Financial Statements 2017 for Vaccibody AS

Organization no. 990646066

Board of Directors' annual report 2017

Vaccibody AS is a clinical stage immunotherapy company dedicated to the discovery and development of novel immunotherapies.

Vaccibody's front runner program (VB10.16) is a therapeutic DNA vaccine against HPV16 induced precancerous lesions of the cervix. In a clinical phase I trial, the VB10.16 vaccine has shown excellent safety as well as generation of strong immune responses. The program is now in clinical phase IIa and Vaccibody expects to report 6 months results from the phase IIa by Q3 2018.

Vaccibody is a leader in the rapidly developing field of individualized cancer neoantigen vaccines and is using the Vaccibody technology to generate best-in-class therapeutics to treat cancers with a high unmet medical need. Vaccibody's neoantigen vaccine program (VB10.NEO) has received regulatory approval to start a clinical phase I/IIa trial in patients with locally advanced or metastatic melanoma, non-small cell lung cancer (NSCLC), clear renal cell carcinoma, urothelial cancer or squamous cell carcinoma of head and neck. An interim report from the VB10.NEO trial is expected mid-2019.

The backbone of the Vaccibody imunotherapy program is a proprietary DNA construct that potentiates vaccines by targeting the antigen to antigen-presenting cells.

The Company's address is Gaustadalléen 21, 0349 Oslo.

VB10.16: Therapeutic HPV immunotherapy vaccine

In 2017 Vaccibody continued the clinical study with its therapeutic HPV vaccine (VB10.16). The vaccine is being tested in a clinical phase I/IIa (the VB C-01 study) in patients with HPV induced precancerous lesions of the cervix, so called cervical intraepithelial neoplasia (CIN). The aim of the VB C-01 study is to evaluate safety and initial efficacy of the vaccine.

In June 2017, the phase I part of the trial, which had enrolled 16 patients, was finalized with encouraging results. The treatment with VB10.16 was well tolerated. No serious adverse events (SAE's) was found. The most common adverse events (AEs) were transient mild to moderate local site reactions at the administration site.

Immunological analyses of the peripheral blood demonstrated a strong induction of T cell immune responses in 12 of 14 patients measured. The strength of the immune response correlates directly with the reduction in the size of the cervical lesions in the patients and shows a clear trend with CIN regression and HPV16 clearance. Even if the number of patients in the phase I trial is low, these results are promising for the further development of the vaccine.

In 2017, Vaccibody initiated the expansion phase (phase IIa) of the VB C-01 study. The enrolment goal in this part of the study was 15-20 patients; 18 patients have been enrolled to date and enrolment is finalized. Patients will receive 4 injections over 16 weeks, followed by 32 weeks follow up to assess safety and efficacy of the therapeutic VB10.16 vaccine. The treatment with VB10.16 has been well tolerated so far. No serious adverse advents (SAEs) have been reported. The most common adverse event (AEs) were transient mild to moderate local site reactions at the administration site, confirming the observations in part I of the study

VB10.NEO: Personalized therapeutic cancer neoantigen vaccine

The Company continued its research program for the development of neoantigen-based individualized cancer vaccines. Neoantigens are "genetic fingerprints" generated by tumors as they

grow and mutate. By vaccinating with neoantigens in a DNA version of a Vaccibody vaccine, Vaccibody is aiming at specific activation of the neoantigen-specific T cells to attack the tumor. The backbone in the Vaccibody “neoantigen vaccine” is a proprietary DNA construct that potentiates vaccines by targeting the antigen to antigen-presenting cells and is the same as is used in the VB10.16 vaccine. The use of the same DNA construct as in the VB10.16 vaccine has de-risked the VB10.NEO program significantly as the VB10.16 vaccine has been shown to be very safe in humans (see above). The strong immune responses seen in patients in the VB10.16 phase I/IIa clinical trial increases the likelihood that the VB10.NEO vaccine also will show strong immune responses when evaluated in clinical trials.

In 2017 Vaccibody has conducted preclinical work to support a clinical trial with a Vaccibody neoantigen vaccine. The Company has developed and finalized a proprietary bioinformatic prediction tool (NEOSelect™) that allows identification of the relevant neoantigens to be included in the Vaccine, based on the tumor gene sequences.

In August, Vaccibody filed a Clinical Trial Application (CTA) with the German regulatory agency Paul Ehrlich Institute (PEI). The study is an open labelled first human dose phase I/IIa study to evaluate safety, feasibility and efficacy of multiple dosing with individualised VB10.NEO immunotherapy in patients with locally advanced or metastatic melanoma, non-small cell lung cancer (NSCLC), clear renal cell carcinoma, urothelial cancer or squamous cell carcinoma of head and neck, who did not reach complete responses with current standard of care immune checkpoint blockade. It is the plan to enroll up to 40 patients in the phase I part of the trial.

In this trial, monthly immunizations are planned throughout the first year of treatment and the patients will be treated with anti-PD-1/PD-L1 (checkpoint inhibitor) immunotherapy. The data from the phase I in VB C-01 will serve as proof of concept for the neoantigen programme both regarding safety, immunogenicity and initial efficacy. The planned trial design with multiple immunizations, 20 targeted neoantigens as well as combination with checkpoint inhibitors are strongly supported by the data observed in VB C-01.

The clinical trial will take place in Germany and three very well renowned clinical oncology centers have been selected to conduct the study (Heidelberg, Munich, Frankfurt). All centers have profound experience with the use of checkpoint inhibitor cancer therapy.

Results 2017

Revenues, mainly grants from the NRC, SkatteFUNN and EU, amounted to NOK 9,763,435 and operating expenses amounted to NOK 43,731,403. The Company's annual result is a loss of NOK 31,370,621 (loss of NOK 16,220,187 in 2016).

The Board proposes that the loss is allocated to equity. The Company's equity pr. 31.12.17 was NOK 203,528,801 (NOK 234,401,811 per 12.31.16).

The Company has established a comprehensive development plan, and with the current cash position combined with grants from the NRC and other sources, the Company has financing for the implementation of these plans to the end of 2020. The Board confirms on this basis that the going concern assumption is realistic and that this is applied in the financial statements.

As with other pharmaceutical companies in the corresponding phase, there are still significant overall technological, financial and other risks associated with the Company. Beyond this the board is not aware of specific conditions that are important for the assessment of the Company's status and which are not reflected in the annual accounts or this report.

Organization

During 2017, the Company increased staff from 8 to 15 employees, of which 11 are women and 4 are men. The Company is also hiring key competencies (non-employees) as required.

There have been no accidents at work during the period. The Company's board consists of one woman and six men. The Company does not pollute the environment.

Research

The Company's activities in 2017 have been all research. Reference is therefore made to the section in the introduction for a description of the Company's research.

Subsequent events

Vaccibody announced in January 2018 that it had obtained a conditional approval from the German regulatory agency to initiate the clinical study for VB10.NEO, and in March the Company could announce that the remaining conditions, which related to securing and documenting certain aspects of the quality of the vaccine to be used, were met and that authorities had given its final approval of the CTA.

Also, the Company has received approval by the Central Ethics Committee in Heidelberg for the clinical trial.

Outlook

The clinical study with VB10.16 for treatment of precancerous cervical cancer will continue throughout 2018. Vaccibody expects to report 6 months results from the phase IIa by Q3 2018.

In the VB10.NEO trial, Vaccibody expects to enroll the first patient in Q1 2018. Dosing of the first patient with a personalized neoantigen vaccine is expected to take place in Q3 2018. An interim report from the VB10.NEO trial is expected mid-2019.

Parallel to the research activities the Company is seeking dialogue with various industry players for possible collaborations. The Company participates in international and national collaboration consortiums with the aim of developing new and better vaccines and immunotherapy.

Development of biomedical products have a long-term perspective and it is not expected that the Company will achieve positive accounting results until after another few years of operation.

Oslo, March 19th, 2018
The Board of Directors of Vaccibody AS

Ingrid Alfheim Board member	Lars Lund-Roland Board member	Dr. Bernd Robert Seizinger Board member	Anders Tuv Board member
Tom Edward Pike Chairman	Erlend Petter Skagseth Board member	Jan Haudemann Andersen Board member	Martin Bonde CEO

Income statement

	Note	2017	2016
OPERATING REVENUE AND EXPENCES			
Operating revenue			
Revenue	1	486 180	243 149
Other operating income	2	9 277 255	8 755 464
Total operating revenue		**9 763 435**	**8 998 613**
Operating expenses			
Employee benefits expense	5	14 371 809	8 507 351
Depreciation and amortization expenses	4	82 454	84 401
Other operating expenses	5	29 277 139	16 814 918
Total operating expenses		**43 731 403**	**25 406 669**
OPERATING PROFIT OR LOSS		**(33 967 968)**	**(16 408 056)**
FINANCIAL INCOME AND EXPENSES			
Financial income			
Changes in market value of fin. cur. assets		0	322 179
Other interests	3	1 634 649	(69 794)
Other financial income	6	1 605 392	88 431
Total financial income		**3 240 041**	**340 817**
Financial expenses			
Changes in market value of fin. cur. assets		51 064	54 653
Other interests		13 844	933
Other financial expense	6	577 786	97 361
Total financial expenses		**642 694**	**152 947**
NET FINANCIAL INCOME AND EXPENCES		**2 597 347**	**187 870**
ORDINARY RESULT BEFORE TAXES		**(31 370 621)**	**(16 220 187)**
Tax on ordinary result	7	0	0
ORDINARY RESULT		**(31 370 621)**	**(16 220 187)**
TO MAJORITY INTERESTS		**(31 370 621)**	**(16 220 187)**
APPLICATION AND ALLOC.			
Uncovered loss	9	(31 370 621)	(16 220 187)
TOTAL APPLICATION AND ALLOCATION		**(31 370 621)**	**(16 220 187)**

Balance sheet pr. 31.12.2017

	Note	31.12.2017	31.12.2016
ASSETS			
FIXED ASSETS			
Intangible assets			
Concessions, patents, licenses, trademarks	10	299 700	299 700
Total intangible assets		**299 700**	**299 700**
Tangible assets			
Machinery and plant	4	29 166	97 485
Fixtures and fittings, office machinery etc.	4	60 059	0
Total tangible assets		**89 225**	**97 485**
Financial fixed assets			
Other long-term receivables		45 926	0
Total financial fixed assets		**45 926**	**0**
TOTAL FIXED ASSETS		**434 851**	**397 185**
CURRENT ASSETS			
Receivables			
Trade receivables		0	237 243
Unpaid subscribed capital	9	0	220 000 000
Other short-term receivables	2	6 958 485	6 370 972
Total receivables		**6 958 485**	**226 608 215**
Investments			
Quoted bonds	3	40 097 817	0
Other quoted financial instruments	3	126 698 744	5 368 996
Total investments		**166 796 561**	**5 368 996**
Bank deposits, cash in hand, etc.	8	40 276 141	19 633 377
TOTAL CURRENT ASSETS		**214 031 188**	**251 610 588**
TOTAL ASSETS		**214 466 038**	**252 007 774**

	Note	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
EQUITY			
Paid-in equity			
Share capital	9	2 417 064	1 529 649
Share premium reserve	9	287 444 579	78 784 384
Other paid-in equity	9	0	209 050 000
Total paid-in equity		**289 861 643**	**289 364 033**
Retained earnings			
Uncovered loss	9	(86 332 842)	(54 962 221)
Total retained earnings		**(86 332 842)**	**(54 962 221)**
TOTAL EQUITY		**203 528 801**	**234 401 811**
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		6 084 410	3 410 732
Public duties payable		861 270	633 276
Other currents liabilities	9	3 991 557	13 561 954
TOTAL CURRENT LIABILITIES		**10 937 237**	**17 605 962**
TOTAL LIABILITIES		**10 937 237**	**17 605 962**
TOTAL EQUITY AND LIABILITIES		**214 466 038**	**252 007 774**

Oslo, March 19th, 2018
The Board of Directors of Vaccibody AS

Ingrid Alfheim
Board member

Lars Lund-Roland
Board member

Dr. Bernd Robert Seizinger
Board member

Anders Tuv
Board member

Tom Edward Pike
Chairman

Erlend Petter Skagseth
Board member

Jan Haudemann Andersen
Board member

Martin Bonde
CEO

Notes

Note 1 - Accounting principles

The financial statement is prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles for small enterprises in Norway.

Revenues

Revenues from sales of goods are recognized at the time of delivery. Services are recognized as the services are provided. All work performed is invoiced as of 31.12. Public support income is recognized as it accrues. Governmental grants are recorded gross as other operating income.

Current assets / Current liabilities

Current assets and current liabilities normally include items that are due for payment within one year after the balance sheet date, and items related to the business cycle. Current assets are valued at the lower of nominal cost and estimated fair value. Current liabilities are recognized at their nominal value.

Fixed assets

Fixed assets are assets intended for permanent ownership and use. Fixed assets are stated at cost. Tangible assets are depreciated over the remaining useful life time. Tangible assets are written down to fair value if impairment is not expected to be temporary. Impairment is reversed when the impairment situation no longer exists.

Intangible assets

Expenses related to the development of intangible assets are expensed directly. Purchased intangible assets are capitalized at cost. Intangible assets acquired through acquisition of a business are capitalized at cost when the criteria for capitalization are met. Intangible assets with finite useful life time are amortized systematically. Intangible assets are written down to its recoverable amount if the expected financial benefits do not cover the carrying value and any remaining productions costs.

Financial instruments

Financial instruments, including units of money market funds, which are classified as current assets are valued at fair value at the balance sheet date. Other investments are rated at the lowest of average cost and fair value at the balance sheet date.

Receivables

Trade receivables and other receivables are booked at face value less provision for bad debts. Provision for bad debts is made on the basis of individual assessments of each receivable. In addition, unspecified allocations are made for other trade and other debtors to cover potential losses.

Tax

Tax in the profit and loss account comprises both the payable tax for the period, being payable in the next period, and the change in deferred tax. Deferred tax is calculated at the prevailing tax rate at the end of the fiscal year (23 %), on the basis of the temporary differences that exist between the book values and the tax-related values, together with cumulative tax losses carried forward at the end of the financial year. Temporary differences, both positive and negative, which will or are likely to reverse in the same period, are recorded as a net amount. Deferred tax asset is booked to balance, if a future usage of such is likely.

Note 2 - Public grants

Vaccibody AS receives grants from various public sources:

Grant sources:	**2017**	**2016**
Skattefunn (1)	5 102 147	3 880 272
BIA, Norwegian Research Council (Norges Forskningsråd)	3 897 000	4 312 000
Other grants:	278 108	563 192
SAPHIR (EU)	278 108	498 370
ADITEC (EU)		64 822
Total grants	**9 277 255**	**8 755 464**

(1) Skattefunn projects:	**2017**	**2016**
a) 253282: VB1016/Vaccibody DNA vaksine mot forstadie til livmorhalskreft, 2015-2017		
Granted amounts	1 230 341	2 152 184
b) 266518: NEO/Targeted Personalized Therapeutic Cancer Vaccines, 2016-2019		
Granted amounts	3 871 805	1 728 088

Note 3 - Market based financial assets

	2017	**2016**
Nordea Likviditet II	66 333 115	5 449 418
Unrealized gains	-210 683	-80 423
KLP Kort Stat	40 094 779	0
Unrealized gains	3 038	0
KLP Pengemarked	60 770 311	0
Unrealized gains	-193 999	0
SUM	**166 796 561**	**5 368 996**

The Company has a credit line at Nordea for the purpose of currency risk hedging instruments. The Company's holding of money market funds Nordea Likviditet II are set as collateral for this credit line at Nordea.

Note 4 - Tangible fixed assets

	Machinery and plant	Fixtures and fittings, office machinery etc.	Sum
Acquisition cost pr. 1/1	611 443	0	611 443
+ Additions	0	74 194	74 194
- Disposals	388 348	0	388 348
Acquisition cost pr. 31/12	**223 095**	**74 194**	**297 289**
Cum. depreciation pr. 1/1	513 958	0	513 958
+ Ordinary depreciations	68 319	14 134	82 453
- Reversal of depreciations	388 348	0	388 348
Cum. depreciations pr. 31/12	**193 929**	**14 134**	**208 063**
Net book value pr. 31/12	**29 166**	**60 059**	**89 225**
Yearly depreciations rates (%)	20-33	33-33	

Note 5 - Employees, salaries, auditor, share warrants

The company had 16 employees during the fiscal year. The company is subject to the rules for mandatory occupational pension plan, and the company's (OTP) pension scheme meets the statutory requirements.

Specification of salary costs	**2017**	**2016**
Salaries	12 252 331	6 486 977
Employer's social security contribution	1 866 030	1 198 749
Pensions costs	238 115	132 610
Other personnel costs	15 334	689 015
Total	**14 371 809**	**8 507 351**

Remuneration to directors and auditor	**2017**	**2016**
Managing director	2 804 274	2 300 706
Remuneration to the Board of Dir.	363 902	307 538
Remuneration to auditor (excl. of VAT), consisting of:		
Audit fee	81 000	60 000
Other services rendered	16 000	20 000
Total remuneration to auditor	97 000	80 000

Share warrants issues:

The warrants listed below are issued as of 31.12.17. On 16.0218 the Extraordinary General Assembly decided to split the share 1:20, and consequently the outstanding warrants will be changed accordingly such that the number of warrants are multiplied by 20 and the strike price for all warrants are divided by 20.

The following warrants are issued to management/employees of the company:

Issued/ renewed	Recipient	Maturity	Strike price	Number
29.04.15	Agnete B. Fredriksen	31.12.19	64,70	3 300
21.06.16	Agnete B. Fredriksen	31.12.20	80,00	2 475
02.05.17	Agnete B. Fredriksen	31.12.21	250,00	17 079
20.12.17	Agnete B. Fredriksen	20.12.22	250,00	12 000
20.12.17	Agnete B. Fredriksen	20.12.22	50,00	2 760
20.12.17	Agnete B. Fredriksen	20.12.22	33,915	8 840
20.12.17	Agnete B. Fredriksen	20.12.22	52,50	1 640
02.05.17	Karoline Schjetne	31.12.21	250,00	6 024
21.06.16	Elisabeth Stubsrud	31.12.20	80,00	3 050
20.12.17	Mads Axelsen	20.12.22	250,00	18 000
20.12.17	Mette Husbyn	20.12.22	250,00	3 000
23.10.15	Martin Bonde	10.08.20	80,00	36 000
02.05.17	Martin Bonde	31.12.21	250,00	36 000
21.06.16	Stine Granum	31.12.20	80,00	3 050
	Sum			**153 218**

The company has issued the following warrants to the Board of Directors of the company:

Issued/ renewed	Recipient	Maturity	Strike price	Number
04.06.14	Tom Pike	04.06.19	52,50	2 800
29.04.15	Tom Pike	31.12.19	64,70	3 300
21.06.16	Tom Pike	31.12.20	80,00	2 800
02.05.17	Tom Pike	31.12.21	250,00	11 200
29.04.15	Bernd R. Seizinger	31.12.19	64,70	1 000
21.06.16	Bernd R. Seizinger	31.12.20	80,00	1 000
02.05.17	Bernd R. Seizinger	31.12.21	250,00	4 000
21.06.16	Lars Lund-Roland	31.12.20	80,00	1 000
02.05.17	Lars Lund-Roland	31.12.21	250,00	4 000
29.04.15	Ingrid Alfheim	31.12.19	64,70	1 000
21.06.16	Ingrid Alfheim	31.12.20	80,00	1 000
02.05.17	Ingrid Alfheim	31.12.21	250,00	4 000
02.05.17	Erlend Skagseth	31.12.21	250,00	4 000
02.05.17	Anders Tuv	31.12.21	250,00	4 000
02.05.17	Jan Haudemann-Andersen	31.12.21	250,00	2 333
	Sum			**47 433**

The company has issued the following warrants to ex-employees of the company:

Issued/ renewed	Recipient	Maturity	Strike price	Number
04.06.14	Ole Henrik Brekke	31.12.18	52,50	3 280

The company has issued the following warrants to co-founders of the company:

04.06.14	Bjarne Bogen	04.06.19	30,00	890

The company and the individual warrant holders have entered separate warrant agreements to regulate, among other matters, plans for the vesting of the warrants issued.

Note 6 - Other financial items

Specification other financial income		
	2017	**2016**
Currency gains	1 570 113	88 431
Other financial income	35 279	
TOTAL	**1 605 392**	**88 431**

Specification other financial costs	**2017**	**2016**
Currency losses	577 786	97 361
TOTAL	**577 786**	**97 361**

Note 7 – Taxes

Tax base	**2017**
Profit before taxes	-31 370 621
Permanent and other differences	-5 039 557
Change in temporary differences	18 217
Fiscal year's tax base	**-36 391 961**

Fiscal year's tax cost	**2017**	**2016**
Tax payable	0	0
Change in deferred tax (asset)	0	0
Total ordinary tax costs	**0**	**0**

Temporary differences and deferred tax (asset)	**2017**	**2016**
+ Fixed assets incl. goodwill	-60 662	-42 445
- Tax losses carried forward	117 726 242	81 334 281
Total negative tax decreasing differences	**117 786 904**	**81 376 726**
Differences not included in calculation of deferred tax	117 786 904	81 376 726

Due to uncertainty whether tax losses carried forward will be utilized in future years, deferred tax asset is not recognized in the balance sheet.

Note 8 - Restricted bank deposits

	2017	2016
Restr. bank acct. for employee's withheld taxes at 31.12	700 192	393 960

Note 9 - Equity / shareholders

Share capital consists of 2 417 064 shares of face value of NOK 1,00, total share capital is NOK 2 417 064.

	Share capital	Share premium	Other equity	Total equity
Pr 1.1.	1 529 649	78 784 384	154 087 779	234 401 811
-Net result for the year			-31 370 621	-31 370 621
+/-Other transactions:	887 415	208 660 195	-209 050 000	497 610
Pr 31.12.	**2 417 064**	**287 444 579**	**-86 332 842**	**203 528 801**
Other transactions consist of:				
Reversal of share issue (1)			-209 050 000	-209 050 000
Share issue reg. 24.1.2017	880 000	219 120 000		220 000 000
Share issue costs 24.1.2017		-10 950 000		-10 950 000
Exercise of warrants	7 415	490 195		497 610
=Other transactions:	**887 415**	**208 660 195**	**-209 050 000**	**497 610**

(1) Share issue approved in shareholders meeting 22.12.2016, registered in the Register of Business Enterprises on 24.1.2017.

The company had 140 shareholders at 31.12.2017. The following shareholders owned more than 5% of the share capital:

	Number of shares:	Share %
Sarsia Seed AS	336 240	13,91 %
Radiumhospitalets Forskningsstiftelse	253 070	10,47 %
Arctic Funds Plc	196 457	8,13 %
Datum Invest AS	181 700	7,52 %
Norda ASA	141 600	5,86 %
Other shareholders	1 307 997	54,12 %
SUM	**2 417 064**	**100,00 %**

Direct or Indirect share holdings among the Board of Directors:

Name:	Position:	Share %
Ingrid Alfheim	Board Member	0,164%
Tom Edward Pike	Board Chairman	0,814%
Jan Haudemann-Andersen	Board Member	7,517%

Note 10 - Intangible assets

The balance sheet items *"Consessions, patents, lisences, trademarks"* consists of acquired patens and project rights. Book value equals acquisition value.

The board of directors' view is that the company will succeed in developing products based on these assets, or otherwise realize the value. Ongoing, operational costs for patents are expensed directly, due to uncertainty as to when and whether products based on these assets can be launched for sale.

Note 11 - Off balance sheet items - currency exchange contracts

The Company has expected future net expenses in foreign currencies and seek to hedge such currency exchange risk. At 31.12.17 the company held EUR 1,997,146 in a bank account, and had entered into forward contracts for purchase of GBP as follows:

Date of exchange	**04.01.18**	**04.04.18**	**04.07.18**	**03.10.18**	**SUM**
GBP amount	250 000	250 000	250 000	250 000	1 000 000
Agreed rate GBP/NOK	10,411	10,421	10,433	10,444	
NOK value	2 602 750	2 605 250	2 608 250	2 611 000	10 427 250
GBP/NOK at 31.12.17					11,091
Unrealized gain on forward contracts					**663 750**

As the above contracts are considered hedging instruments, connected to specific planned, future purchases nominated in GBP, in accordance with NRS18, the unrealized profit is not booked to balance as of 31.12.2017.

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To the General Meeting of Vaccibody AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vaccibody AS showing a loss of NOK 31 370 621. The financial statements comprise the balance sheet as at 31 December 2017, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those 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 Company as required by laws and regulations, 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.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud

Registrert i Foretaksregisteret
Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's 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 Company'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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

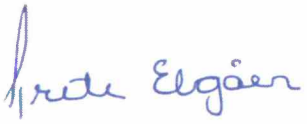
We communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 19 March 2018
Deloitte AS



Grete Elgåen
State Authorized Public Accountant (Norway)