is the British pound:

USD / GBP	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Closing rate, GBP 1	1.3512	1.3650	1.3186
Weighted average exchange rate, GBP 1	1.3741	1.2842	1.2747

33. Events after the reporting date

The Company has evaluated its subsequent events through March 17, 2022, the date the financial statements were available to be issued, and has concluded that there are no subsequent events requiring disclosure in the financial statements, other than those described below.

During January 2022, the Company entered an exclusive license agreement with Mitsubishi Tanabe Pharma Corporation (“MTPC”) for the development and commercialization of ZYNLONTA for all hematologic and solid tumor indications in Japan. Under the terms of the agreement, the Company received an upfront payment of USD 30 million and up to an additional USD 205 million in milestones if certain development and commercial events are achieved. The Company will also receive royalties ranging in percentage from the high teens to the low twenties based on net sales of the product in Japan. MTPC will conduct clinical studies of ZYNLONTA in Japan and will have the right to participate in any global clinical studies of the product by bearing a portion of the costs of the study. In addition, the Company will supply product to MTPC for its drug development and commercialization under a supply agreement.

Report from the Auditor on the Statutory Financial Statements of ADC Therapeutics SA

ADC Therapeutics SA

Epalinges

Report of the statutory auditor to the General Meeting

on the financial statements 2021

Report of the statutory auditor
to the General Meeting of ADC Therapeutics SA
Epalinges

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ADC Therapeutics SA contained in the section labelled "Statutory Financial Statements of ADC Therapeutics SA for the year ended December 31, 2021" on page 183 to 196, which comprise the balance sheet as at 31 December 2021, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 5,156 thousands
Benchmark applied	Loss before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 516 thousands identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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 recommend that the financial statements submitted to you be approved.

Furthermore, we draw attention to the fact that half of the share capital and legal reserves is no longer covered (article 725 para. 1 CO).

PricewaterhouseCoopers SA

Michael Foley	Michael Abresch
Audit expert Auditor in charge	Audit expert

Lausanne, 17 March 2022

Statutory Financial Statements of ADC Therapeutics SA for the Year Ended December 31, 2021

Balance Sheet as of December 31,

	Note	2021	2020
		CHF	CHF
Current assets			
Cash and cash equivalents		423,317,524	381,121,895
Inventory	1.3	8,058,184	—
Other current assets		4,575,932	1,561,884
Accrued income and prepaid expenses		6,697,734	3,665,179
Total current assets		**442,649,374**	**386,348,958**
Non-current assets			
Property, plant and equipment		192,709	276,747
Intangible assets	2.1	10,220,334	6,873,658
Other financial assets		77,021	77,021
Total non-current assets		**10,490,064**	**7,227,426**
Total Assets		**453,139,438**	**393,576,384**
Current liabilities			
Trade accounts payable:			
- due to third parties		4,048,656	1,859,430
- due to group companies		5,458,159	16,018,598
Accrued expenses	3.3	23,184,557	13,481,562
Total current liabilities		**32,691,372**	**31,359,590**
Non-current liabilities			
Convertible loan	1.10	104,977,405	57,361,714
Deferred royalty obligation	1.11	205,390,575	—
Total non-current liabilities		**310,367,980**	**57,361,714**
Total liabilities		**343,059,352**	**88,721,304**
Shareholders' equity			
Share capital	2.2	6,261,600	6,141,600
Reserves from capital contribution	2.2	944,742,494	944,035,541
Treasury shares	2.2	(116,762)	(3,877)
Other legal reserves		19,560	19,560
Accumulated losses		(645,337,744)	(441,964,703)
Loss for the year		(195,489,062)	(203,373,041)
Total shareholders' equity		**110,080,086**	**304,855,080**
Total liabilities and shareholders' equity		**453,139,438**	**393,576,384**

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

Income statement for the financial year ended December 31,

	Note	2021	2020
		CHF	CHF
Revenue	1.7	**28,152,616**	**—**
Cost of sales	1.8	(1,273,291)	—
Research and development expenses		(134,772,760)	(132,038,250)
Selling and marketing expenses		(51,229,888)	(17,977,550)
General and administrative expenses		(33,634,519)	(24,138,317)
Operating loss		**(192,757,842)**	**(174,154,117)**
Financial income		58,962	842,036
Financial expense		(6,538,924)	(2,379,843)
Convertible loan and deferred royalty obligation - transaction costs	1.10, 1.11	(6,906,442)	(3,447,932)
Exchange differences		(123,919)	(89,898)
Loss before taxes		**(206,268,165)**	**(179,229,754)**
Direct taxes		—	—
Net taxable loss for the year		**(206,268,165)**	**(179,229,754)**
Gain (loss) on financial statement conversion		10,779,103	(24,143,287)
Net loss for the year		**(195,489,062)**	**(203,373,041)**

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

Notes to the audited statutory financial statements for the year ended December 31, 2021

1. Accounting principles applied in the preparation of the financial statements

1.1 General Aspects

ADC Therapeutics SA (the "Company" or "ADCT") was incorporated as a Swiss limited liability company (société à responsabilité limitée) on June 6, 2011 under the laws of Switzerland. The Company converted to a Swiss stock corporation under the laws of Switzerland on October 13, 2015. The registered office of the Company is located at Route de la Corniche 3B, 1066 Epalinges, Switzerland.

The Company is focused on the development of antibody drug conjugates ("ADCs"), including research, development, human clinical trials, regulatory approval and commercialization. ADCs are drug constructs that combine monoclonal antibodies specific to particular types of cells with cytotoxic molecules or warheads that seek to kill any cancer cell to which the ADC attaches. ADCs have extensive potential therapeutic applications in cancer.

The Company's core technology platform is based on the development and commercial exploitation of chemistry acquired under license from Spirogen Ltd, at the time a related party, in 2011. The license agreement, as subsequently amended in 2013, gives the Company the right to develop up to eleven specific ADCs as well as ten non-ADCs using Spirogen's intellectual property and technology in warhead and linker chemistry.

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since January 1, 2013).

Going concern basis

ADCT is a commercial-stage biotechnology company improving the lives of cancer patients with our next-generation, targeted antibody drug conjugates ("ADCs") for patients with hematologic malignancies and solid tumors. The Company's flagship product, ZYNLONTA, received approval by the U.S. Food and Drug Administration ("FDA") on April 23, 2021 for the treatment of adult patients with relapsed or refractory large B-cell lymphoma after two or more lines of systemic therapy, including diffuse large B-cell lymphoma ("DLBCL") not otherwise specified, DLBCL arising from low-grade lymphoma, and also high-grade B-cell lymphoma. The Company is exposed to all risks inherent in establishing and developing its business, including the substantial uncertainty that current projects will succeed. The Company's success may also depend on its ability to:

- establish and maintain strong patent positions and protection;
- develop, gain regulatory approval and commercialize drug products;
- enter into collaborations with partners;
- attract and retain key personnel; and
- secure additional funding to support its operations.

Since its incorporation, the Company has primarily funded its growth through capital increases, both equity and debt, with additional funds provided by research collaborations and royalty financings. During the 2021 fiscal year, the Company entered into a purchase and sale agreement with HealthCare Royalty Partners ("HCR") for a capped royalty interest on ZYNLONTA. In addition, the Company drew down USD 50.0 million (CHF 45.8 million) of convertible loans relating to the second tranche following its receipt of FDA approval of ZYNLONTA. During the 2020 fiscal year, the Company issued common shares through an initial public offering and follow-on offering and also issued convertible loans. The Company has never had recourse to bank loans. As a result, the Company is not exposed to liquidity risk through requests for early repayment of loans other than pursuant to the convertible loans, which require the Company to, among other thing, maintain a balance of at least USD 50 million in cash and cash equivalents at the end of each quarter.

The Company has incurred significant R&D expenses since commencing operations, generating negative cash flows from operating activities. As of December 31, 2021, the Company's cash and cash equivalents amounted to KCHF 423,318 (December 31, 2020: KCHF 381,122).

Management believes that the Company has sufficient financial resources to cover its operating costs for at least the next 12 months from the date of issuance of these financial statements and as a result, is presenting these financial statements of the Company on a going concern basis.

Share consolidation

On April 24, 2020, the Company effected a five-to-four share consolidation of its outstanding shares. Accordingly, all share amounts for all periods presented in these financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect this share consolidation.

Initial Public Offering

On May 19, 2020, the Company completed an initial public offering ("IPO") on the New York Stock Exchange ("NYSE") in which it issued and sold an aggregate of 14,082,475 common shares at USD 19.00 per share, which included 1,836,844 common shares issued and sold pursuant to the underwriters' exercise in full of their option to purchase additional common shares. The gross proceeds from the IPO were USD 267.6 million (CHF 260.2 million). Further details are contained in note 2.2, "Share capital".

Follow-On Public Offering

On September 28, 2020, the Company completed a public offering on the NYSE in which it issued and sold 6,000,000 common shares at USD 34.00 per share. The gross proceeds of the public offering were USD 204.0 million (CHF 188.5 million). Further details are contained in note 2.2, "Share capital".

COVID – 19

The COVID-19 pandemic has negatively impacted the economies of most countries around the world. The Company's operations, similar to those of other life sciences companies, have been impacted by the COVID-19 pandemic. The Company is in close contact with its principal investigators and clinical sites, which are located in jurisdictions affected by the COVID-19 pandemic, and is assessing the impact of the COVID-19 pandemic on its clinical trials, expected timelines and costs on an ongoing basis. The Company is commercializing ZYNLONTA using hybrid launch plans formulated to mitigate the impact of the COVID-19 pandemic, including by engaging physicians virtually as well as face-to-face. In response to the spread of COVID-19, the Company has also modified its business practices, including restricting employee travel, developing social distancing plans for its employees and cancelling physical participation in meetings, events and conferences. At this time, Company employees have started meeting with investigators and site staff in person as allowed by institutions. All recent conferences and advisory boards have been virtual, but the Company plans to participate in person when such meetings can occur. The Company continues to closely monitor the potential effects of the COVID-19 pandemic on its clinical trials, commercialization efforts and supply chain, and will work closely with its clinical trial sites and principal investigators, contract research organizations, customers and distributors and contract manufacturing partners to mitigate such impact. The Company has also developed protocols to allow its employees to begin to return to certain office locations. As the COVID-19 pandemic continues to evolve, the Company believes the extent of the impact to its operations, operating results, cash flows, liquidity and financial condition will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies, the availability and acceptance of vaccines, the effectiveness of vaccines, particularly against emerging variants of the novel coronavirus, and the timing, scope and effectiveness of national and local governmental responses to the pandemic. Those primary drivers are beyond the Company's knowledge and control, and as a result, at this time, the ultimate impact on the Company results of operations, cash flows and financial position in beyond 2022 and thereafter cannot be reasonably predicted. However, on the basis of the risk mitigation measures undertaken, the Company has concluded that there is no material uncertainty that may cast a significant doubt upon the Company's ability to continue as a going concern.

1.2 Foreign currency translation

Functional and presentation currency

The accounts of the Company are maintained in United States dollars ("USD") as the dollar is the currency of the primary economic environment in which the Company operates ("the functional currency"). However, these financial statements are presented in Swiss francs ("CHF"), which is the Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of such transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement within "Exchange differences".

Presentation values in CHF are obtained using the following translation methods:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate as of the date of that balance sheet, except shareholders' equity, which is translated using historical rates;

(ii) income and expenses for each profit and loss statement are translated at average exchange rates for the period; and

(iii) all resulting exchange differences are recognized, if gains, under "Provision for unrealized exchange gains" as a liability and, if losses, recognized as an expense within the income statement for the portion in excess of previously deferred gains.

The following exchange rates (USD/CHF) have been used for the above translation:

(USD/CHF)		Year Ended December 31, 2021	Year Ended December 31, 2020
Closing rates, USD 1	CHF	0.912847	0.882488
Average rates, USD 1	CHF	0.914158	0.938729

1.3 Inventory

Prior to receiving FDA approval of ZYNLONTA, the Company had written down inventory costs relating to the manufacture of ZYNLONTA to a net realizable value of zero. The Company believed that capitalization of inventory costs associated with certain products prior to regulatory approval of such products, or for inventory produced in new production facilities, was only appropriate when management considered it highly probable that pre-approval inventory costs would be recoverable through future sales of the drug product. The determination to capitalize was based on the particular facts and circumstances related to the expected regulatory approval of the product or production facility being considered and, accordingly, the time frame within which the determination was made varied from product to product. The impairment charges were recorded as Research and development ("R&D") expenses in the Company's income statement. Upon the receipt of FDA approval for ZYNLONTA during the year ended December 31, 2021, the Company reversed KCHF 7,394 of previously recorded impairment charges. The reversal of previously recorded impairment charges was based on a number of factors existing at that time, including the existence of inventory on hand and estimated demand, as well as expiration dating. The reversal of impairment charges was recorded as a gain to R&D expenses in the Company's income statement. The amount of the impairment reversal may increase in future periods based on future enhancements that may extend the shelf life of the components used to manufacture ZYNLONTA and/or of the ultimate drug product.

Inventory of ZYNLONTA is stated at the lower of cost or net realizable value with costs determined on a first-in, first-out basis. The Company assesses the recoverability of capitalized inventory during each reporting period and will write down excess or obsolete inventory to its net realizable value in the period in which the impairment is identified within Cost of product sales in the income statement. The Company has not recorded any material inventory impairments since the FDA approved ZYNLONTA. Included in inventory of ZYNLONTA are materials used in the production of preclinical and clinical products, which are charged to R&D expenses when consumed.

The Company will continue to assess the likelihood that inventory costs associated with its other drug product candidates are recoverable through future sales of such product candidates to determine if and when such costs should be capitalized as inventory or be expensed to R&D expenses. The assessment of whether or not the product is considered highly probable to be saleable will be made on a quarterly basis and includes, but is not limited to, how far a particular product or facility has progressed along the approval process, any known safety or efficacy concerns, potential labeling restrictions and other impediments. If it is determined that inventory costs associated with a product candidate are not highly probable to be recovered through future sales, the Company would record such costs to R&D expenses.

1.4 Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Leasehold improvements	10 years
Office equipment	5 years
Hardware	3 years

1.5 Intangible assets

Licenses

Licenses acquired are capitalized as intangible assets at historical cost. Licenses with definite-useful lives are amortized over their useful lives, which are determined on a basis of the expected pattern of consumption of the expected future economic benefits embodied in the licenses and which therefore commence only once the necessary regulatory and marketing approval has been received. Prior to regulatory and marketing approval, licenses are treated as indefinite-lived assets and not amortized. These licenses are tested annually for impairment in the last quarter of each fiscal year and more frequently if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Amortization and impairment of licenses

Prior to regulatory and marketing approval, impairment of indefinite-lived licenses is charged to R&D expenses. Subsequent to regulatory and marketing approval, amortization of licenses will be charged to cost of goods sold. over the licenses' estimated useful lives. The useful life of definite-lived intangible assets will depend upon the legal term of the individual patent in the country in which the patent is obtained. In determining the useful life, the Company utilizes the last-to-expire period of exclusivity (primary patent or regulatory approval) related to the primary marketed drug product. The Company may be able to obtain a patent term extension. However, the Company will only consider the inclusion of an extension period to the extent the Company believes it is highly probable of being granted. See note 2.1, "Intangible assets" for further information.

Internally generated intangible assets

Internal R&D costs are fully charged to R&D expenses in the period in which they are incurred. The Company considers that regulatory and other uncertainties inherent in the development of new products preclude the capitalization of internal development expenses as an intangible asset until marketing approval from a regulatory authority is obtained in a major market such as the United States, the European Union or China.

Payments made to third parties, such as contract R&D organizations in compensation for subcontracted R&D, that are deemed not to transfer intellectual property to ADCT are expensed as internal R&D expenses in the period in which they are incurred. Such payments are only capitalized if they meet the criteria for recognition of an internally generated intangible asset, usually when marketing approval has been achieved from a regulatory authority in a major market. These internally generated intangible assets are recorded as an indefinite-lived intangible asset until regulatory approval is achieved and/or commercial launch. At that point, the asset will become a definite-lived intangible asset and the Company will commence amortization of the asset based on a systematic and rational approach. See note 2.1, "Intangible assets" for further information.

1.6 Investments

As of December 31, 2021 and 2020, the Company had two subsidiaries. The following table describes the principal subsidiaries, the countries of incorporation, and the percentage ownership and voting interest held by us.

Company	Country of Incorporation	Percentage Ownership and Voting Interest	Main Activities
ADC Therapeutics America, Inc.	United States	100%	Clinical, commercial and U.S. operations
ADC Therapeutics (UK) Limited	England	100%	Research and development

In addition, on December 14, 2020, the Company and Overland Pharmaceuticals ("Overland") announced the formation of a new joint venture company, Overland ADCT Biopharma (CY) Limited ("Overland ADCT BioPharma"), to develop and commercialize its flagship product (ZYNLONTA) and three of its ADC product candidates (ADCT-601, ADCT-602 and ADCT-901, collectively the "Licensed Products") in greater China and Singapore ("the Territory"). Under the terms of the license agreement between the Company and Overland ADCT BioPharma, the Company licensed exclusive development and commercialization rights to the Licensed Products (the "Licensed IP") in the Territory to Overland ADCT BioPharma. Overland invested USD 50 million (CHF 44.4 million) in Overland ADCT BioPharma, and is obligated to pay the Company potential development milestone payments related to ADCT-601, ADCT-602 and ADCT-901, in exchange for a 51% equity interest. The Company received a 49% equity interest in exchange for contribution of the Licensed IP. Pursuant to the license agreement, the Company may also earn low to mid-single digit royalties on net sales of Licensed Products in the Territory. In addition, Overland ADCT BioPharma may elect to participate in the Company's global clinical trials. The Company also received an option, which it may exercise at its sole discretion, to exchange any or all of its equity interest in Overland ADCT BioPharma into an equity interest in Overland upon an initial public offering of Overland.

1.7 Revenue

Upon the April 23, 2021 FDA approval of ZYNLONTA for the treatment of relapsed or refractory DLBCL, the Company began generating revenue from the sale of its product candidates within the United States. Revenue is generated between the Company and ADCT America at the time drug product is transferred to the third party logistics and distribution provider.

1.8 Cost of sales

Cost of sales primarily include the direct and indirect costs relating to the manufacture of ZYNLONTA from third-party providers of manufacturing. In addition, Cost of sales includes intangible asset amortization expense and inventory amounts written down as a result of excess or obsolescence.

1.9 Operating expenses

Research expenditure is recognized in expense in the year in which it is incurred. Internal development expenses are capitalized only if it meets the recognition criteria of Swiss law. Where regulatory and other uncertainties are such that the criteria are not met, which is almost invariably the case prior to approval of the drug by the relevant regulatory authority, the expenditure is recognized in the income statement. When certain criteria are met, the Company capitalizes the internal development expenses as internally generated intangible assets and amortizes the asset over its estimated useful life based on a systematic and rational approach. In addition, R&D expenses include the recharge of R&D services that ADCT America, and ADCT UK perform on behalf of the Company.

Selling and marketing expenditure is recognized in expense in the year in which it is incurred and includes the recharge of expenses from ADCT America for services performed on behalf of the Company.

General and administrative expenditure is recognized in expense in the year in which it is incurred and includes the recharge of expenses from ADCT America for services performed on behalf of the Company.

1.10 Convertible loans

The Company entered into a Facility Agreement on April 24, 2020, pursuant to which the counterparty agreed to extend senior secured convertible term loans to the Company in the amount of USD 65.0 million (CHF 63.4 million) upon the completion of the IPO and a subsequent disbursement of convertible loans in the amount of USD 50.0 million (CHF 45.8 million) upon the receipt of regulatory approval for ZYNLONTA. These loans bear interest at a rate of 5.95%, based on a 360-day year, with interest payable quarterly in arrears commencing on July 1, 2020 and July 1, 2021. The outstanding principal amount of the convertible loans is due to be repaid in full on the fifth anniversary of the date on which the first tranche was funded, which occurred on May 19, 2020. Upon any payment of the convertible loans or conversion of the convertible notes, whether upon redemption or at maturity or at any other time, the Company will be required to pay an exit charge equal to 2.0% of the amount of the loans so paid or converted.

The Company’s obligations under the Facility Agreement are guaranteed by the Company’s wholly-owned subsidiaries and secured by a perfected, first-priority security interest in substantially all of the Company’s and its wholly-owned subsidiaries’ personal property, including its intellectual property and the equity ownership interests directly and indirectly held by the Company in its wholly-owned subsidiaries and in Overland ADCT BioPharma.

1.11 Deferred royalty obligation

On August 25, 2021, the Company entered into a royalty purchase agreement with HCR. The Company has accounted for the initial cash received as debt. Royalty payments made to HCR are accounted for as financial expense until the total payments have reached the potential maximum amount payable pursuant to the terms and conditions of the royalty purchase agreement less the nominal amount USD 225.0 million (CHF 205.4 million) of the debt. Thereafter the payments will be accounted for as repayment of the debt.

2. Information on the balance sheet and profit and loss items

2.1 Intangible Assets

(in CHF)	Indefinite lived		Definite lived		
	Licenses	Internal development costs	Licenses	Software	Total
Cost					
January 1, 2020	**6,406,574**	**—**	**—**	**70,255**	**6,476,829**
Additions	1,805,515	—	—	55,203	1,860,718
Disposals	—	—	—	(8,699)	(8,699)
Exchange difference	(671,340)	—	—	(6,176)	(677,516)
December 31, 2020	**7,540,749**	**—**	**—**	**110,583**	**7,651,332**
Additions	2,093,546	576,006	547,745	—	3,217,297
Transfer	(412,531)	—	412,531	—	—
Exchange difference	259,415	—	—	3,804	263,219
December 31, 2021	**9,481,179**	**576,006**	**960,276**	**114,387**	**11,131,848**
Accumulated amortization					
January 1, 2020	**(596,998)**	**—**	**—**	**(23,678)**	**(620,676)**
Amortization	—	—	—	(31,156)	(31,156)
Disposals	—	—	—	8,669	8,669
Impairment loss	(203,139)	—	—	—	(203,139)
Exchange difference	64,649	—	—	3,979	68,628
December 31, 2020	**(735,488)**	**—**	**—**	**(42,186)**	**(777,674)**
Amortization	—	—	(45,793)	(61,448)	(107,241)
Exchange difference	(25,302)	—	66	(1,363)	(26,599)
December 31, 2021	**(760,790)**	**—**	**(45,727)**	**(104,997)**	**(911,514)**
Net book amount					
December 31, 2020	**6,805,261**	**—**	**—**	**68,397**	**6,873,658**
December 31, 2021	**8,720,389**	**576,006**	**914,549**	**9,390**	**10,220,334**

Licenses

The Company has capitalized certain payments for licenses in accordance with its accounting policy note 1.5, “Intangible assets”.

During 2020, the Company terminated one of its programs. In connection with the Company’s annual impairment test performed during 2020, it was concluded that an impairment charge of CHF 203,139 was required related to the termination of one of the Company's programs. This impairment charge was recognized within R&D expenses within the Income statement. There was no impairment loss recognized during 2021.

2.2 Share capital

Share data have been revised to give effect to the share consolidation and to the share conversion on a one-to-one basis of all Class B, C, D and E preferred shares into common shares upon the completion of the IPO. See note 1.1.

	Total number of shares
January 1, 2020	53,337,500
Issuance of share capital / capital contributions	23,432,500
December 31, 2020	76,770,000
Issuance of share capital / capital contributions	1,500,000
December 31, 2021	78,270,000

(in CHF)	Share capital	Share premium	Treasury shares	Total
January 1, 2020	4,267,000	544,798,650	(99,243)	548,966,407
Issuance of share capital / capital contributions	1,874,600	399,189,022	—	401,063,622
Treasury shares - additions	—	—	(10,932,476)	(10,932,476)
Treasury shares - disposals	—	—	11,027,610	11,027,610
Shares issued for exercise of option awards	—	47,869	232	48,101
December 31, 2020	6,141,600	944,035,541	(3,877)	950,173,264
Issuance of share capital / capital contributions	120,000	—	—	120,000
Treasury shares - additions	—	—	(120,000)	(120,000)
Shares issued for exercise and vesting of awards	—	706,953	7,115	714,068
December 31, 2021	6,261,600	944,742,494	(116,762)	950,887,332

All issuances of share capital or capital contributions are shown net of transaction costs. Par value of shares is CHF 0.08 per share and each registered share carries one voting right. Under Swiss law, shareholder liability is limited to capital contributions.

At December 31, 2021, the share capital of the Company amounts to CHF 6,261,600, consisting of 78,270,000 issued and fully paid-in registered shares with a nominal value of CHF 0.08 each.

Movements during 2020

On April 15, 2020, employees surrendered 597,774 shares to settle promissory notes under the 2013 and 2016 Share Purchase Plans shares at CHF 18.23 (USD 18.75) per share which increased treasury shares by CHF 10,899,766 and reduced share loan by CHF 10,899,766.

On April 16, 2020, the company issued 4,777,996 shares at a par value of CHF 0.08 with an increase to share capital of CHF 382,240 and a corresponding offset to share premium in connection with an amendment to the shareholders agreement.

On April 24, 2020, fractional shares were eliminated which reduced treasury shares by 51.

On May 19, 2020, the Company issued 408,873 ordinary shares at a par value of CHF 0.08 to be held as treasury shares which increased share capital by CHF 32,710 and increased treasury shares for a corresponding amount.

On May 19, 2020, the Company granted 356,144 ordinary shares at a par value of CHF 0.08 to settle Incentive Plan 2014 awards which decreased share premium by CHF 28,492 and reduced treasury shares by a corresponding amount.

On May 19, 2020, the Company completed an IPO on the New York Stock Exchange (“NYSE”) in which it issued and sold an aggregate of 14,082,475 common shares at CHF 18.48 (USD 19.00) per share, which included 1,836,844 common shares issued and sold pursuant to the underwriters’ exercise in full of their option to purchase additional common shares. The net proceeds from the IPO were CHF 237,519,015 (USD 244,212,301) after deducting underwriting discounts and commissions as well as fees and expenses payable by the Company. In addition, CHF 10,998,891 relates to the sale of treasury shares in connection with the Company's IPO.

On September 28, 2020, the Company completed a follow-on offering and issued 6,000,000 ordinary shares at CHF 31.41 (USD 34.00) for net proceeds of CHF 174,538,857 (USD 188,915,314) after deducting underwriting discounts and commissions as well as fees and expenses payable by the Company.

On various dates in December 2020, employees exercised their option to purchase 2,895 shares which decreased treasury shares with an increase to share premium.

The total consideration of 2020 capital increases was reduced by an amount of CHF 36,650,684 relating to transaction costs.

Movements during 2021

On April 1, 2021, the Company issued 1,500,000 ordinary shares at a par value of CHF 0.08 to be held as treasury shares which increased share capital by CHF 120,000 and increased treasury shares for a corresponding amount.

On various dates in 2021, employees exercised their options to purchase 41,382 shares and 47,553 RSUs vested which decreased treasury shares with an increase to share premium.

Treasury shares

Movements on the treasury shares position are as follows:

	2021		2020	
	Number of treasury shares	Value (in CHF)	Number of treasury shares	Value (in CHF)
January 1	48,457	3,877	1,240,540	99,243
Additions	1,500,000	120,000	1,006,647	10,932,476
Disposals	(88,935)	(7,115)	(2,198,730)	(11,027,842)
December 31	1,459,522	116,762	48,457	3,877

As at December 31, 2021, the Company owns 1,459,522 treasury shares for a value of CHF 116,762 (2020: 48,457 shares for a value of CHF 3,877).

2.3 Authorized share capital

The Company's board of directors (the "Board") was authorized, subject to compliance with the Company's shareholder agreement, to increase the share capital at any time until June 9, 2023, by a maximum amount of CHF 3,130,800, by issuing a maximum of 39,135,000 common shares, fully paid up, with a par value of CHF 0.08 each. An increase of the share capital in partial amounts is permissible. As at December 31, 2021, the remaining maximum amount is CHF 3,130,800, which may be raised by issuing a maximum of 39,135,000 common shares.

2.4 Conditional Share Capital

Conditional Share Capital for Warrants and Convertible Bonds

Our nominal share capital may be increased, including to prevent takeovers and changes in control, by a maximum aggregate amount of CHF 1,624,000 through the issuance of not more than 20,300,000 common shares, which would have to be fully paid-in, each with a par value of CHF 0.08 per share, by the exercise of option and conversion rights granted in connection with warrants, convertible bonds or similar instruments of the Company or one of our subsidiaries. Shareholders will not have pre-emptive subscription rights in such circumstances, but will have advance subscription rights to subscribe for such warrants, convertible bonds or similar instruments. The holders of warrants, convertible bonds or similar instruments are entitled to the new shares upon the occurrence of the applicable conversion feature.

Conditional Share Capital for Equity Incentive Plans

Our nominal share capital may, to the exclusion of the pre-emptive subscription rights and advance subscription rights of shareholders, be increased by a maximum aggregate amount of CHF 936,000 through the (direct or indirect) issuance of not more than 11,700,000 common shares, which would have to be fully paid-in, each with a par value of CHF 0.08 per share, by the exercise of options, other rights to receive shares or conversion rights that have been granted to employees, members of the Board, contractors or consultants of the Company or of one of our subsidiaries or other persons providing services to the Company or to a subsidiary through one or more equity incentive plans created by the Board.

3. Other information

3.1 Full-time equivalents

The number of full-time employee equivalents did not exceed 50 on an annual average basis.

3.2 Information required for income statement categorized by nature of expense

(in CHF)	Year ended December 31, 2021	Year ended December 31, 2020
Staff costs	11,242,578	11,013,961
Depreciation	47,900	157,363
Amortization	107,241	31,156
Impairment of intangible assets	—	203,139

3.3 Accrued liabilities

(in CHF)	Year ended December 31, 2021	Year ended December 31, 2020
Accrued payroll	2,670,313	3,167,239
Accrued R&D	15,019,498	7,735,532
Other accrued	5,494,746	2,578,791
Total	23,184,557	13,481,562

3.4 Pension liabilities

On December 31, 2021, the liability to the third-party contracted pension plan amounted to CHF 280,148 (2020: CHF 249,660).

3.5 Residual amount of leasing obligations

The incidence of amounts payable under lease obligations having a residual term of more than 12 months or which cannot be canceled within the 12 months following the year-end is as follows:

(in CHF)	December 31, 2021	December 31, 2020
Not later than 1 year	264,652	250,674
Later than 1 year and not later than 5 years	386,551	606,939
More than 5 years	—	—
Total	651,203	857,613

These amounts include payments related to rental or lease contracts up to the end of their (a) contract period or (b) notice period, as applicable.

3.6 Shareholders' rights and equity awards

Share data have been revised to give effect to the share split and share consolidation as described in note 1.1, "General aspects". The following table presents information on the allocation of shares and equity awards to executive officers, directors and employees in accordance with Article 959c, paragraph 2, number 11 of the Swiss Code of Obligations (CO) as of December 31, 2021 and 2020:

	Shares		Options and RSUs	
(in CHF, except share data)	Number of Shares	Amount	Number of Options and RSUs	Amount
Issued to executive officers and directors	3,845,344	71,100,411	3,968,825	78,599,218
Issued to employees [1]	—	—	3,386,302	61,442,875
Total at December 31, 2021	3,845,344	71,100,411	7,355,127	140,042,093

	Shares		Options and RSUs	
(in CHF, except share data)	Number of Shares	Amount	Number of Options and RSUs	Amount
Issued to executive officers and directors	4,206,025	118,862,267	2,849,321	58,316,608
Issued to employees [1]	—	—	1,577,636	25,432,944
Total at December 31, 2020	4,206,025	118,862,267	4,426,957	83,749,552

[1] Shares issued to employees is not required to be disclosed under Swiss law.

Share values are based on the Company's closing share price of USD 20.20 (CHF 18.49) and USD 32.01 (CHF 28.26) at December 31, 2021 and 2020, respectively. Equity awards are comprised of options and restricted share unit awards. The fair value of the Company's options is determined using the Black-Scholes Model and its RSU awards are valued using the closing share price of the Company's common shares traded on the NYSE on the date of the award. Total shares are derived from the Company's transfer agent's records as at December 31, 2021 and 2020.

The table below represents the number of common shares beneficially owned and the percentage of common shares beneficially owned by principal shareholders who own more than 5% of shares outstanding as of December 31, 2021 and 2020.

	As of December 31, 2021		As of December 31, 2020	
Principal Shareholders	Number of Common Shares Beneficially Owned	Percentage of Common Shares Beneficially Owned	Number of Common Shares Beneficially Owned	Percentage of Common Shares Beneficially Owned
AT Holdings II Sarl	16,642,483	21.7 %	17,417,483	22.7 %
FMR LLC	7,672,673	10.0 %	7,761,585	10.1 %
Entities affiliated with Dr. Hans-Peter Wild	9,023,688	11.7 %	9,023,688	11.8 %
Redmile Group LLC	7,451,029	9.7 %	6,758,794	8.8 %
ADC Products Switzerland Sarl	4,773,122	6.2 %	4,773,122	6.2 %
AstraZeneca UK Limited	4,011,215	5.2 %	4,011,215	5.2 %

The table below presents beneficial ownership of executive officers and directors, including affiliated entities, if applicable, in accordance with Article 663c CO as at December 31, 2021:

Name	Function	Shares	Options - Vested	Options - Unvested	RSUs - Vested	RSUs - Unvested
Christopher Martin	Chief Executive Officer and Director	1,524,320	82,000	402,620	29,997	120,313
Michael Forer	Executive Vice President, General Counsel and Vice Chairman of the Board of Directors	807,339	54,667	197,096	19,998	63,212
Joseph Camardo[1]	Senior Vice President, Chief Medical Officer	—	26,867	56,819	1,833	6,897
Jennifer Creel	Chief Financial Officer	3,000	48,148	144,394	—	24,156
Peter Greaney	Head of Corporate Development	18,682	20,676	42,841	—	5,801
Jennifer Herron	Senior Vice President, Chief Commercial Officer	11,000	71,920	170,760	—	26,931
Richard Onyett	Vice President, Business Development	—	11,851	24,466	—	3,071
Kimberly Pope	Senior Vice President, Chief Human Resources Officer	1,000	45,021	149,239	—	19,916
Susan Romanus	Chief Compliance Officer	500	23,800	38,236	—	3,726
Robert A. Schmidt	Vice President, Corporate Controller & Chief Accounting Officer	—	9,484	63,963	—	5,505
Lisa Skelton[2]	Vice President, Global Project Management	3,298	10,564	23,985	—	3,230
Patrick van Berkel	Senior Vice President, Research and Development	288,801	53,748	147,388	—	19,885
Non-Executive Directors						
Ron Squarer	Chairman of the Board of Directors	8,000	836,753	674,054	—	10,453
Peter B. Corr [3]	Director	—	6,031	8,443	—	10,193
Stephen Evans-Freke [3]	Director	3,500	6,031	8,443	—	10,193
Peter Hug	Director	77,273	—	—	—	10,193
Viviane Monges	Director	1,500	—	30,937	—	10,193
Thomas Pfisterer	Director	521,544	—	—	—	10,193
Thomas M. Rinderknecht	Director	451,836	—	—	—	10,193
Tyrell J. Rivers	Director	—	—	—	—	—
Victor Sandor	Director	—	12,963	18,149	—	10,193
Jacques Theurillat	Director	123,751	—	—	—	10,193

1. Mr. Camardo became a member of Executive Management on September 11, 2021
2. Ms. Skelton became a member of Executive Management on February 1, 2021
3. In addition, Peter B. Corr and Stephen Evans-Freke may be deemed to have shared voting and investment power with respect to the shares held by entities affiliated with Auven Therapeutics GP Ltd., which held an aggregate of 21,415,605 shares (not included in the above table) as of December 31, 2021.

3.7 Events after the reporting date

The Board has considered events since December 31, 2021 up to March 17, 2022, the date on which it proposes acceptance of the financial statements of the Company for subsequent approval by the Annual General Meeting, and has concluded that there are no events after the reporting date requiring disclosure in the financial statements, other than those described below.

During January 2022, the Company entered an exclusive license agreement with Mitsubishi Tanabe Pharma Corporation (“MTPC”) for the development and commercialization of ZYNLONTA for all hematologic and solid tumor indications in Japan.

Under the terms of the agreement, the Company received an upfront payment of USD 30.0 million (CHF 27.4 million) and up to an additional USD 205 million (CHF 187.4 million) in milestones if certain development and commercial events are achieved. The Company will also receive royalties ranging in percentage from the high teens to the low twenties based on net sales of the product in Japan. MTPC will conduct clinical studies of ZYNLONTA in Japan and will have the right to participate in any global clinical studies of the product by bearing a portion of the costs of the study. In addition, the Company will supply product to MTPC for its drug development and commercialization under a supply agreement.

Report from the Auditor on the Compensation Report of ADC Therapeutics SA

ADC Therapeutics SA

Epalignes

Report of the statutory auditor to the General Meeting

on the compensation report 2021

Report of the statutory auditor

to the General Meeting of ADC Therapeutics SA

Epalignes

We have audited the accompanying compensation report of ADC Therapeutics SA for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables 2.c., 3.c. and 4., and the information in sections 2.b. and 4. of the compensation report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of ADC Therapeutics SA for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Michael Foley
Audit expert
Auditor in charge

Michael Abresch
Audit expert

Lausanne, 17 March 2022

Compensation Report of ADC Therapeutics SA for the Year Ended December 31, 2021

This compensation report (this "*Compensation Report*") of ADC Therapeutics SA (the "*Company*") has been prepared in accordance with the Ordinance Against Excessive Compensation in Listed Companies, effective January 1, 2014, and the Swiss Code of Obligations.

This Compensation Report refers to the period starting on January 1, 2021, and ending on December 31, 2021. On May 19, 2020, the Company completed its initial public offering ("*IPO*") and listing on the New York Stock Exchange ("*NYSE*"). Therefore, comparative figures for the previous year in this Compensation Report relate to the period starting on May 19, 2020, and ending on December 31, 2020.

Unless the context requires otherwise, the words "*we*", "*our*", "*us*", "*ADCT*" and similar words or phrases in this Compensation Report refer to the Company and its consolidated subsidiaries.

1. Compensation Philosophy, Principles and Governance

Principles of the Compensation of the Board of Directors and the Executive Management

Pursuant to Swiss law, the aggregate amount of compensation of the board of directors ("*Board of Directors*") and the persons whom the Board of Directors has entrusted with the management of the Company ("*Executive Management*") must be submitted to the annual general meeting of shareholders (the "*AGM*") for a binding vote.

The disclosure concerning compensation, loans and other forms of indebtedness includes the aggregate amount for the Board of Directors and the Executive Management, respectively, as well as the particular amount for each member of the Board of Directors and for the highest paid member of the Executive Management, specifying the name and function of each of these persons.

As a Swiss listed company, we are prohibited from granting certain forms of compensation to members of our Board of Directors and Executive Management, such as:

- severance payments (compensation due until the termination of a contractual relationship does not qualify as severance payment);
- advance compensation (remuneration to compensate for a verifiable financial disadvantage linked to a change of job does not qualify as advance compensation);
- incentive fees for the acquisition or transfer of companies, or parts thereof, by the Company or by companies being, directly or indirectly, controlled by the Company;
- loans, other forms of indebtedness, pension benefits not based on occupational pension schemes and performance-based compensation not provided for in the articles of association of the Company (the "*Articles*"); and
- equity-based compensation not provided for in the Articles.

Compensation to members of the Board of Directors and the Executive Management for activities in entities that are, directly or indirectly, controlled by the Company is prohibited if (i)

the compensation would be prohibited if it were paid directly by the Company, (ii) the Articles do not provide for it, or (iii) the compensation has not been approved by the AGM.

Each year, at the AGM, shareholders will vote on the proposals of the Board of Directors with respect to:

- the maximum aggregate amount of compensation of the Board of Directors for the term of office until the next AGM; and
- the maximum aggregate amount of fixed compensation of the Executive Management for the following financial year; and
- the maximum aggregate amount of variable compensation of the Executive Management for the current financial year.

The Board of Directors may submit for approval at the AGM deviating, additional or conditional proposals relating to the maximum aggregate amount or maximum partial amounts for the same or different periods or specific compensation components or in relation to additional amounts for specific compensation components.

If the AGM does not approve a proposal of the Board of Directors, the Board of Directors shall determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts, and submit the amount(s) so determined for approval by a general meeting of shareholders.

The Company or companies controlled by it may pay or grant compensation prior to approval by the AGM, subject to subsequent approval.

Members of the Board of Directors and the Executive Management may be paid fixed compensation and also variable compensation, depending on the achievement of certain performance criteria. The performance criteria may include individual targets, targets of the Company or parts thereof and targets in relation to the market, other companies or comparable benchmarks, taking into account the position and level of responsibility of the recipient of the variable compensation. The Board of Directors or, where delegated to it, the compensation committee of the Board of Directors (the "*Compensation Committee*") shall determine the relative weight of the performance criteria and the respective target values.

Compensation may be paid or granted in the form of cash, shares, financial instruments, in kind, or in the form of other types of benefits. The Board of Directors or, where delegated to it, the Compensation Committee, shall determine grant, vesting, exercise and forfeiture conditions.

Method of Determining Compensation

Role and Powers of the Compensation Committee

The Compensation Committee consists of at least two members, who will be (re-)elected at the AGM. The Board of Directors appoints the chair of the Compensation Committee and fills any vacancies until the following AGM.

The Compensation Committee supports our Board of Directors in establishing and reviewing the compensation and benefits strategy and guidelines as well as in preparing the proposals to the AGM regarding the compensation of the members of the Board of Directors and the Executive Management. The Compensation Committee may submit proposals to the Board of Directors on other compensation-related matters.

The Compensation Committee has the responsibility to, among other things:

- regularly review and make recommendations to the Board of Directors regarding our compensation and benefits strategy and guidelines;
- prepare the proposals to the shareholders' meeting regarding the compensation of the members of the Board of Directors and the Executive Management;
- regularly review and make recommendations to the Board of Directors regarding the compensation of the members of the Board of Directors and of the Executive Management;
- review and approve the recommendation of our Chief Executive Officer regarding the fixed and variable compensation, including incentive plan participation and benefits, of the members of the management team other than members of the Executive Management;
- review and make recommendations to the Board of Directors regarding our compensation and benefits plans (cash or equity-based plans) and, where appropriate or required, make recommendations to adopt, amend and terminate such plans;
- to the extent not delegated by the Compensation Committee to a different body or a third party, administer our compensation and benefits plans (other than equity-based plans); and
- review and assess risks arising from our employee compensation policies and practices and whether any such risks are reasonably likely to have a material adverse effect on us.

Compensation of the Board of Directors

As per the Articles, the compensation of the non-executive members of the Board of Directors may consist of fixed and variable compensation elements. Total compensation shall take into account the position and level of responsibility of the recipient. Additionally, the Company pays the employer's portion of social security contributions due on these amounts, as applicable.

As per the Articles, compensation may be paid in the form of cash, shares, options or other share-based instruments or units, or in the form of other types of benefits. The Board of Directors or, to the extent delegated to it, the Compensation Committee, shall determine grant, vesting, exercise, restriction and forfeiture conditions and periods. In particular, it may provide for continuation, acceleration or removal of vesting, exercise, restriction and forfeiture conditions and periods, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change of control or termination of an employment or mandate agreement. The Company may procure the required shares or other securities through purchases in the market, from treasury shares or by using

conditional or authorized share capital. Compensation may be paid by the Company or companies controlled by it.

Compensation of the Members of Executive Management

As per the Articles, the compensation of the members of the Executive Management may consist of fixed and variable compensation elements. Fixed compensation comprises the base salary and may consist of other compensation elements. Variable compensation may take into account the achievement of specific performance targets. Total compensation shall take into account the position and level of responsibility of the recipient.

As per the Articles, compensation may be paid in the form of cash, shares, options or other share-based instruments or units, or in the form of other types of benefits. The Board of Directors or, to the extent delegated to it, the Compensation Committee, shall determine grant, vesting, exercise, restriction and forfeiture conditions and periods. In particular, it may provide for continuation, acceleration or removal of vesting, exercise, restriction and forfeiture conditions and periods, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change of control or termination of an employment or mandate agreement. The Company may procure the required shares or other securities through purchases in the market, from treasury shares or by using conditional or authorized share capital. Compensation may be paid by the Company or companies controlled by it.

Elements of Compensation for 2021

Base Salary

We believe that our base salaries are highly competitive, given the importance of attracting, motivating, and retaining persons with the necessary skills and character. The salary level is based on the scope of the position and market conditions and the individual's profile in terms of experience and skills. Base and variable salaries are reviewed annually by the Compensation Committee, taking into account individual performance and the results of the external benchmarking.

Bonus

We have established an annual performance bonus program under which bonuses may be earned by our Executive Management (and also other employees) based on achievement of Company performance goals and objectives approved by the Compensation Committee each year. The bonus program is intended to strengthen the connection between individual compensation and Company success, reinforce our pay-for-performance philosophy by awarding higher bonuses to higher performing executives and help ensure that our compensation is competitive. Under the terms of the performance bonus program, the Compensation Committee will determine the final bonus pay-out based on the achieved objectives.

Each member of Executive Management is eligible to receive a bonus under the program calculated by multiplying his or her base salary by a target percentage value assigned to him or

her or to his or her position by the Compensation Committee. The Compensation Committee determines if the bonus is to be paid at target, under target or above target.

Under certain circumstances, new members of the Executive Management may receive replacement awards to compensate them for amounts forgone in connection with their change of employment.

Equity Incentive Plan

We grant equity awards under the ADC Therapeutics SA 2019 Equity Incentive Plan, as amended (the "*2019 Equity Incentive Plan*"). The purpose of the 2019 Equity Incentive Plan is to motivate and reward performance of our employees, directors, consultants and advisors and further the best interests of the Company and our shareholders. The 2019 Equity Incentive Plan is the sole means for the Company to grant new equity awards.

Plan Administration. The 2019 Equity Incentive Plan is administered by the Compensation Committee, subject to the Board of Directors' discretion to administer or appoint another committee to administer it.

Eligible Participants. The administrator is able to offer equity awards at its discretion under the 2019 Equity Incentive Plan to: (1) any employees of us or any of our subsidiaries; (2) any non-employee directors serving on our Board of Directors; and (3) any consultants or other advisors to us or any of our subsidiaries. The administrator of the plan may determine that an award for the benefit of a non-employee director will be granted to an affiliate of such director, but only to the extent consistent with the registration of shares offered under the plan on Form S-8 under the Securities Act.

Awards. The maximum number of common shares in respect of which awards have been or may be granted under the 2019 Equity Incentive Plan was increased to 13,820,000 common shares during the reporting period. Equity incentive awards under the 2019 Equity Incentive Plan may be granted in the form of options, share appreciation rights, restricted shares, restricted share units ("*RSUs*"), performance awards or other share-based awards, but not "incentive stock options" for purposes of U.S. tax laws. Options and share appreciation rights (if granted) have an exercise price determined by the administrator, which will not be less than the fair market value of the underlying common shares on the date of grant, which is generally the closing share price of the Company's common shares traded on the NYSE.

Vesting. The vesting conditions for grants under the equity incentive awards under the 2019 Equity Incentive Plan are set forth in the applicable award documentation. Option awards generally vest 25% on the first anniversary of the date of grant, and thereafter evenly on a monthly basis over the subsequent three years. RSUs generally vest annually over a period of three years commencing on the first anniversary of the date of grant.

Termination of Service and Change in Control. In the event of a participant's termination of employment, the Compensation Committee may, in its discretion, determine the extent to which an equity incentive award may be exercised, settled, vested, paid or forfeited. In the event of our termination of a participant's employment without cause or a participant's resignation for good

reason (as defined in the 2019 Equity Incentive Plan) upon or within 18 months following a change in control of the company (as defined in the 2019 Equity Incentive Plan), any awards outstanding to the participant (unless otherwise provided in the award agreement) will immediately vest and settle, and options and share appreciation rights will become fully exercisable. In the event of a change in control that involves a merger, acquisition or other corporate transaction, any outstanding award not assumed, substituted, replaced or continued in connection with the transaction will immediately vest and settle, and options and share appreciation rights will become fully exercisable. In connection with a change of control of the Company, the Compensation Committee may, in its discretion, take any one or more of the following actions with respect to outstanding awards: (i) cancel any such award, in exchange for a payment in cash, securities or other property or any combination thereof with a value equal to the value of such award based on the per share value of common shares received or to be received by other shareholders in the event (or without payment of consideration if the committee determines that no amount would have been realized upon the exercise of the award or other realization of the participant's rights); (ii) require the exercise of any outstanding option; (iii) provide for the assumption, substitution, replacement or continuation of any award by the successor or surviving corporation, along with appropriate adjustments with respect to the number and type of securities (or other consideration) of the successor or surviving corporation, subject to any replacement awards, the terms and conditions of the replacement awards (including performance targets) and the grant, exercise or purchase price per share for the replacement awards; (iv) make any other adjustments in the number and type of securities (or other consideration) subject to (a) such awards and in the terms and conditions of such awards in order to prevent the dilution or enlargement of benefits intended to be made available under the 2019 Equity Incentive Plan and (b) awards that may be granted in the future; (v) provide that any such award shall be accelerated and become exercisable, payable and/or fully vested with respect to all shares covered thereby or (vi) provide that any award shall not vest, be exercised or become payable as a result of such event.

Termination and Amendment. Unless terminated earlier, the 2019 Equity Incentive Plan will continue for a term of ten years. Our Board of Directors has the authority to amend or terminate the 2019 Equity Incentive Plan subject to shareholder approval with respect to certain amendments. However, no such action may impair the rights of the recipient of any options unless agreed to by the recipient.

Pension Plans

We operate defined benefit and defined contribution pension schemes in accordance with the local conditions and practices in the countries in which we operate.

The defined benefit schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. However, as is the case with many Swiss pension plans, although the amount of ultimate pension benefit is not defined, certain legal obligations of the plan nevertheless create constructive obligations on the employer to pay further contributions to fund an eventual deficit.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Company has no further payment obligations.

Social Charges

The Company pays social security contributions as required by applicable law. The Company also pays certain non-mandatory benefits under local social security schemes.

Employment Agreements

We have entered into employment agreements with certain members of our Executive Management. Each of these agreements provides for an initial salary and annual bonus opportunity, as well as participation in certain pension and welfare benefit plans. These agreements generally require advance notice of termination, from three to twelve months (and in no case longer than twelve months), and in some cases provide for garden leave (paid leave). Some members of our Executive Management have agreed to covenants not to compete against us or solicit our employees or customers during employment and for a period of up to one year following termination. We may be required to pay some members of our Executive Management compensation for their covenant not to compete with us following termination for some period of time.

2. Compensation of the Board of Directors

a. Board Composition

Our Board of Directors is composed of twelve members. Each director is elected for a one-year term. The current members of our Board of Directors were appointed at our shareholders' meeting on June 10, 2021 to serve until our 2022 AGM.

Since we are a foreign private issuer under the rules of the SEC, and in accordance with the NYSE listing standards, we rely on home country (Swiss) governance requirements and certain exemptions thereunder rather than on the stock exchange corporate governance requirements, including the requirement that within one year of the completion of the IPO, the Company has a board that is composed of a majority of independent directors. There are no family relationships among any members of our Board of Directors or Executive Management.

Board of Directors

Name	Role(s)	Year Appointed
Christopher Martin	Director & Chief Executive Officer	2011
Peter B. Corr	Director	2011
Stephen Evans-Freke	Director	2011
Michael Forer	Vice Chairman, Executive Vice President and General Counsel	2011
Peter Hug	Director	2019
Viviane Monges	Director	2021
Thomas Pfisterer	Director	2016
Thomas Rinderknecht	Director	2016
Tyrell Rivers	Director	2018
Victor Sandor	Director	2020
Ron Squarer	Chairman	2020
Jacques Theurillat	Director	2015

Board Committees

Name	Audit Committee	Compensation Committee	Nomination and Corporate Governance Committee	Science and Technology Committee
Christopher Martin				
Peter B. Corr		Member		Member
Stephen Evans-Freke		Member	Chair	
Michael Forer				
Peter Hug		Chair	Member	Member
Viviane Monges	Member			
Thomas Pfisterer				
Thomas Rinderknecht	Member		Member	
Tyrell Rivers				Member
Victor Sandor				Chair
Ron Squarer*				
Jacques Theurillat	Chair			

* Chairman of the Board of Directors

b. Board Compensation Structure

Members of the Board of Directors are paid a fixed fee as set forth below, dependent on the function exercised. Such fees have been established in light of market practice. [1] [2] [3]

(in USD thousands)	Chair	Member
Board of Directors	75	45
Audit Committee	30	15
Compensation Committee	15	7
Nomination and Corporate Governance Committee	10	5
Science and Technology Committee	15	7

(1) Pursuant to a pre-existing arrangement with the Company, Mr. Theurillat receives a flat annual fee of €80,000 (subject to mandatory Swiss deductions for social security contributions and source taxes, if applicable) for his service on the Board of Directors and board committees.

(2) Under his engagement letter with the Company, Mr. Squarer receives a single fee for his service on the Board of Directors and his service as a non-executive employee of the Company.

(3) Dr. Rivers voluntarily foregoes compensation for his service on the Board of Directors and board committees.

c. Board Compensation Amounts

In the period starting on January 1, 2021 and ending on December 31, 2021 and the period starting on May 19, 2020 and ending on December 31, 2020, the compensation of the members of the Board of Directors was as follows (in CHF thousands, converted from other currencies as applicable at the average prevailing exchange rate over the reporting period):

	For the Period January 1, through December 31, 2021				
Name	**Gross Cash Compensation**	**Social Contribution[1]**	**Other Compensation[2]**	**FMV of Equity Instruments Granted[3]**	**Total Compensation**
Christopher Martin[4]	—	—	—	—	—
Peter B. Corr	55	3	—	251	309
Stephen Evans-Freke[10]	62	4	—	251	317
Michael Forer[4]	—	—	—	—	—
Peter Hug	73	7	—	251	331
Viviane Monges[5]	35	3	5	813	856
Thomas Pfisterer	45	4	—	251	300
Thomas Rinderknecht	65	4	—	251	320
Tyrell Rivers[6]	—	—	—	—	—
Victor Sandor[9]	55	(3)	—	251	303
Ron Squarer[7]	473	13	42	1,097	1,625
Jacques Theurillat[8]	87	—	—	251	338
Total	950	35	47	3,667	4,699

	For the Period May 19, through December 31, 2020				
	Gross Cash Compensation	**Social Contribution[1]**	**Other Compensation[2]**	**FMV of Equity Instruments Granted[3]**	**Total Compensation**
Christopher Martin[4]	-	-	-	—	—
Peter B. Corr	33	2	-	—	35
Stephen Evans-Freke	44	3	-	—	47
Michael Forer[4]	-	-	-	—	—
Peter Hug	44	4	-	—	48
Thomas Pfisterer	28	3	-	—	31
Thomas Rinderknecht	41	2	-	—	43
Tyrell Rivers[6]	-	-	-	—	—
Victor Sandor	32	3	-	—	35
Ron Squarer[7]	318	12	22	7,998	8,350
Jacques Theurillat[8]	54	-	-	—	54
Total	594	29	22	7,998	8,643

1. Includes social security contributions as required by applicable law, as well as certain non-mandatory benefits under local social security schemes.
2. Includes pension costs for the period starting on January 1, 2021 and ending on December 31, 2021 and COBRA costs for the period starting on May 19, 2020 and ending on December 31, 2020.
3. Represents the fair value of stock options and RSUs on the date of grant. Stock options are valued using the Black-Scholes option pricing model. FMV excludes Swiss social security contributions since such contributions are only due if and when the equity instruments is exercised (2021: KCHF 0 and 2020: KCHF 0).
4. As members of the Executive Management, Dr. Martin and Mr. Forer receive no compensation for service on the Board of Directors. Compensation for Dr. Martin and Mr. Forer is included in Section 3.c below.
5. Ms. Monges was elected as a director on June 10, 2021.
6. Dr. Rivers voluntarily foregoes compensation for his service on the Board of Directors and board committees.
7. Mr. Squarer's compensation and equity award grants include those received in his capacity as Chairman of the Board of Directors and in his capacity as a non-executive employee of the Company.
8. Pursuant to a pre-existing arrangement with the Company, Mr. Theurillat receives a flat annual fee of €80,000 (subject to mandatory Swiss deductions for social security contributions and source taxes, if applicable) for his service on the Board of Directors and board committees.
9. Represents a correction to social contributions during 2021.

10. Mr. Evans-Freke ceased being a member of the Audit Committee on May 12, 2021.

d. Loans to members of the Board of Directors, payments to former members of the Board of Directors and payments to Related Parties of Members of the Board of Directors

No loans were extended to members of the Board of Directors or outstanding during the period starting on January 1, 2021, and ending on December 31, 2021 and during the period stating on May 19, 2020, and ending on December 31, 2020. No payments to former members of the Board of Directors in connection with their former role or which are not at arm's length were made during and with respect to such periods, and no severance payments to any member or former member of the Board of Directors were made during and with respect to such periods. No payments to related parties of members of the Board of Directors were made during such periods.

3. Compensation of the Members of Executive Management

a. Executive Management Composition

Name	Function
Christopher Martin	Chief Executive Officer
Michael Forer	Executive Vice President and General Counsel
Joseph Camardo [(1)]	Senior Vice President, Chief Medical Officer
Jennifer Creel	Chief Financial Officer
Jay Feingold [(2)]	Senior Vice President, Chief Medical Officer and Head of Oncology Clinical Development
Peter Greaney	Head of Corporate Development
Jennifer Herron	Senior Vice President and Chief Commercial Officer
Richard Onyett	Vice President, Business Development
Kimberly Pope	Senior Vice President, Chief Human Resources Officer
Susan Romanus	Chief Compliance Officer
Robert A. Schmidt	Vice President, Corporate Controller and Chief Accounting Officer
Lisa Skelton [(3)]	Vice President, Global Project Management
Patrick van Berkel	Senior Vice President, Research & Development

(1) Mr. Camardo became a member of Executive Management on September 11, 2021
(2) Mr. Feingold ceased to be a member of Executive Management on September 11, 2021
(3) Ms. Skelton became a member of Executive Management on February 1, 2021

b. Executive Management Compensation Structure

Members of the Executive Management receive remuneration consisting of a base salary, bonus, social benefits and equity instruments under the 2019 Equity Incentive Plan as described above, as well as certain other benefits.

c. Executive Management Compensation Amounts

For the period starting on January 1, 2021 and ending on December 31, 2021 and the period starting on May 19, 2020 and ending on December 31, 2020, the fixed and variable compensation of the members of the Executive Management was as follows (in CHF thousands, converted from other currencies as applicable at the average prevailing exchange rate over the reporting period):

	For the Period January 1, through December 31, 2021						
Name	Cash Compensation	Other Compensation[1]	Pension (employer)	Employer's Social Contribution[2]	Cash Bonus	Total	Equity FMV Excluding Social Contributions[3]
Christopher Martin	627	81	116	152	367	1,343	6,332
Michael Forer	506	60	92	116	296	1,070	2,437
Total Executive Management Compensation[4]	4,619	366	416	510	2,806	8,717	20,324

	For the Period May 19, through December 31, 2020						
Name	Cash Compensation	Other Compensation[1]	Pension (employer)	Employer's Social Contribution[2]	Cash Bonus	Total	Equity FMV Excluding Social Contributions[3]
Christopher Martin	367	80	70	65	286	868	11,206
Michael Forer	295	60	55	53	230	693	7,471
Total Executive Management Compensation[4][5]	2,571	460	228	265	1,584	5,108	26,197

1. Includes school fees, medical, dental and vision benefits, life and disability insurance and private use portion of company car allowance.
2. Includes social security contributions as required by applicable law, as well as certain non-mandatory benefits under local social security schemes.
3. Represents the fair value of equity awards on the date of grant. Stock options are valued using the Black-Scholes option pricing model. RSUs are valued based on the closing share price of the Company's common shares traded on the NYSE. FMV excludes Swiss social security contributions since such contributions are only due if and when the equity instruments is exercised (2021: KCHF 57 and 2020: KCHF 0).
4. Inclusive of Dr. Martin and Mr. Forer, as well as members of Executive Management who departed the Company during the reporting periods. These figures relate to a total of thirteen individuals who were members of Executive Management during each reporting period.
5. Compensation amounts include members of Executive Management during 2020.

d. Loans, Severance or other Compensation Paid to Members or Former Members of the Executive Management

No loans were extended to members of the Executive Management or outstanding during the period starting on January 1, 2021, and ending on December 31, 2021 and during the period starting on May 19, 2020, and ending on December 31, 2020. No payments to former members

of the Executive Management in connection with their former role or which are not at arm's length were made during and with respect to such periods, and no severance payments to members of the Executive Management or former members of the Executive Management were made during and with respect to such periods. No payments to related parties of members of the Executive Management were made during such periods.

4. Equity and Equity-Linked Instruments Held by Members of the Board of Directors and the Executive Management

The members of the Board of Directors [(1)] and their related parties, if any, held the following equity and equity-linked instruments as of December 31, 2021 and 2020:

		As of December 31, 2021				
Name	**Function**	**Shares**	**Options – Vested**	**Options - Unvested**	**Restricted Share Units - Vested**	**Restricted Share Units - Unvested**
Peter B. Corr[(2)]	Director	—	6,031	8,443	—	10,193
Stephen Evans-Freke[(2)]	Director	3,500	6,031	8,443	—	10,193
Peter Hug	Director	77,273	—	—	—	10,193
Viviane Monges	Director	1,500	—	30,937	—	10,193
Thomas Pfisterer	Director	521,544	—	—	—	10,193
Thomas Rinderknecht	Director	451,836	—	—	—	10,193
Tyrell Rivers	Director	—	—	—	—	—
Victor Sandor	Director	—	12,963	18,149	—	10,193
Ron Squarer	Chairman	8,000	836,753	674,054	—	10,453
Jacques Theurillat	Director	123,751	—	—	—	10,193
Total		1,187,404	861,778	740,026	—	91,997

		As of December 31, 2020		
Name	**Function**	**Shares**	**Options – Vested**	**Options - Unvested**
Peter B. Corr[(2)]	Director	—	—	14,474
Stephen Evans-Freke[(2)]	Director	3,500	—	14,474
Peter Hug	Director	77,273	—	—
Thomas Pfisterer	Director	521,544	—	—
Thomas Rinderknecht	Director	451,836	—	—
Tyrell Rivers	Director	—	—	—
Victor Sandor	Director	—	—	31,112
Ron Squarer	Chairman	8,000	—	1,466,948
Jacques Theurillat	Director	218,558	—	—
Total		1,280,711	—	1,527,008

(1) Excluding Christopher Martin, CEO, and Michael Forer, Executive Vice President and General Counsel, whose holdings are listed under Executive Management.

(2) In addition, Peter B. Corr and Stephen Evans-Freke may be deemed to have shared voting and investment power with respect to the shares held by entities affiliated with Auven Therapeutics GP Ltd., which held an aggregate of 22,747,483 and 22,193,730 shares (not including in the above table) as of December 31, 2021 and 2020, respectively.

The members of the Executive Management and their related parties, if any, held the following equity and equity-linked instruments as of December 31, 2021 and 2020:

		As of December 31, 2021				
Name	**Function**	**Shares**	**Options – Vested**	**Options - Unvested**	**Restricted Share Units - Vested**	**Restricted Share Units - Unvested**
Christopher Martin	Chief Executive Officer	1,524,320	82,000	402,620	29,997	120,313
Michael Forer	Executive Vice President and General Counsel	807,339	54,667	197,096	19,998	63,212
Joseph Camardo[(1)]	Senior Vice President, Chief Medical Officer	—	26,867	56,819	1,833	6,897
Jennifer Creel	Chief Financial Officer	3,000	48,148	144,394	—	24,156
Peter Greaney	Head of Corporate Development	18,682	20,676	42,841	—	5,801
Jennifer Herron	Senior Vice President and Chief Commercial Officer	11,000	71,920	170,760	—	26,931
Richard Onyett	Vice President, Business Development	—	11,851	24,466	—	3,071
Kimberly Pope	Senior Vice President, Chief Human Resources Officer	1,000	45,021	149,239	—	19,916
Susan Romanus	Chief Compliance Officer	500	23,800	38,236	—	3,726
Robert A. Schmidt	Vice President, Corporate Controller and Chief Accounting Officer	—	9,484	63,963	—	5,505
Lisa Skelton[(2)]	Vice President, Global Project Management	3,298	10,564	23,985	—	3,230
Patrick van Berkel	Senior Vice President, Research & Development	288,801	53,748	147,388	—	19,885
Total		2,657,940	458,746	1,461,807	51,828	302,643

		As of December 31, 2020				
Name	**Function**	**Shares**	**Options – Vested**	**Options - Unvested**	**Restricted Share Units - Vested**	**Restricted Share Units - Unvested**
Christopher Martin	Chief Executive Officer	1,649,320	—	231,530	—	89,990
Michael Forer	Executive Vice President and General Counsel	864,678	—	154,353	—	59,994
Jennifer Creel	Chief Financial Officer	3,000	—	115,556	—	—

Jay Feingold[3]	Senior Vice President, Chief Medical Officer and Head of Oncology Clinical Development	72,083	18,092	106,625	—	—
Peter Greaney	Head of Corporate Development	26,682	—	39,175	—	—
Jennifer Herron	Senior Vice President and Chief Commercial Officer	11,000	29,762	124,286	—	—
Richard Onyett	Vice President, Business Development	8,250	4,652	18,782	—	—
Kimberly Pope	Senior Vice President, Chief Human Resources Officer	1,000	—	135,064	—	—
Susan Romanus	Chief Compliance Officer	500	6,203	40,197	—	—
Robert A. Schmidt	Vice President, Corporate Controller and Chief Accounting Officer	—	—	30,348	—	—
Patrick van Berkel	Senior Vice President, Research & Development	288,801	20,676	97,028	—	—
Total		2,925,314	79,385	1,092,944	—	149,984

(1) Mr. Camardo became a member of Executive Management on September 11, 2021
(2) Ms. Skelton became a member of Executive Management on February 1, 2021
(3) Mr. Feingold ceased to be a member of Executive Management on September 11, 2021

Forward Looking Statements

FORWARD-LOOKING STATEMENTS

This Annual Report contains statements that constitute forward-looking statements. All statements other than statements of historical facts contained in this Annual Report, including statements regarding our future results of operations and financial position, business and commercial strategy, market opportunities, products and product candidates, research pipeline, ongoing and planned preclinical studies and clinical trials, regulatory submissions and approvals, projected revenues and expenses and the timing of revenues and expenses, timing and likelihood of success, as well as plans and objectives of management for future operations are forward-looking statements. Many of the forward-looking statements contained in this Annual Report can be identified by the use of forward-looking words such as "anticipate," "believe," "could," "expect," "should," "plan," "intend," "estimate," "will" and "potential," among others.

Forward-looking statements appear in a number of places in this Annual Report and include, but are not limited to, statements regarding our intent, belief or current expectations. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors. These forward-looking statements include:

- our expectations regarding revenues derived from sales of ZYNLONTA;
- the commencement, timing, progress and results of our research and development ("R&D") programs, preclinical studies and clinical trials;
- the timing of investigational new drug application ("IND"), biologics license application ("BLA"), supplemental BLA ("sBLA"), marketing authorization application ("MAA") and other regulatory submissions with the U.S. Food and Drug Administration ("FDA"), the European Medicines Agency ("EMA") or comparable regulatory authorities in other jurisdictions;
- the proposed development pathway for ZYNLONTA and camidanlumab tesirine ("Cami" and previously known as ADCT-301), and our other product candidates, and the acceptability of the results of clinical trials for regulatory approval by the FDA, EMA or comparable regulatory authorities in other jurisdictions;
- assumptions relating to the identification of serious adverse, undesirable or unacceptable side effects related to our products and product candidates;
- the timing of and our ability to obtain and maintain regulatory approval for our product and product candidates;
- our plan for the commercialization of ZYNLONTA and, if approved, Cami;
- the manufacture and supply of our products and product candidates;
- our expectations regarding the size of the patient populations amenable to treatment with our products and, if approved, product candidates, as well as the treatment landscape of the indications that we are targeting with our products and product candidates;
- assumptions relating to the rate and degree of market acceptance of ZYNLONTA and any other approved products;
- the pricing and reimbursement of ZYNLONTA and any other product candidates;
- our ability to identify and develop additional product candidates;
- the ability of our competitors to discover, develop or commercialize competing products before or more successfully than we do;
- our competitive position and the development of and projections relating to our competitors or our industry;
- our estimates of our expenses, revenues, capital requirements and need for or ability to obtain additional financing;
- our ability to raise capital when needed in order to continue our R&D programs or commercialization efforts;
- our ability to identify and successfully enter into strategic collaborations or licensing opportunities in the future, and our assumptions regarding any potential revenue that we may generate under current or future collaborations or licensing arrangements;
- our ability to obtain, maintain, protect and enforce intellectual property protection for our products and product candidates, and the scope of such protection;

- our ability to operate our business without infringing, misappropriating or otherwise violating the intellectual property rights of third parties;
- our expectations regarding the impact of the COVID-19 pandemic;
- our ability to attract and retain qualified key management and technical personnel;
- our expectations regarding the effectiveness of our internal controls over financial reporting; and
- our expectations regarding the time during which we will be a foreign private issuer.

These forward-looking statements speak only as of the date of this Annual Report and are subject to a number of risks, uncertainties and assumptions described under the sections in this Annual Report entitled "Operating and Financial Review and Prospects" and elsewhere in this Annual Report. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Annual Report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.