Financial Statements 2018
for
Vaccibody AS

Organization no. 990646066

Board of Directors' annual report 2018

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 cancer developments caused by the HPV16 virus. 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 reported strong 6-months results from this trial in Q3 2018. Vaccibody reported 12-months data (topline results) in Q1 2019 supporting the 6-months data. The final report will be made in Q2 2019.

Vaccibody is one of the leaders 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) received regulatory approval in 2018 to start a clinical phase I/IIa trial in up to 40 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. The trial has currently enrolled 16 patients. Systemic immune response data from the first handful of patients are expected in Q2 2019 and an interim report from the VB10.NEO trial is expected in Q3 2019.

In September 2018, Vaccibody entered into a clinical trial collaboration with US biotech company Nektar Therapeutics. The planned clinical trial will combine VB10.NEO and the Nektar compound bempegaldesleukin (NKTR-214), which is a pegylated IL-2 molecule in up to 10 patients with squamous cell carcinoma of head and neck. Pre-clinical data show that the addition of NKTR-214 on top of VB10.NEO generates an even broader and deeper immune response thereby further enhancing the chance of eliminating the cancer. It is expected that the first patient in this trial will be dosed in Q3, 2019.

The backbone of the Vaccibody immunotherapy 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, 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.

In 2018, Vaccibody continued the expansion phase (phase IIa) of the VB C-01 study. The phase IIa

enrolled 18 CIN 2/3 patients, 1 patient was withdrawn and 17 patients each received four doses of 3 mg of VB10.16 at week 0, 3, 6 and 16 weeks. The primary objective of the study was to evaluate the safety and tolerability of VB10.16. The secondary objectives were to assess T cell mediated immune responses in the peripheral blood and to evaluate early signs of efficacy by means of CIN regression and HPV16 clearance.

The 6-months data (preliminary data) from the phase IIa trial released in 2018 demonstrate that treatment with the four doses of VB10.16 was well tolerated in the phase IIa part as it was in the phase I part of the study. No serious adverse advents (SAEs) or unexpected adverse events were reported. The most frequently reported AEs were transient mild to moderate local site reactions.

Immunological analyses of the peripheral blood demonstrated a strong HPV16-specific T cell immune response in 17 of 17 patients evaluated. The response was induced by the vaccine in 16 of 17 patients against both antigens used in the vaccine (HPV16 proteins E6 and E7). One patient had a strong baseline response and thus was not further induced by the vaccine. These results constitute a proof-of-concept for the Vaccibody DNA vaccine technology delivered by jet injection regarding its ability to generate a rapid, strong and long-lasting immune response. One patient had conization at 4 months and could not be assessed at 6 months. Of the remaining 16 patients, 15 patients showed a partial or complete response at 6 months (13 partial responders, 2 complete responders, 1 stable disease). 14 patients showed a reduction in lesion size from colposcopic examination at 6 months (median reduction for these 14 patients was 50%). Histopathological regression to low grade neoplasia (CIN 1) or no disease was seen in 8 patients. Of the 8 patients that have not regressed to CIN1 or less at 6 months, 6 patients showed upregulation of PD-L1 in the lesions which may delay or inhibit elimination of all affected cells. Three of these patients had also persistent co-infection with other high-risk HPV strains, including one patient which had cleared HPV16.

Adding a 4th vaccination at 4 months significantly boosted the T cell response and the strongest response was observed at 6 months. Change in lesion size and CIN regression have been monitored until 12 months after first vaccination. The final study report will be made in Q2, 2019.

VB10.NEO: Personalized therapeutic cancer neoantigen vaccine

In 2018, 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.

Vaccibody has continued to conduct preclinical work to support the use of the neoantigen concept in clinical trials. This work continues to support our finding that the Vaccibody vaccine

format has a unique ability to induce T cell responses to a high number of neoantigens. Interestingly, we see a strong and CD8 dominated T cell response to neoantigens that are shown to be non-immunogenic when delivered in other vaccine formats. The work has also included preclinical experiments where the Vaccibody neoantigen vaccine was used in combination with bempegaldesleukin (NKTR-214), a pegylated IL-2 molecule developed by Nektar Therapeutics. NKTR-214 enables clonal expansion of T-cell and the underlying rationale for combining this molecule with a neoantigen vaccine is that such combination might mount a broader and deeper immune response: once the neoantigen vaccine has generated T-cells with the right antitumor specificity then the NKTR-214 will expand these T-cell clones and make a stronger immune response and therefore enhance the ability to eliminate the tumor. Performing preclinical work combining VB10.NEO and NKTR-214, Vaccibody has shown that such combination consistently gives a broader and deeper immune response in the animals meaning that immune responses are generated to more neoantigens and that stronger immune responses are generated to the neoantigens. The added effect is observed for both CD4 and CD8 T cells but seem to be most pronounced on CD8 T cells. This preclinical work is the foundation for a clinical trial which will combine VB10.NEO and the Nektar compound NKTR-214 in up to 10 patients with squamous cell carcinoma of head and neck. It is expected that the first patient in this trial will be enrolled in Q3 2019.

In March 2018, Vaccibody received an approval from the German regulatory agency Paul Ehrlich Institute (PEI) to conduct its first neoantigen clinical trial. The study is an open labelled first human dose phase I/IIa study to evaluate safety, feasibility and efficacy of multiple dosing with individualized 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 the 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 clinical trial takes 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. The trial has currently enrolled 16 patients and an interim report from the VB10.NEO trial is expected in Q3, 2019.

Vaccibody's proprietary bioinformatic prediction tool (NeoSELECT™), that allows identification of the relevant neoantigens to be included in the vaccine based on the tumor-specific gene sequences, has shown to be very efficient. The prediction tool has enabled identification of at least 20 neoantigens in each patient enrolled in the on-going neoantigen study. Data from the immunogenicity and clinical data to be generated, will help guide the further development and refinement of the NeoSELECT™.

Results 2018

Revenues, mainly grants from the NRC, SkatteFUNN and EU, amounted to NOK 12,042,008 and operating expenses amounted to NOK 77,878,984. The Company's annual result is a loss of NOK 63,793,398 (loss of NOK 31,370,621 in 2017).

The Board proposes that the loss is allocated to equity. The Company's equity pr. 31.12.18 was NOK 140,072,303 (NOK 203,528,801 per 31.12.17).

The Company has established a comprehensive development plan, and with the cash position at year end 2018, new equity raised in the first quarter of 2019 and grants from the NRC and other sources, the Company has financing for the implementation of these plans to the end of 2021. 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 2018, the Company increased staff from 15 to 20 employees, of which 13 are women and 7 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 two women and six men. The Company does not pollute the environment.

Research

The Company's activities in 2018 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 February 2019 that it had entered into an agreement with Roche to explore a combination of Vaccibody's VB10.16 and the PD-L1-blocking immune checkpoint inhibitor atezolizumab (Tecentriq®) in patients with advanced cervical cancer. The combination of VB10.16 and atezolizumab is building on the positive data VB10.16 has generated as monotherapy in patients with precancerous cervical lesions in the VB C-01 trial. In this study, it was observed that VB10.16 creates a target for PD-1/PD-L1 checkpoint inhibitors, thereby providing a sound scientific rationale for combining VB10.16 with an immune checkpoint inhibitor like atezolizumab in cervical cancer patients. The planned study will assess the safety, tolerability, immunogenicity and efficacy of the VB10.16-atezolizumab combination in up to 50 patients.

Vaccibody also announced in February 2019 that a Private Placement has been successfully placed, raising gross proceeds of NOK 230 million by allocating 5,750,000 shares at a subscription price of NOK 40.00 per Offer Share. The Private Placement received strong interest from existing shareholders and new investors. The net proceeds from the Private Placement will i.a. be used to conduct a Phase IIa clinical study combining Vaccibody's product candidate VB10.16 with Roche's checkpoint inhibitor Atezolizumab, prepare for expansion cohorts in Vaccibody's

VB10.NEO cancer neoantigen programme and initiation of two expansion cohorts, as well as for general corporate purposes.

Outlook

The clinical study with VB10.16 for treatment of precancerous cervical cancer will have the final report with 12-months data finalized by Q2 2019. Building upon the data from this study a clinical trial collaboration with Roche has been initiated. The trial will combine VB10.16 and the PD-L1-blocking immune checkpoint inhibitor atezolizumab (Tecentriq®) in up to 50 patients with advanced cervical cancer and is expected to obtain regulatory approval in Q4 2019 so that first patient can be dosed in Q1 2020.

The VB10.NEO trial has currently enrolled 16 patients. Systemic immune response data from the first handful of patients are expected in Q2 2019 and an interim report from the VB10.NEO trial is expected in Q3 2019. In Q4 2019, the company plans to enroll the first patient in an expansion cohort (up to 17 extra patients in a specific indication) in the phase IIa of the neoantigen study.

The clinical trial collaboration with Nektar Therapeutics combining VB10.NEO and bempegaldesleukin (NKTR-14) in up to 10 patients with squamous cell carcinoma of head and neck is expected to report first patient enrolled H2 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 immunotherapies.

Development of biomedical products have a long-term perspective and it is uncertain when the Company will achieve positive accounting results.

Oslo, April 9, 2019

The Board of Directors of Vaccibody AS

Sign. Tom Edward Pike Board chairman	*Sign.* Ingrid Alfheim Board member	*Sign.* Jan Haudemann-Andersen Board member	*Sign.* Lars Lund-Roland Board member
Sign. Dr. Bernd R. Seizinger Board member	*Sign.* Erlend P. Skagseth Board member	*Sign.* Susanne Stuffers Board member	*Sign.* Anders Tuv Board member
Sign. Martin Bonde Chief Executive Officer			

Income statement

	Note	2018	2017
OPERATING REVENUE AND EXPENCES			
Operating revenue			
Revenue	1	128 829	486 180
Other operating income	2	11 913 179	9 277 255
Total operating revenue		**12 042 008**	**9 763 435**
Operating expenses			
Employee benefits expense	5	20 881 754	14 371 809
Depreciation and amortization expenses	4	57 956	82 454
Other operating expenses	5	56 939 273	29 277 139
Total operating expenses		**77 878 984**	**43 731 403**
OPERATING PROFIT OR LOSS		**(65 836 975)**	**(33 967 968)**
FINANCIAL INCOME AND EXPENSES			
Financial income			
Other interests	3	1 808 911	1 634 649
Other financial income	6	2 597 277	1 605 392
Total financial income		**4 406 188**	**3 240 041**
Financial expenses			
Changes in market value of fin. cur. assets		335 280	51 064
Other interests		80 116	13 844
Other financial expense	6	1 947 215	577 786
Total financial expenses		**2 362 611**	**642 693**
NET FINANCIAL INCOME AND EXPENCES		**2 043 577**	**2 597 347**
ORDINARY RESULT BEFORE TAXES		**(63 793 398)**	**(31 370 621)**
Tax on ordinary result	9	0	0
ORDINARY RESULT		**(63 793 398)**	**(31 370 621)**
TO MAJORITY INTERESTS		(63 793 398)	(31 370 621)
APPLICATION AND ALLOCATION			
Uncovered loss	10	(63 793 398)	(31 370 621)
TOTAL APPLICATION AND ALLOCATION		**(63 793 398)**	**(31 370 621)**

Balance sheet pr. 31.12.2018

	Note	31.12.2018	31.12.2017
ASSETS			
FIXED ASSETS			
Intangible assets			
Concessions, patents, licenses, trade marks	8	299 700	299 700
Total intangible assets		**299 700**	**299 700**
Tangible assets			
Machinery and plant	4	3 600	29 166
Fixtures and fittings, office machinery etc.	4	106 716	60 059
Total tangible assets		**110 316**	**89 225**
Financial fixed assets			
Other long-term receivables		74 616	45 926
Total financial fixed assets		**74 616**	**45 926**
TOTAL FIXED ASSETS		**484 631**	**434 851**
CURRENT ASSETS			
Receivables			
Other short-term receivables	2	8 306 460	6 958 485
Total receivables		**8 306 460**	**6 958 485**
Investments			
Quoted bonds	3	0	40 097 817
Other quoted financial instruments	3	112 105 837	126 698 744
Total investments		112 105 837	166 796 561
Bank deposits, cash in hand, etc.	7	32 441 484	40 276 141
TOTAL CURRENT ASSETS		**152 853 780**	**214 031 188**
TOTAL ASSETS		**153 338 412**	**214 466 038**

	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
EQUITY			
Paid-in equity			
Share capital	10	2 423 994	2 417 064
Share premium reserve	10	287 774 549	287 444 579
Total paid-in equity		**290 198 543**	**289 861 643**
Retained earnings			
Uncovered loss	10	(150 126 240)	(86 332 842)
Total retained earnings		**(150 126 240)**	**(86 332 842)**
TOTAL EQUITY		**140 072 303**	**203 528 801**
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		5 520 884	6 084 410
Public duties payable		1 216 513	861 270
Other currents liabilities	10	6 528 711	3 991 557
TOTAL CURRENT LIABILITIES		**13 266 109**	**10 937 237**
TOTAL LIABILITIES		**13 266 109**	**10 937 237**
TOTAL EQUITY AND LIABILITIES		**153 338 412**	**214 466 038**

Oslo, April 9, 2019

The Board of Directors of Vaccibody AS

Sign. Tom Edward Pike Board chairman	*Sign.* Ingrid Alfheim Board member	*Sign.* Jan Haudemann-Andersen Board member	*Sign.* Lars Lund-Roland Board member
Sign. Dr. Bernd R. Seizinger Board member	*Sign.* Erlend P. Skagseth Board member	*Sign.* Susanne Stuffers Board member	*Sign.* Anders Tuv Board member

Sign.
Martin Bonde
Chief Executive Officer

Notes 2018

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.

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.

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.

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 (22 %), 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:	**2018**	**2017**
Skattefunn (1)	5 091 573	5 102 147
BIA, Norwegian Research Council (Norges Forskningsråd)	6 461 000	3 897 000
Other grants:	237 606	278 108
SAPHIR (EU)	*157 606*	*278 108*
NRC, other	*80 000*	
Total grants	**11 790 179**	**9 277 255**

(1) Skattefunn project:	**2018**	**2017**
a) 253282: VB1016, *"Vaccibody DNA vaksine mot forstadie til livmorhalskreft»,* 2015-2017		
Granted amounts	0	1 230 341
b) 266518: VB10.NEO, *"Targeted Personalized Therapeutic Cancer Vaccines",* 2016-2019		
Granted amounts	5 091 573	3 871 805

Note 3 - Market based financial assets

	2018	**2017**
Nordea Likviditet III, acq. cost + reinvested interests	64 332 204	66 333 115
Unrealized gains	*554 299*	*-210 683*
KLP Kort Stat, acq. cost + reinvested interests	0	40 094 779
Unrealized gains	*0*	*3 038*
KLP Pengemarked, acq. cost + reinvested interests	47 457 131	60 770 311
Unrealized gains	*-237 797*	*-193 999*
SUM	**112 105 837**	**166 796 561**

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 III 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	223 095	74 194	297 289
+ Additions	0	79 047	79 047
Acquisition cost pr. 31/12	223 095	153 241	376 336
Cum. depreciation pr. 1/1	193 929	14 134	208 063
+ Ordinary depreciations	25 567	32 390	57 956
Cum. depreciations pr. 31/12	219 496	46 524	266 019
Net book value pr. 31/12	**3 599**	**106 717**	**110 317**
Yearly depreciations rates (%)	20-33	20-33	

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) defined contribution pension scheme meets the statutory requirements.

Specification of salary costs	**2018**	**2017**
Salaries	17 067 728	12 252 331
Employer's social security contribution	2 717 184	1 866 030
Pensions costs	345 687	238 115
Other personnel costs	751 156	15 334
Total	**20 881 754**	**14 371 809**
Remuneration to directors and auditor	**2018**	**2017**
Chief Executive Officer	2 830 958	2 804 274
Remuneration to the Board of Dir.	613 184	363 902
Remuneration to auditor (excl. of VAT), consisting of:		
Audit fee	89 000	81 000
Other services rendered	41 900	16 000
Total remuneration to auditor	**130 900**	**97 000**

The CEO has a compensation package which includes an annual bonus payment of up to 25% of the fixed annual salary. The bonus is determined by the Board of Directors, based on assessment of goal achievements.

Warrants issues

The warrants listed below are issued as of 31.12.18:

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

Issued	Recipient	Maturity	Strike price	Number
29.04.15	Agnete B. Fredriksen	31.12.19	3,24	66 000
21.06.16	Agnete B. Fredriksen	31.12.20	4,00	49 500
02.05.17	Agnete B. Fredriksen	31.12.21	12,50	41 580
02.05.17	Agnete B. Fredriksen	31.12.21	12,50	271 000
20.12.17	Agnete B. Fredriksen	20.12.22	1,70	176 800
20.12.17	Agnete B. Fredriksen	20.12.22	2,50	55 200
20.12.17	Agnete B. Fredriksen	20.12.22	2,63	32 800
20.12.17	Agnete B. Fredriksen	20.12.22	12,50	240 000
21.06.16	Elisabeth Stubsrud	31.12.20	4,00	61 000
10.04.18	Hedda Wold	31.12.22	20,00	80 000
02.05.17	Karoline Schjetne	31.12.21	12,50	107 629
20.12.17	Mads Axelsen	20.12.22	12,50	319 200
23.10.15	Martin Bonde	10.08.20	4,00	720 000
02.05.17	Martin Bonde	31.12.21	12,50	644 400
20.12.17	Mette Husbyn	20.12.22	12,50	53 600
10.04.18	Mette Husbyn	31.12.22	20,00	200 000
21.06.16	Stine Granum	31.12.20	4,00	61 000
	SUM			**3 179 709**

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

Issued	Recipient	Maturity	Strike price	Number
02.05.17	Anders Tuv	31.12.21	12,50	20 000
02.05.17	Anders Tuv	31.12.21	12,50	60 000
29.04.15	Bernd R. Seizinger	31.12.19	3,24	20 000
21.06.16	Bernd R. Seizinger	31.12.20	4,00	20 000
02.05.17	Bernd R. Seizinger	31.12.21	12,50	20 000
02.05.17	Bernd R. Seizinger	31.12.21	12,50	60 000
02.05.17	Erlend Skagseth	31.12.21	12,50	20 000
02.05.17	Erlend Skagseth	31.12.21	12,50	60 000
29.04.15	Ingrid Alfheim	31.12.19	3,24	20 000
21.06.16	Ingrid Alfheim	31.12.20	4,00	20 000
02.05.17	Ingrid Alfheim	31.12.21	12,50	20 000
02.05.17	Ingrid Alfheim	31.12.21	12,50	60 000
20.12.17	Jan Haudemann-Andersen	31.12.21	12,50	46 660
21.06.16	Lars Lund-Roland	31.12.20	4,00	20 000
02.05.17	Lars Lund-Roland	31.12.21	12,50	20 000
02.05.17	Lars Lund-Roland	31.12.21	12,50	60 000
04.06.14	Tom Pike	04.06.19	2,63	56 000
29.04.15	Tom Pike	31.12.19	3,24	66 000
21.06.16	Tom Pike	31.12.20	4,00	56 000
02.05.17	Tom Pike	31.12.21	12,50	56 000
02.05.17	Tom Pike	31.12.21	12,50	168 000
	SUM			**948 660**

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	***2018***	***2017***
Currency gains	2 553 370	1 570 113
Other financial income	43 907	35 279
TOTAL	**2 597 277**	**1 605 392**

Specification other financial costs	***2018***	***2017***
Currency losses	1 926 450	577 786
Other financial costs	20 766	0
TOTAL	**1 947 215**	**577 786**

Note 7 - Restricted bank deposits

	2018	**2017**
Restr. bank acct. for employee's withheld taxes at 31.12	944 963	700 192

Note 8 - Intangible assets

The balance sheet items *"Consessions, patents, lisences, trade marks"* 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 9 - Taxes

Tax base	**2018**
Profit before taxes	-63 793 398
Permanent and other differences	-4 703 680
Change in temporary differences	-7 189
Fiscal year's tax base	**-68 504 267**

Fiscal year's tax cost	**2018**	**2017**
Tax payable	0	0
Total ordinary tax costs	**0**	**0**

Temporary differences and deferred tax (asset)	**2018**	**2017**
+ Fixed assets incl. goodwill	-53 473	-60 662
- Tax losses carried forward	186 230 509	117 726 242
Total negative tax decreasing differences	**186 283 982**	**117 786 904**
Differences not included in calculation of deferred tax	186 283 982	117 786 904

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 10 - Equity / shareholders

Share capital consists of 48 479 880 shares of face value of NOK 0,05, total share capital is NOK 2 423 994.

	Share capital	**Share premium**	**Other equity**	**Total equity**
Pr 01.01.18	2 417 064	287 444 579	-86 332 842	203 528 801
- Net result for the year			-63 793 398	-63 793 398
+/-Other transactions:	6 930	329 970	0	336 900
Pr 31.12.18	**2 423 994**	**287 774 549**	**-150 126 240**	**140 072 303**
Other transactions consist of:				
Exercise of warrants	6 930	329 970		336 900
=Other transactions:	**6 930**	**329 970**	**0**	**336 900**

The company had 211 shareholders at 31.12.2018. The following shareholders owned more than 5% of the share capital:

Name of shareholder	**# of shares**	**Share %**
Sarsia Seed AS	6 074 800	12,53 %
Radiumhospitalets forskningsstiftelse	4 811 400	9,92 %
Datum Invest AS	4 152 600	8,57 %
Norda ASA	3 376 800	6,97 %
Arctic Funds PLC	2 929 140	6,04 %
Other shareholders	27 135 140	55,97 %
TOTAL	**48 479 880**	**100,00 %**

Direct or indirect shareholdings among the Board of Directors:

Name:	**Position:**	**Share %**
Ingrid Alfheim	Board Member	0,10 %
Tom Edward Pike	Board Chairman	0,51 %
Jan Haudemann-Andersen	Board Member	8,57 %

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 31.12.18 the company held EUR 1 945 849 and GBP 410 134 in bank accounts, and had entered into forward contracts for purchase of EUR and GBP as follows:

Date of exchange	**02.01.19**	**01.04.19**	**SUM**
GBP amount	250 000	250 000	500 000
Agreed rate GBP/NOK	*10,947*	*10,967*	
NOK value	2 736 750	2 741 750	5 478 500
GBP/NOK at 31.12.18			11,1213
Unrealized gain on forward contracts			82 150

Date of exchange	**01.03.19**	**01.06.19**	**01.09.19**	**01.12.19**	**SUM**
EUR amount	500 000	500 000	500 000	500 000	2 000 000
Agreed rate EUR/NOK	*9,66*	*9,707*	*9,7507*	*9,807*	
NOK value	4 830 000	4 853 500	4 875 350	4 903 500	19 462 350
EUR/NOK at 31.12.18					9,9483
Unrealized gain on forward contracts					434 250

As above contracts are evaluated as hedging instruments, connected to specific planned, future purchases nominated in GBP and EUR, in accordance with NRS18, the unrealized profit is not booked to balance as of 31.12.2018.

Deloitte.

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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 63 793 398. The financial statements comprise the balance sheet as at 31 December 2018, 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 2018, 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 information in the annual report, except 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 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 scepticism 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, 9. april 2019
Deloitte AS

Grete Elgåen
State Authorised Public Accountant (Norway)

PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

GRETE ELGÅEN
Statsautorisert revisor
Serienummer: 9578-5993-4-4286941
IP: 217.173.xxx.xxx
2019-05-06 09:42:25Z

bankID